

PT Pertamina (Persero) and its subsidiaries

Consolidated Financial Statements as of December 31, 2018
and for the year then ended with independent auditors' report

The original consolidated financial statements included herein are in the Indonesian language

**PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018 AND
FOR THE YEAR THEN ENDED WITH
INDEPENDENT AUDITORS' REPORT**

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**DIRECTORS' STATEMENT REGARDING
THE RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS
AS OF DECEMBER 31, 2018, 2017 AND JANUARY 1, 2017/DECEMBER 31, 2016
AND FOR THE YEARS ENDED DECEMBER 31, 2018 AND 2017**

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES

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

1. Name : Pahala N. Mansury
Office address : Jl. Medan Merdeka Timur 1A
Jakarta 10110
Telephone : 021 - 3815200
Position : Acting President Director & 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 responsible for the preparation and presentation of the consolidated financial statements of PT Pertamina (Persero) and its subsidiaries (the Group);
2. The Group's consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards;
3. a. All information has been fully and correctly disclosed in the Group's consolidated financial statements;
b. The Group's consolidated financial statements do not contain false material information or facts, nor do they omit material information or facts; and
4. We are responsible for the Group's internal control systems.

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

Jakarta, May 28, 2019
For and on behalf of the Board of Directors



Pahala N. Mansury
Acting President Director & CEO



Pahala N. Mansury
Finance Director

The original report included herein is in the Indonesian language.

Independent Auditors' Report

Report No. 01326/2.1032/AU.1/02/0684-4/1/V/2019

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

We have audited the accompanying consolidated financial statements of PT Pertamina (Persero) (the "Company") and its subsidiaries (collectively refer to as the "Group"), which comprise the consolidated statement of financial position as of December 31, 2018, and the consolidated statements of profit or loss and other comprehensive income, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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



The original report included herein is in the Indonesian language.

Independent Auditors' Report (continued)

Report No. 01326/2.1032/AU.1/02/0684-4/1/V/2019 (continued)

Opinion

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of PT Pertamina (Persero) and its subsidiaries as of December 31, 2018, and their consolidated financial performance and cash flows for the year then ended, in accordance with Indonesian Financial Accounting Standards.

Emphasis of matter

As disclosed in Note 51 to the accompanying consolidated financial statements, the Company restated and reissued the consolidated financial statements of the Group as of December 31, 2018 and for the year then ended due to an update on the disclosures of the transaction and basis for recognition of the revenues and receivables from the government arising from the shortfall of the disparity between the retail selling price ("HJE") formula and the Government's stipulated HJE of fuel assignment ("JBKP") for "premium" fuel for areas outside of Java, Madura, and Bali ("Non Jamali") for 2018. Our opinion is not modified in respect of such matter.

Other matters

Prior to the restatement and the reissuance of the consolidated financial statements of the Group as of December 31, 2018 and for the year then ended, we have issued the independent auditors' report No. 01241/2.1032/AJ.1/02/0684-4/1/V/2019 dated May 20, 2019 with a qualified opinion on such consolidated financial statements.

Our audit of the accompanying consolidated financial statements of the Group as of December 31, 2018 and for the year then ended was performed for the purpose of forming an opinion on such consolidated financial statements taken as a whole. The accompanying financial information of the Company (the parent entity), which comprises the statement of financial position as of December 31, 2018, and the statements of profit or loss and other comprehensive loss, changes in equity, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information (collectively referred to as the "Financial Information of the Parent Entity"), which is presented as a supplementary information to the accompanying consolidated financial statements, is presented for the purpose of additional analysis and is not a required part of the accompanying consolidated financial statements under Indonesian Financial Accounting Standards.

The original report included herein is in the Indonesian language.

Independent Auditors' Report (continued)

Report No. 01326/2.1032/AU.1/02/0684-4/1/V/2019 (continued)

Other matters (continued)

The Parent Entity Financial Information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the accompanying consolidated financial statements. The Parent Entity Financial Information has been subjected to the auditing procedures applied in the audits of the accompanying consolidated financial statements in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. In our opinion, the Parent Entity Financial Information is fairly stated, in all material respects, in relation to the accompanying consolidated financial statements taken as a whole.

KAP Purwantono, Sungkoro & Surja



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

May 28, 2019

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

	Notes	As Restated (Note 5)		
		December 31, 2018	December 31, 2017	January 1, 2017/ December 31, 2016
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	2g,2h,6	9,112,312	6,409,827	6,721,568
Restricted cash	2g,2h,7	108,915	119,671	122,697
Short-term investments	2h	225,199	249,282	130,820
Trade receivables	2h,2l			
Related parties	2f,41a	1,297,651	1,095,016	1,422,268
Third parties	8a	1,933,455	1,580,627	1,442,452
Due from the Government - current portion	2h,9	1,834,261	1,492,625	1,792,457
Other receivables	2h,2i			
Related parties	2f,41b	149,178	255,054	242,839
Third parties	8b	734,312	620,460	649,798
Inventories	2j,10	6,323,165	6,036,137	4,795,022
Prepaid taxes - current portion	2u,40a	820,598	794,255	567,621
Prepayments and advances	2k	534,987	476,326	503,382
Other investments	2h,11	80,171	27,328	43,190
Total Current Assets		23,154,204	19,156,608	18,434,114
NON-CURRENT ASSETS				
Due from the Government - net of current portion	2h,9	2,924,148	663,114	-
Deferred tax assets	2u,40e	1,441,866	1,371,080	751,463
Long-term investments	2h,2m,12	2,819,054	2,970,918	3,329,439
Fixed assets	2n,2o,13	12,859,274	12,439,511	12,156,785
Oil & gas and geothermal properties	2o,2p,14	18,614,286	18,031,374	16,397,662
Prepaid taxes - net of current portion	2u,40a	820,287	829,300	1,469,767
Other non-current assets	2h,15	2,085,333	1,977,470	1,436,864
Total Non-Current Assets		41,564,248	38,282,767	35,541,980
TOTAL ASSETS		64,718,452	57,439,375	53,976,094

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

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

	Notes	December 31, 2018	As Restated (Note 5)	
			December 31, 2017	January 1, 2017/ December 31, 2016
LIABILITIES AND EQUITY				
LIABILITIES				
SHORT-TERM LIABILITIES				
Short-term loans	2h,16	4,347,035	452,879	230,293
Trade payables	2h			
Related parties	2f,41c	78,781	49,277	118,540
Third parties	17	3,597,777	3,900,121	3,290,665
Due to Government - current portion	2h,18	1,207,743	1,050,619	952,545
Taxes payable	2u,40b			
Income taxes		467,605	308,803	475,576
Other taxes		258,405	250,533	251,553
Accrued expenses	2h,19	2,135,509	2,019,896	1,596,612
Long-term liabilities -				
current portion	2h,2o,20	420,577	365,959	722,200
Other payables	2h			
Related parties	2f,41d	54,011	56,625	50,947
Third parties		1,203,426	1,121,494	1,026,808
Deferred revenues - current portion		202,013	260,838	177,499
Total Short-Term Liabilities		13,972,882	9,837,044	8,893,238
LONG-TERM LIABILITIES				
Due to Government - net of				
current portion	2h,18	795,082	780,626	732,573
Deferred tax liabilities	2u,40e	3,307,406	2,848,152	2,528,517
Long-term liabilities -				
net of current portion	2h,2o,20	1,805,300	2,109,767	2,716,909
Bonds payables	2h,21	11,094,096	10,385,873	9,772,656
Employee benefits liabilities	2s,22	1,850,383	2,208,220	2,058,732
Provision for decommissioning				
and site restoration	2q,23	2,029,735	2,129,337	1,900,093
Deferred revenues -				
net of current portion		74,623	42,716	65,715
Other non-current payables	2h	178,905	84,373	62,903
Total Long-Term Liabilities		21,135,530	20,589,064	19,838,098
TOTAL LIABILITIES		35,108,412	30,426,108	28,731,336

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

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

	Notes	December 31, 2018	As Restated (Note 5)	
			December 31, 2017	January 1, 2017/ December 31, 2016
EQUITY				
Equity attributable to owners of the parent entity				
Share Capital				
Authorized – 600,000,000 (2018) and 200,000,000 (2017 and 2016) ordinary shares at par value of Rp1,000,000 (full amount) per share;				
Issued and paid-up-capital				
171,227,044 shares (2018), 133,090,697 shares (2017 and 2016)	25a	16,191,204	13,417,047	13,417,047
Additional paid-in capital	2e,4a,25b	(924,296)	2,736	2,736
Merging entity's equity		-	1,804,579	1,801,742
Government contributed assets pending final clarification of status	26	401,120	1,361	1,361
Other equity components		607,564	487,699	664,617
Retained earnings	27			
- Appropriated		8,796,357	6,871,101	4,631,441
- Unappropriated		2,526,772	2,540,195	3,147,043
Total equity attributable to owners of the parent entity		27,598,721	25,124,718	23,665,987
Non-controlling interests	2c,24	2,011,319	1,888,549	1,578,771
TOTAL EQUITY		29,610,040	27,013,267	25,244,758
TOTAL LIABILITIES AND EQUITY		64,718,452	57,439,375	53,976,094

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

The original consolidated financial statements included herein are in the Indonesian language

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the years ended December 31	
		2018	As Restated (Note 5) 2017
Sales and Other Operating Revenues	2r		
Domestic sales of crude oil, natural gas, geothermal energy and oil products	28	44,742,511	39,788,784
Subsidy reimbursements from the Government	29	5,632,468	3,572,084
Export of crude oil, natural gas and oil products	30	3,636,953	1,874,281
Marketing fees		15,432	25,474
Revenues from other operating activities	31	3,906,207	740,100
TOTAL SALES AND OTHER OPERATING REVENUES		57,933,571	46,000,723
Cost of sales and other direct costs	2r		
Cost of goods sold	32	(42,787,916)	(33,175,656)
Upstream production and lifting costs	33	(4,386,516)	(3,421,207)
Exploration costs	34	(267,680)	(165,356)
Expenses from other operating activities	35	(1,271,977)	(862,962)
TOTAL COST OF SALES AND OTHER DIRECT COSTS		(48,714,089)	(37,625,181)
GROSS PROFIT		9,219,482	8,375,542
Selling and marketing expenses	2r,36	(1,642,831)	(1,590,202)
General and administrative expenses	2r,37	(1,329,911)	(1,598,934)
Gain on foreign exchange, net	2r,2t	19,622	58,137
Finance income	2r,38	256,573	233,074
Finance costs	2r,38	(835,238)	(817,711)
Share in net profit of associates and joint ventures	2c,2r	122,724	37,904
Other expenses, net	2r,39	(80,825)	(830,582)
		(3,489,886)	(4,508,314)
PROFIT BEFORE INCOME TAX		5,729,596	3,867,228
Income tax expense, net	2u,40c	(3,013,202)	(1,166,824)
PROFIT FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITY'S INCOME ADJUSTMENT		2,716,394	2,700,404

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

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PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the years ended December 31	
		2018	As Restated (Note 5) 2017
PROFIT FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITY'S INCOME ADJUSTMENT		2,716,394	2,700,404
OTHER COMPREHENSIVE (LOSS)/INCOME			
Item not to be reclassified to profit or loss in subsequent periods (net of tax)			
Remeasurement of net defined benefit liability	2s	228,498	(129,059)
Items to be reclassified to profit or loss in subsequent periods (net of tax)			
Foreign exchange difference from translation of financial statements in foreign currency	2c,2t	(79,561)	7,060
Share of other comprehensive loss of associates	2c,2m	(130,775)	(25,134)
Other comprehensive income (loss), net of tax		18,162	(147,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER THE EFFECTS OF MERGING ENTITY'S COMPREHENSIVE INCOME ADJUSTMENT		2,734,556	2,553,271
Adjustment merging entity's income:			
Owners of the parent entity		(45,770)	(81,537)
Non-controlling interests	2c	(34,585)	(66,248)
Total		(80,355)	(147,785)
TOTAL INCOME FOR THE YEAR BEFORE THE EFFECT OF MERGING ENTITY'S INCOME ADJUSTMENT ATTRIBUTABLE TO:			
Owners of the parent entity		2,526,772	2,540,195
Non-controlling interests	2c	109,267	12,424
Total		2,636,039	2,552,619

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

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PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF PROFIT OR LOSS (continued)
AND OTHER COMPREHENSIVE INCOME
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the years ended December 31	
		2018	As Restated (Note 5) 2017
Adjustments of merging entity's comprehensive income:			
Owners of the parent		(42,546)	(80,710)
Non-controlling interests	2c	(32,682)	(65,549)
Total		(75,228)	(146,259)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR BEFORE EFFECTS OF MERGING ENTITY'S COMPREHENSIVE INCOME ADJUSTMENT ATTRIBUTABLE TO:			
Owners of the parent entity		2,536,559	2,363,277
Non-controlling interests	2c	122,769	43,735
Total		2,659,328	2,407,012

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

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

Notes	Attributable to owners of the parent entity										Total	Non-controlling interests	Total equity
	Issued and paid-up capital	Merging entity's equity	Additional paid-in capital	Government contributed assets pending final clarification of status	Other equity components		Retained earnings		Total	Non-controlling interests			
					Differences arising from translation of non US\$ currency financial statements	Other comprehensive income	Appropriated	Unappropriated					
Balance as of January 1, 2017/ December 31, 2016 (as restated)	13,417,047	1,801,742	2,736	1,361	(304,201)	968,818	4,631,441	3,147,043	23,665,987	1,578,771	25,244,758		
Inpact of consolidated beginning balance of non-controlling interest Etablissement Maurel Et Prom	-	-	-	-	-	-	-	-	-	252,158	252,158		
Merging entities income adjustment of merging entity's comprehensive income	-	80,710	-	-	-	-	-	-	80,710	65,549	146,259		
Adjustment of merging entity's other equity transaction	-	(77,873)	-	-	-	-	-	-	(77,873)	(51,664)	(129,537)		
Differences arising from translation of US Dollar currency financial statements	2c,2t	-	-	-	1,225	-	-	-	1,225	3,271	4,496		
Other comprehensive income from associates	-	-	-	-	-	(55,421)	-	-	(55,421)	28,050	(27,371)		
Remeasurements of net defined benefit liability	2s	-	-	-	-	(122,722)	-	-	(122,722)	(10)	(122,732)		
Dividends declared	2aa,27	-	-	-	-	-	-	(907,383)	(907,383)	-	(907,383)		
Appropriation of other reserves	27	-	-	-	-	-	2,239,660	(2,239,660)	-	-	-		
Profit for the year	-	-	-	-	-	-	-	2,540,195	2,540,195	12,424	2,552,619		
Balance as of December 31, 2017 (as restated)	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		

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

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (continued)
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

Attributable to owners of the parent entity

Notes	Attributable to owners of the parent entity										Total equity
	Issued and paid-up capital	Merging entity's equity	Additional paid-in capital	Government contributed assets pending final clarification of status	Other equity components			Retained earnings		Non-controlling interests	
					Differences arising from translation of non US\$ currency financial statements	Other comprehensive income	Appropriated	Unappropriated	Total		
Balance as of January 1, 2018/ December 31, 2017 (as restated)	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
Adjustments of merging entity's comprehensive Income for the year	-	42,546	-	-	-	-	-	-	42,546	32,682	75,228
Changes in ownership in PT Asuransi Tugu Pratama Indonesia Tbk and PT Pertamina Internasional Eksplorasi dan Produksi	-	-	-	-	-	13,710	-	-	13,710	68,814	82,524
Capitalization of advance for share issuance	2,774,157	(1,847,125)	(927,032)	-	-	-	-	-	-	-	-
Government contributed assets pending final clarification of status	26	-	-	399,759	-	-	-	-	399,759	-	399,759
Differences arising from translation of non-US Dollar currency financial statements	2c,2t	-	-	-	(59,338)	-	-	-	(59,338)	(20,223)	(79,561)
Other comprehensive income from associates	-	-	-	-	-	(69,138)	-	-	(69,138)	(61,637)	(130,775)
Remeasurements of net defined benefit liability	2s	-	-	-	-	234,631	-	-	234,631	(6,133)	228,498
Dividends declared	2aa,27	-	-	-	-	-	-	(614,939)	(614,939)	-	(614,939)
Appropriation of other reserves	27	-	-	-	-	-	1,925,256	(1,925,256)	-	-	-
Profit for the year	-	-	-	-	-	-	-	2,526,772	2,526,772	109,267	2,636,039
Balance as of December 31, 2018 (as restated)	16,191,204	-	(924,296)	401,120	(362,314)	969,878	8,796,357	2,526,772	27,598,721	2,011,319	29,610,040

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

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the years ended December 31	
		2018	As Restated (Note 5) 2017
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts from customers		48,878,496	40,220,288
Cash receipts from the Government		7,805,648	3,787,855
Cash receipts from tax restitutions		185,016	616,698
Payments to suppliers		(38,227,640)	(29,261,802)
Payments to the Government		(11,279,557)	(7,524,628)
Payments of corporate income taxes		(2,688,175)	(2,100,297)
Cash paid to employees and management		(1,640,855)	(1,540,805)
Receipts from (placement of) restricted cash		73,109	(156,047)
Receipts of interest		63,327	35,616
Net cash generated from operating activities		3,169,369	4,076,878
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of short-term investments		198,439	99,870
Proceeds from disposal of long-term investments		-	15,801
Interest received from investments		13,784	18,240
Cash receipts from other investing activities		262,222	28,681
Proceeds from sale of fixed assets		176	102
Dividends received from associates		214,083	81,648
Purchases of fixed assets		(1,287,975)	(981,944)
Purchases of oil & gas and geothermal properties		(1,482,518)	(891,964)
Placements in long-term investments		(1,062,244)	(659,992)
Placements in short-term investments		(237,577)	(226,322)
Payments for exploration and evaluation assets		(99,538)	(37,200)
Placement of restricted cash		(22,614)	(29,433)
Cash obtained due to change of control		-	203,230
Net cash used in investing activities		(3,503,762)	(2,379,283)

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

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
CONSOLIDATED STATEMENT OF CASH FLOWS (continued)
For the Year Ended December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)

	Notes	For the years ended December 31	
		2018	As Restated (Note 5) 2017
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from short-term loans	46	9,489,219	4,039,533
Proceeds from bond issuance	46	734,407	-
Proceeds from long-term loans	46	255,931	1,288,204
Repayments of short-term loans	46	(5,583,278)	(3,786,723)
Repayments of long-term loans	46	(465,351)	(2,109,038)
Dividend payments	27,46	(585,755)	(867,751)
Payments of finance costs		(538,489)	(523,147)
Repayments of bonds	46	(37,649)	-
Placement of restricted cash		(312)	(13,249)
Net cash generated from financing activities		3,268,723	(1,972,171)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS		2,934,330	(274,576)
Effects of exchange rate changes on cash and cash equivalents		(231,845)	(37,165)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	6	6,409,827	6,721,568
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	6	9,112,312	6,409,827

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

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2018 and for the Year Then Ended
(Expressed in thousands of United States Dollars, unless otherwise stated)

1. GENERAL

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

i. Company profile

The Company was established by Notarial Deed No. 20 dated September 17, 2003 of Lenny Janis Ishak, S.H. The Company’s deed of establishment was approved by the Minister of Justice and Human Rights through Letter No. C-24025 HT.01.01.TH.2003 dated October 9, 2003 and published in State Gazette No. 93 Supplement No. 11620 dated November 21, 2003. The establishment of the Company was based on Law No. 1 Year 1995 dated March 7, 1995 regarding Limited Liability Companies, Government Regulation (“PP”) No. 12 Year 1998 dated January 17, 1998 regarding State Enterprises (Persero), PP No. 45 Year 2001 dated June 5, 2001 regarding Amendment to PP No. 12 Year 1998, Law No. 22 Year 2001 dated November 23, 2001 regarding Oil and Gas, Law No. 19 Year 2003 dated June 19, 2003 regarding State-Owned Enterprises, and PP No. 31 Year 2003 dated June 18, 2003 regarding the change in the status of Perusahaan Pertambangan Minyak dan Gas Bumi Negara (Pertamina, “the former Pertamina Entity”) to a State 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 approved 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, Liquefied 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;

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1. GENERAL (continued)

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

ii. Business activities and principal address (continued)

- f. Conduct operational activities of transportation 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”), Liquefied Coal, Gasified Coal, Shale Gas, Shale Oil, Bio Fuel, Diesel Fuel, Wind Energy and Biomass.

In addition to the above main business activities, the Company may conduct business in order to optimize the utilization of available resources as follows:

- a. Trading house, real estate, warehousing, tourism, resort, sports and recreation, rest areas, hospitals, education, research, infrastructure, telecommunications, rental services and operation of facilities and infrastructure owned by the Company, the freeway (toll) and shopping centre/mall;
- b. Management of Special Economic Zones;
- c. Industrial Complex management; and
- d. Other business activities and associated to support its main businesses.

The Company has processing activities which include the processing of crude oil into oil products and production of Liquefied 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.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2018 and for the Year Then Ended
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1. GENERAL (continued)

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

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

As of December 31, 2018, and 2017, the composition of the Company’s Board of Commissioners are as follows:

	2018	2017
President Commissioner	Tanri Abeng ^a	Tanri Abeng ^a
Vice President Commissioner	Arcandra Tahar	Arcandra Tahar
Commissioner	Sahala Lumban Gaol	Sahala Lumban Gaol
Commissioner	Suahasil Nazara	Suahasil Nazara
Commissioner	Ahmad Bambang ^c	Edwin Hidayat Abdullah
Commissioner	Alexander Lay ^{a,c}	Alexander Lay ^b
Commissioner	Ego Syahrial ^c	-

a Independent Commissioner

b Effective per September 12, 2017 based on General Meeting Shareholder (“GMS”) No. SK-194/MBU/09/2017

c Effective per May 30, 2018 based on GMS No. SK-142/MBU/05/2018

As of December 31, 2018, and 2017, the composition of the Company’s Board of Directors are as follows:

	2018	2017
President Director	Nicke Widyawati ^b	Elia Massa Manik
Marketing Director	-	Muchamad Iskandar
Corporate Marketing Director	Basuki Trikora Putra ^a	-
Retail Marketing Director	Mas’ud Khamid ^a	-
Upstream Director	Dharmawan H. Samsu ^b	Syamsu Alam
Gas Director	-	Yenni Andayani
Finance Director	Pahala N. Mansury ^c	Arief Budiman
Human Resources Director	Koeshartanto ^b	Nicke Widyawati
Logistic, Supply Chain, and Infrastructure Director	Gandhi Sriwidodo ^a	-
Refinery Director	Budi Santoso Syarif ^a	Toharso
Refinery Megaproject and Petrochemical Director	Ignatius Tallulembang ^c	Ardhy N. Mokobombang
Investment Planning and Risk Management Director	Heru Setiawan ^c	Gigih Prakoso
Asset Management Director	M. Haryo Yuniyanto ^a	Dwi Wahyu Daryoto

^a Effective per April 20, 2018 based on resolution GMS No. SK-97/MBU/04/2018

^b Effective per August 29, 2018 based on resolution GMS No. SK-232/MBU/08/2018

^c Effective per September 13, 2018 based on resolution GMS No. SK-242/MBU/09/2018

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As of December 31, 2018 and for the Year Then Ended
(Expressed in thousands of United States Dollars, unless otherwise stated)

1. GENERAL (continued)

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

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

As of December 31, 2018 and 2017, the composition of the Company's Audit Committee is as follows:

	2018	2017
Chairman	Tanri Abeng ^a	Tanri Abeng ^a
Vice Chairman	Sahala Lumban Gaol ^c	Sahala Lumban Gaol
Vice Chairman	Ahmad Bambang ^c	Edwin Hidayat Abdullah
Member	-	Dwi Martani
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

iv. Number of employees

As of December 31, 2018 and 2017, the Group has 31,569 and 30,118 permanent employees (unaudited), respectively.

b. Subsidiaries, associates and joint arrangements

i. Subsidiaries

As of December 31, 2018 and 2017, the Group has direct or indirect control of the following subsidiaries:

Subsidiaries	Year of establishment	Effective percentage of ownership		Total assets before elimination	
		2018	2017	2018	2017
Oil and gas exploration and production					
1. PT Pertamina Hulu Energi	1990	100.00%	100.00%	4,531,667	4,780,787
2. PT Pertamina EP	2005	100.00%	100.00%	7,498,644	7,621,461
3. PT Pertamina EP Cepu	2005	100.00%	100.00%	2,992,894	2,608,022
4. Pertamina E&P Libya Limited, British Virgin Island	2005	100.00%	100.00%	154	154
5. PT Pertamina East Natuna	2012	100.00%	100.00%	129	129
6. PT Pertamina EP Cepu ADK	2013	100.00%	100.00%	12,847	18,534
7. PT Pertamina Internasional Eksplorasi dan Produksi	2013	100.00%	100.00%	5,841,041	5,776,299
8. ConocoPhillips Algeria Limited, Cayman Island *)	2013	100.00%	100.00%	774,216	1,065,720
9. PT Pertamina Hulu Indonesia	2015	100.00%	100.00%	1,478,109	304,838
10. PT Pertamina Hulu Rokan**)	2018	100.00%	-	785,000	-
Geothermal exploration and production					
11. PT Pertamina Geothermal Energy	2006	100.00%	100.00%	2,556,651	2,408,120
Oil and gas drilling services					
12. PT Pertamina Drilling Services Indonesia	2008	100.00%	100.00%	560,423	574,402

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As of December 31, 2018 and for the Year Then Ended
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1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

i. Subsidiaries (continued)

Subsidiaries	Year of establishment	Percentage of ownership		Total assets before elimination	
		2018	2017	2018	2017
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%	390,995	358,319
Oil and gas trading, gas transportation, processing, distribution and storage					
14. PT Pertamina Gas***)	2007	-	100.00%	-	1,926,760
15. PT Perusahaan Gas Negara Tbk***)	2018	56.96%	-	8,764,437	6,293,129
Electricity					
16. PT Pertamina Power Indonesia	2016	100.00%	100.00%	114,721	99,726
Trading services and industrial activities					
17. PT Pertamina Patra Niaga	1997	100.00%	100.00%	908,986	960,394
18. Pertamina International Timor S.A	2015	95.00%	95.00%	36,643	28,677
Public fuel filling stations business					
19. PT Pertamina Retail	1997	100.00%	100.00%	203,312	150,643
Lubricant processing and marketing					
20. PT Pertamina Lubricants	2013	100.00%	100.00%	413,332	500,637
Shipping					
21. PT Pertamina Trans Kontinental	1969	100.00%	100.00%	307,519	287,014
22. PT Pertamina International Shipping	2016	100.00%	100.00%	296,335	217,466
Air transportation services					
23. PT Pelita Air Service	1970	100.00%	100.00%	60,380	65,300
Investment management					
24. PT Pertamina Pedeve Indonesia (previously PT Pertamina Dana Ventura)	2002	100.00%	100.00%	62,098	71,327
Human resources development services					
25. PT Pertamina Training & Consulting	1999	100.00%	100.00%	39,799	40,768
Offices, house rental and hotel operations					
26. PT Patra Jasa	1975	100.00%	100.00%	236,119	229,394
Health services and hospital operations					
27. PT Pertamina Bina Medika	1997	100.00%	100.00%	105,743	111,006
Insurance services					
28. PT Asuransi Tugu Pratama Indonesia Tbk ("ATPI") (previously PT Tugu Pratama Indonesia) ****)	1981	58.50%	65.00%	923,376	836,387
Refineries					
29. PT Kilang Pertamina Internasional	2017	100.00%	100.00%	1,836	738

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
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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	
		2018	2017	2018	2017
Liquefied Natural Gas ("LNG") regasification					
30. PT Nusantara Regas *****	2010	82.78%	60.00%	240,817	277,438

*) Effective liquidation on February 28, 2019

***) Note 4g

****) Note 4a

*****) Note 4j

*****) Note 4b

ii. Associates

The directly owned associates as of December 31, 2018, 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 December 31, 2018, 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 December 31, 2018, 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")	59.87%	Transport of natural gas via transmission pipes
7. Unimar LLC	50.00%	Exploration and production of oil and gas
8. PT Permata Karya Jasa ("Perkasa")	60.00%	Workshop services, guidance, and distribution of labour services

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

iii. Joint arrangements (continued)

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 Justice 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 possessed 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:

Joint ventures	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.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation of the consolidated financial statements

The accounting and financial reporting policies adopted by the Group conform to the Indonesian financial accounting standards, which are based on Indonesian Statements of Financial Accounting Standards ("SFAS"). The accounting policies were applied consistently in the preparation of the consolidated financial statements for the periods ended December 31, 2018 and 2017 by the Group.

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

The consolidated statements 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, 2018 or later periods. The Group has adopted them, but they have no significant impact to the Group's current business:

- Amendment to SFAS 2: Statement of Cash Flows on Disclosures Initiative
- Amendment to SFAS 13: Investment Property: Transfer of Investment Property
- Amendment to SFAS 46: Income Tax on Recognition of Deferred Tax Assets
- SFAS 15 (2017 Improvement): Investments in Associates and Joint Ventures
- SFAS 67 (2017 Improvement): Disclosure of Interest In Other Entities

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

The following are several accounting standards issued by the Indonesian Financial Accounting Standards Board ("DSAK") that are considered relevant to the financial reporting of the Group but not yet effective for consolidated financial statements as of December 31, 2018 and for the year then ended:

Effective January 1, 2019

- ISAK 33: Foreign currency transaction and advance consideration, which clarifies the use of the transaction date to determine the exchange rate used in the initial recognition of the related asset, expense, or income at the time the entity has received or paid advance consideration in the foreign currency.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
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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)

- ISAK 34: Uncertainty in the Treatment of Income Tax which is an interpretation of SFAS 46: Income Tax which aims to clarify and provide guidance in addressing uncertainty in income tax treatment in financial statements.
- Amendments to SFAS 24: Employee Benefits which provide clearer guidance for entities in recognizing past service costs, settlement gains and losses, current service costs and net interest after amendments, curtailments, or completion of programs because they use the latest actuarial assumptions (previously using actuarial assumptions at the beginning of the annual reporting period) and clarifies how the accounting requirements for amendments, curtailments, or program completion can affect the asset limit requirements as seen from the reduction in surplus which causes the impact of the asset limit to change.
- SFAS 22 (2018 Improvement): Business Combination which clarifies that when one party in a joint arrangement obtains control of business which is a joint operation (as defined in SFAS 66), and has rights to assets and liabilities to the liabilities related to operations together, just before the acquisition date, the transaction is a business combination that is carried out in stages.
- SFAS 26 (2018 Improvement): Borrowing Costs which clarifies that capitalized borrowing costs are the weighted average borrowing costs for all loan balances during the period but the entity excludes from the calculation the borrowing costs on loans specifically obtained to obtain the qualifying assets up to the point that substantially all activities needed to prepare assets to be used in accordance with their intentions or sold have been completed.
- SFAS 46 (2018 Improvement): Income tax which confirms the consequences of income tax on dividends (as defined in SFAS 71: Financial Instruments) arises when an entity recognizes a liability to pay dividends. The consequences of income tax are more directly related to past transactions or events that generate profits that can be distributed rather than with distribution to owners. Therefore, the entity recognizes the income tax consequences in profit or loss, other comprehensive income or equity in accordance with the entity's initial recognition of past transactions or events.
- SFAS 66 (2018 Improvement): Joint Arrangement which clarifies that the parties participating in, but do not have joint control over, a joint operation can obtain joint control over joint operations in the event that joint operations activities are a business (as defined in SFAS 22 : Business Combination). In such cases, previously held interests in joint operations are not remeasured.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

b. Change in accounting policies and disclosure (continued)

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

Effective January 1, 2020

- Amendments to SFAS 15: Investment in Associates and Joint Ventures, this amendments stipulate 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.
- 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 specifically for lessee. 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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

c. Principles of consolidation (continued)

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

If the Group loses 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 statement of financial position.

d. Business combinations

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

d. Business combinations (continued)

If the business combinations is achieved in stages, the acquisition date fair value of the acquirer's previously held equity interest in the acquire is remeasured to fair value at the acquisition date and any results 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 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 in every end of 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 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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 statement of cash flows, cash and cash equivalents are presented net of overdrafts.

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

h. Financial instruments

i. Financial assets

Initial recognition

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

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

i. Financial assets (continued)

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 investments
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.

Impairment of financial assets

Assets carried at amortized cost

At the end of each reporting period, the Group assesses 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 yet 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

i. Financial assets (continued)

Impairment of financial assets

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.

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

ii. Financial liabilities (continued)

Initial recognition (continued)

Financial liabilities are initially recognized 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.

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 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.

Derecognition

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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

h. Financial instruments (continued)

iii. Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is reported in the consolidated statement 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.

iv. Derivative financial instruments and hedge accounting

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

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

i. Receivables

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

j. Inventories

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

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

The net realizable value of subsidized fuel products ("BBM") are recognized at the lower price of the next month the Government decreed price and 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

i. 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 (ten) to 25 (twenty-five) years.

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

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

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

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

	<u>Years</u>
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.

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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 incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognized over the lease term on the same basis of rental income. Contingent rents are recognized as revenues on a straight-line basis over the lease term.

p. Oil & gas and geothermal properties

i. Exploration and evaluation assets

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

Geological and geophysical costs are expensed as incurred.

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

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

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

ii. Development assets

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

p. Oil & gas and geothermal properties (continued)

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:

	<u>Years</u>
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.

v. Ownership interest in unitization operation

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

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

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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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

r. Revenue and expense recognition (continued)

i. Revenue (continued)

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.

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 disparity of formula retail selling price and Government's stipulated retail selling price ("Disparity of Selling Price") of certain type of fuel ("JBT") Diesel Fuel and special type fuel assignment ("JBKP") Premium are recognized in the period when sale of JBT Diesel Fuel and JBKP Premium occurs and the settlement and/or collectability of such Disparity of Selling Price is certain at the completion date of the consolidated financial statements.

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

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.

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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).

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 Dollar at the exchange rates prevailing at the date of statement of financial position.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The exchange rates used as of December 31, 2018 and 2017 are as follows (round to two decimal places):

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
1,000 Rupiah/US Dollar	0.07	0.07
Singapore Dollar/US Dollar	0.73	0.75
100 Japanese Yen/US Dollar	0.91	0.89
Hong Kong Dollar/US Dollar	0.13	0.13
Euro/US Dollar	1.14	1.19
Malaysian Ringgit/US Dollar	0.24	0.25
Algeria Dinar/US Dollar	0.01	0.01

u. 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 reported in Annual Tax Returns ("SPT") in connection with situations in which tax rules that apply require interpretation. Where appropriate, the Group determines the allowance based on the amount expected to be paid to the tax authorities including consideration of the decision of the tax court and the Supreme Court if the company filed an appeal.

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.

In income tax calculation, the Company recognizes revenue from Disparity of Selling Price 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;

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

u. Income tax

Deferred Tax (continued)

- ii. from taxable temporary differences in investments in subsidiaries, associated companies and interests in joint arrangements, which when reversed can be controlled and it is probable that the temporary differences will not be reversed in the near future.

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

- i. if deferred tax assets arise from the initial recognition of an asset or liability in a transaction that is not a business combination transaction and does not affect the accounting profit or taxable income/tax loss; or
- ii. from temporary differences that can be deducted from investments in subsidiaries, associated companies and interests in joint arrangements, deferred tax assets are only recognized if it is probable that the temporary differences will not be reversed in the near future and taxable profits can be compensated by the temporary difference.

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

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

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

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 disparity will be recorded by the Company when submitting payments for subsidies and/or price disparity 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.

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

x. Bond issue costs

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

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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

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 May 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.

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

a. Judgements

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

i. Exploration and evaluation expenditures

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

ii. Development expenditures

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

iii. Uncertain tax exposure

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

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

iv. Recognition of Disparity of Selling Price of JBT Diesel Fuel and JBKP Premium

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

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

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

b. Estimates and assumptions

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

i. Impairment of non-financial assets

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

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

ii. Reserves estimates

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

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

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

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

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

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.

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

b. Estimates and assumptions (continued)

iii. Oil and gas properties

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

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

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

iv. Provision for the impairment of loans and receivables

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

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

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

v. Due from the Government

The Group recognizes amounts due from the Government for cost subsidies for 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.

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

b. Estimates and assumptions (continued)

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.

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

The Group has acquired and added 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 2017 until 2018 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	PT 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	PT 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	PT Pertamina EP Cepu
Acquisition of Working Area Attaka (unitization)	Attaka	East Kalimantan	01/01/2018	24/10/2018	100%	Oil and gas	10 months	PT 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	PT Pertamina Hulu Indonesia
Acquisition of Working Area Geothermal Seulawah Agam	Seulawah Agam	Aceh	09/04/2018	08/04/2055	75%	Geothermal	37 years	PT 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	PT 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	PT Pertamina Hulu Energi
Acquisition Interest Right Unit In Unitization Field Sukowati	Sukowati	Tuban	25/06/2018	24/06/2028	100%	-	20 years	PT 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	PT 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	PT 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	PT Pertamina Hulu Energi

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

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 East Kalimantan and Attaka Block	East Kalimantan and Attaka Block	East Kalimantan	25/10/2018*	24/10/2038	100%	Oil and gas	20 years	PT 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	PT 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	PT Pertamina PT Energi
Acquisition of Working Area Salawati Block	Salawati Block	Papua	23/04/2020*	22/04/2040*	30%	Oil and gas	20 years	PT 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	PT Pertamina Hulu Energi

* (Note 4d)

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

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

On February 28, 2018, the GOI issued PP No. 6/2018 regarding Additional State Capital Investment in the Company. This regulation is to increase the GOI paid-up capital in the Company by transferring 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 Rp38,136,346,046,696 (full amount).

On April 11, 2018, the Minister of State-Owned Enterprises ("MoSOE") issued Letter No. S-216/MBU/2018 to approve the transfer of 56.96% B series of PGN shares and additional state capital investment in the Company amounting to Rp38,136,346,046,696 (full amount). On the same date, the MoSOE issued Letter No. S-217/MBU/04/2018 to increase the Company's authorized share capital from Rp200,000,000 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 Letter No. AHU-0008395.AH.01.02. 2018 regarding Approval of Changes in PT Pertamina (Persero) Articles of Association. It is stipulated that changes to Pertamina's Article of Association 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".

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

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

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

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

Based on the amendment and restatement of the share purchase agreement between the Company and PGN dated December 28, 2018, PGN officially acquired the shares of PT Pertamina Gas ("Pertagas") owned by the Company as much as 51% (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.

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

b. Control over PT Nusantara Regas

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.

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

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

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4. ACQUISITION, ADDITION OF PARTICIPATING INTEREST AND CHANGES IN PERCENTAGE OF OWNERSHIP (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 Working Area from the previous contractors Total E&P Indonesia 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 Satuan Kerja Khusus Pelaksana Kegiatan Usaha Hulu Minyak dan Gas ("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 from 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.

Total capital and operational expense in relation with the transfer of Mahakam block as of December 31, 2017 amounted to US\$99,780 and US\$63,666, respectively recorded as oil and gas properties and deferred expense which can be proposed for cost recovery from January 1, 2018.

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

e. Mahakam production sharing contract

- First Tranche Petroleum (“FTP”) (continued)

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.

On April 20, 2018, the second amendment of Mahakam PSC was signed, adding some important points, including the addition of Tengah working area into Mahakam working area. This amendment was effective on October 5, 2018.

f. Addition 41.37% 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 on December 31, 2017 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 (“PJUC”), 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 (ADS, SPHC, BPH, 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 MoEMR 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.

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.

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

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

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 ("MoEMR") 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.

5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS

In 2018, the Company restated the consolidated financial statements on December 31, 2017 and January 1, 2017/December 31, 2016 and for the year ended December 31, 2017 due to the retrospective application of SFAS 38 (Revised 2012) Business Combination of Entities Under Common Control (Note 2e) in relation to business combination transactions of entities under common control between the Company and PGN (Note 4a) and Control of Regas (Note 4b).

The impact of the restatement mentioned above on the Group's consolidated financial statements as of December 31, 2017 and January 1, 2017/December 31, 2016 and for the year ended December 31, 2017 are as follows:

Consolidated statement of financial position of the group as of December 31, 2017:

	As previously reported	Proforma adjustment	As restated
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5,226,332	1,183,495	6,409,827
Restricted cash	89,919	29,752	119,671
Short-term investments	247,119	2,163	249,282
Trade Receivables			
Related Parties	946,027	148,989	1,095,016
Third Parties	1,385,519	195,108	1,580,627
Due from the Government - current portion	1,492,625	-	1,492,625
Other receivables			
Related parties	286,233	(31,179)	255,054
Third parties	430,766	189,694	620,460
Inventories	5,967,627	68,510	6,036,137
Prepaid taxes - current portion	794,236	19	794,255
Prepayments and advances	393,075	83,251	476,326
Other investments	27,328	-	27,328
Total Current Assets	17,286,806	1,869,802	19,156,608

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5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated statement of financial position of the Group as of December 31, 2017 (continued):

	As previously reported	Proforma adjustment	As restated
NON-CURRENT ASSETS			
Due from Government - net of current portion	663,114	-	663,114
Deferred tax assets	1,304,196	66,884	1,371,080
Long-term investments	2,821,999	148,919	2,970,918
Fixed assets	10,728,017	1,711,494	12,439,511
Oil and gas, and geothermal properties	16,359,682	1,671,692	18,031,374
Prepaid taxes - net of current portion	593,898	235,402	829,300
Other non-current assets	1,455,858	521,612	1,977,470
Total Non-Current Assets	33,926,764	4,356,003	38,282,767
TOTAL ASSETS	51,213,570	6,225,805	57,439,375
LIABILITIES AND EQUITY			
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-term loans	452,879	-	452,879
Trade payables			
Related parties	56,013	(6,736)	49,277
Third parties	3,828,858	71,263	3,900,121
Due to the Government - current portion	1,027,762	22,857	1,050,619
Taxes payables			
Income taxes	283,985	24,818	308,803
Other taxes	241,874	8,659	250,533
Accrued expenses	1,987,659	32,237	2,019,896
Long-term liabilities - current portion	365,959	-	365,959
Other payables			
Related parties	74,228	(17,603)	56,625
Third parties	836,934	284,560	1,121,494
Deferred revenues - current portion	260,838	-	260,838
Total Short-term Liabilities	9,416,989	420,055	9,837,044
LONG-TERM LIABILITIES			
Due to the Government - net of current portion	391,577	389,049	780,626
Deferred tax liabilities	2,724,624	123,528	2,848,152
Long-term liabilities - net of current portion	2,085,084	24,683	2,109,767
Bonds payables	8,498,447	1,887,426	10,385,873
Employee benefits liabilities	2,099,487	108,733	2,208,220
Provision for decommissioning and site restoration	2,040,097	89,240	2,129,337
Deferred revenues - net of current portion	51,621	(8,905)	42,716
Other non-current payables	79,290	5,083	84,373
Total Long-term Liabilities	17,970,227	2,618,837	20,589,064
TOTAL LIABILITIES	27,387,216	3,038,892	30,426,108

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5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated statement of financial position of the Group as of December 31, 2017 (continued):

	<u>As previously reported</u>	<u>Proforma adjustment</u>	<u>As restated</u>
EQUITY			
Equity attributable to owners of the parent entity			
Share capital			
Authorized - 200,000,000			
Ordinary Shares at Par value			
Rp1,000,000 (full amount) per share;			
Issued and paid-up-capital			
133,090,697 shares	13,417,047	-	13,417,047
Additional paid-in capital	2,736	-	2,736
Merging entity's equity	-	1,804,579	1,804,579
Government contributed assets			
pending final clarification of status	1,361	-	1,361
Other equity components	487,699	-	487,699
Retained earnings			
- Appropriated	6,871,101	-	6,871,101
- Unappropriated	2,540,195	-	2,540,195
	<u>23,320,139</u>	<u>1,804,579</u>	<u>25,124,718</u>
Non-controlling interest	506,215	1,382,334	1,888,549
TOTAL EQUITY	<u>23,826,354</u>	<u>3,186,913</u>	<u>27,013,267</u>
TOTAL LIABILITIES AND EQUITY	<u>51,213,570</u>	<u>6,225,805</u>	<u>57,439,375</u>

Consolidated statement of financial position of the Group as of January 1, 2017/December 31, 2016:

	<u>As previously reported</u>	<u>Proforma adjustment</u>	<u>As restated</u>
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5,258,526	1,463,042	6,721,568
Restricted cash	122,697	-	122,697
Short-term investments	116,987	13,833	130,820
Trade Receivables			
Related Parties	1,301,759	120,509	1,422,268
Third Parties	1,231,289	211,163	1,442,452
Due from the Government - current portion	1,792,457	-	1,792,457
Other receivables			
Related parties	235,225	7,614	242,839
Third parties	415,704	234,094	649,798
Inventories	4,727,594	67,428	4,795,022
Prepaid taxes - current portion	567,339	282	567,621
Prepayments and advances	428,220	75,162	503,382
Other investments	43,190	-	43,190
Total Current Assets	<u>16,240,987</u>	<u>2,193,127</u>	<u>18,434,114</u>

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5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated statement of financial position of the Group as of January 1, 2017/December 31, 2016
(continued):

	As previously reported	Proforma adjustment	As restated
NON-CURRENT ASSETS			
Deferred tax assets	671,230	80,233	751,463
Long-term investments	3,156,761	172,678	3,329,439
Fixed assets	10,322,976	1,833,809	12,156,785
Oil & gas and geothermal properties	14,636,401	1,761,261	16,397,662
Prepaid taxes - net of current portion	1,282,917	186,850	1,469,767
Other non-current assets	921,934	514,930	1,436,864
Total Non-Current Assets	30,992,219	4,549,761	35,541,980
TOTAL ASSETS	47,233,206	6,742,888	53,976,094
LIABILITIES AND EQUITY			
LIABILITIES			
SHORT-TERM LIABILITIES			
Short-term loans	130,293	100,000	230,293
Trade payables			
Related parties	128,760	(10,220)	118,540
Third parties	3,201,391	89,274	3,290,665
Due to the Government - current portion	930,308	22,237	952,545
Taxes payable			
Income taxes	445,052	30,524	475,576
Other taxes	237,999	13,554	251,553
Accrued expenses	1,543,358	53,254	1,596,612
Long-term liabilities - current portion	573,450	148,750	722,200
Other payables			
Related parties	49,270	1,677	50,947
Third parties	689,776	337,032	1,026,808
Deferred revenues - current portion	177,499	-	177,499
Total Short-term Liabilities	8,107,156	786,082	8,893,238
LONG-TERM LIABILITIES			
Due to the Government - net of current portion	332,189	400,384	732,573
Deferred tax liabilities	2,443,871	84,646	2,528,517
Long-term liabilities - net of current portion	1,820,977	895,932	2,716,909
Bonds payables	8,492,312	1,280,344	9,772,656
Employee benefits liabilities	1,963,749	94,983	2,058,732
Provision for decommissioning and site restoration	1,824,155	75,938	1,900,093
Deferred revenues - net of current portion	120,155	(54,440)	65,715
Other non-current payables	54,075	8,828	62,903
Total Long-term Liabilities	17,051,483	2,786,615	19,838,098
TOTAL LIABILITIES	25,158,639	3,572,697	28,731,336

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5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated statement of financial position of the Group as of January 1, 2017/December 31, 2016:

	<u>As previously reported</u>	<u>Proforma adjustment</u>	<u>As restated</u>
EQUITY			
Equity attributable to owners of the parent			
Share capital			
Authorized - 200.000.000			
Ordinary Shares at Par value			
Rp1,000,000 (full amount) per share;			
Issued and paid-up-capital			
2016: 133,090,697 shares			
2017: 171,227,044 shares	13,417,047	-	13,417,047
Additional paid-in capital	2,736	-	2,736
Merging entity's equity	-	1,801,742	1,801,742
Government contributed assets			
pending final clarification of status	1,361	-	1,361
Other equity components	664,617	-	664,617
Retained earnings			
- Appropriated	4,631,441	-	4,631,441
- Unappropriated	3,147,043	-	3,147,043
	<u>21,864,245</u>	<u>1,801,742</u>	<u>23,665,987</u>
Non-controlling interest	210,322	1,368,449	1,578,771
TOTAL EQUITY	<u>22,074,567</u>	<u>3,170,191</u>	<u>25,244,758</u>
TOTAL LIABILITIES AND EQUITY	<u>47,233,206</u>	<u>6,742,888</u>	<u>53,976,094</u>

Consolidated statement of profit or loss and other comprehensive income of the Group for the year ended December 31, 2017:

	<u>As previously reported</u>	<u>Proforma adjustment</u>	<u>As restated</u>
Sales And Other Operating Revenue			
Domestic sales of crude oil, natural gas geothermal energy and oil products	36,782,295	3,006,489	39,788,784
Subsidy reimbursements from the Government	3,572,084	-	3,572,084
Export of crude oil, natural gas and oil products	1,874,281	-	1,874,281
Marketing fees	25,474	-	25,474
Revenues from other operating activities	705,191	34,909	740,100
TOTAL SALES AND OTHER OPERATING REVENUE	<u>42,959,325</u>	<u>3,041,398</u>	<u>46,000,723</u>

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5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Consolidated statement of profit or loss and other comprehensive income of the Group for the period ended December 31, 2017 (continued):

	As previously reported	Proforma adjustment	As restated
Cost of goods sold and other operating expenses			
Cost of goods sold	(31,117,915)	(2,057,741)	(33,175,656)
Upstream production and lifting costs	(3,321,895)	(99,312)	(3,421,207)
Exploration costs	(165,356)	-	(165,356)
Expenses from other operating activities	(839,864)	(23,098)	(862,962)
TOTAL COST OF GOODS SOLD AND OTHER OPERATING EXPENSES	(35,445,030)	(2,180,151)	(37,625,181)
GROSS PROFIT	7,514,295	861,247	8,375,542
Selling and marketing expenses	(1,353,052)	(237,150)	(1,590,202)
General and administrative expenses	(1,395,004)	(203,930)	(1,598,934)
Gain on foreign exchange - net	68,399	(10,262)	58,137
Finance income	212,779	20,295	233,074
Finance costs	(670,110)	(147,601)	(817,711)
Share in net profit of associates and joint ventures	48,379	(10,475)	37,904
Other expenses - net	(850,076)	19,494	(830,582)
	(3,938,685)	(569,629)	(4,508,314)
PROFIT BEFORE INCOME TAX	3,575,610	291,618	3,867,228
Income tax expense, net	(1,022,991)	(143,833)	(1,166,824)
PROFIT FOR THE YEAR AFTER THE EFFECT OF MERGING ENTITIES ADJUSTMENT	2,552,619	147,785	2,700,404
OTHER COMPREHENSIVE INCOME/(LOSS)			
Item not to be reclassified to profit or loss in subsequent periods (net of tax)			
Remeasurement of net employee benefits liabilities	(122,732)	(6,327)	(129,059)
Items to be reclassified to profit or loss in subsequent periods (net of tax)			
Foreign exchange differences from translation of financial statements in foreign currency	4,599	2,461	7,060
Share of other comprehensive of associates	(27,474)	2,340	(25,134)
Other comprehensive income, net of tax	(145,607)	(1,526)	(147,133)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR AFTER THE EFFECTS OF MERGING ENTITIES ADJUSTMENT	2,407,012	146,259	2,553,271

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5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

Group consolidated statement of cash flows of the Group for the year ended December 31, 2017:

	As previously reported	Proforma adjustment	As restated
Cash flows from operating activities	3,577,810	499,068	4,076,878
Cash flows from investing activities	(2,130,189)	(249,094)	(2,379,283)
Cash flows from financing activities	(1,461,032)	(511,139)	(1,972,171)
Net decrease in cash and cash equivalents	(13,411)	(261,165)	(274,576)
Effects of exchange rate changes on cash and cash equivalents	(18,783)	(18,382)	(37,165)
Cash and cash equivalents at beginning of the year	5,258,526	1,463,042	6,721,568
Cash and cash equivalents at end of the year	5,226,332	1,183,495	6,409,827

6. CASH AND CASH EQUIVALENTS

	December 31, 2018	December 31, 2017
Cash on hand	4,119	8,174
Cash in banks	5,045,496	2,770,229
Time deposits	4,062,697	3,631,424
Total	9,112,312	6,409,827

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

	December 31, 2018	December 31, 2017
Cash on hand		
Rupiah	3,128	7,515
US Dollar	891	567
Others	100	92
Total cash on hand	4,119	8,174

Cash in banks

US Dollar:

Government-related entities

- PT Bank Rakyat Indonesia (Persero) Tbk. ("BRI")	891,329	514,299
- PT Bank Negara Indonesia (Persero) Tbk. ("BNI")	844,933	636,281
- PT Bank Mandiri (Persero) Tbk. ("Bank Mandiri")	581,752	562,533
- Other banks (each below US\$10,000)	1,526	852

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6. CASH AND CASH EQUIVALENTS (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cash in banks		
US Dollar:		
<u>Third parties</u>		
- Crédit Agricole Corporate and Investment Bank ("Crédit Agricole CIB", previously Calyon)	214,982	83,209
- Sumitomo Mitsui Banking Corporation	94,194	-
- Citibank. N.A.	49,440	35,603
- J.P. Morgan Chase & Co.	16,130	-
- PT Bank Sumitomo Mitsui Indonesia ("SMBC Indonesia")	2,515	32,293
- Other banks (each below US\$10,000)	13,532	18,814
Total US Dollar accounts	2,710,333	1,883,884
Rupiah:		
<u>Government-related entities</u>		
- Bank Mandiri	651,073	270,785
- BRI	598,851	132,696
- BNI	547,355	185,568
- PT Bank Tabungan Negara (Persero) Tbk ("BTN")	265,065	198,404
- PT Bank BRIsyariah Tbk ("BRI Syariah")	48,692	9
- PT BNI Syariah ("BNI Syariah")	14,188	1,065
- Others banks (each below US\$10,000)	9,745	2,664
<u>Third parties</u>		
- PT Bank Central Asia Tbk. ("BCA")	40,008	32,022
- Citibank. N.A.	24,875	20,965
- Other banks (each below US\$10,000)	17,866	15,622
Total Rupiah accounts	2,217,718	859,800
Euro:		
<u>Third parties</u>		
- Crédit Agricole CIB	64,889	-
<u>Government-related entities</u>		
- Bank Mandiri	220	123
- BNI	8	554
- BRI	1	1
Total Euro accounts	65,118	678
Malaysian Ringgit		
<u>Third parties</u>		
- RHB Bank Berhad	39,417	20,946
Cash in banks-other		
Currency accounts - third parties	12,910	4,921
Total cash in banks	5,045,496	2,770,229

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6. CASH AND CASH EQUIVALENTS (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Time deposits with original maturities of three months or less		
US Dollar accounts:		
<u>Government-related entities</u>		
- BRI	508,397	1,003,976
- BNI	193,671	398,530
- BTN	127,500	17,500
- PT Bank Syariah Mandiri ("BSM")	50,005	5
- Bank Mandiri	32,760	22,958
<u>Third parties</u>		
- Industrial and Commercial Bank of China	20,000	-
- Citibank, N.A.	15,000	-
- PT Bank Muamalat Tbk	12,000	-
- Other banks (each below US\$10,000)	7,900	3,915
Total time deposits - US Dollar accounts	967,233	1,446,884
Rupiah accounts:		
<u>Government-related entities</u>		
- BRI	1,351,105	999,443
- Bank Mandiri	516,931	410,020
- BNI	505,346	471,616
- BTN	454,425	129,046
- BSM	137,711	48,435
- PT Bank Rakyat Indonesia Agroniaga Tbk ("BRI Agroniaga")	47,807	25,834
- BNI Syariah	18,591	29,340
- Other banks (each below US\$10,000)	17,264	2,952
<u>Third parties</u>		
- PT Bank Bukopin Tbk	12,098	24,648
- Other banks (each below US\$10,000)	27,845	43,206
Total time deposits-rupiah accounts	3,089,123	2,184,540
Total time deposits-other currency third parties	6,341	-
Total time deposits	4,062,697	3,631,424
Total cash and cash equivalents	9,112,312	6,409,827

Annual interest rates on time deposits during 2018 and 2017 were as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rupiah	3.25% - 9.00%	3.00% - 8.75%
US Dollar	0.50% - 3.37%	0.40% - 2.36%
Singapore Dollar	0.50%	-

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

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7. RESTRICTED CASH

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

	December 31, 2018	December 31, 2017
US Dollar accounts:		
<u>Government-related entities</u>		
- Bank Mandiri	58,140	2,165
- BRI	11,725	40,469
- BNI	10,401	38,526
<u>Third parties</u>		
- PT Bank BNP Paribas Indonesia	18,000	18,000
- SMBC Indonesia	4,000	11,752
- Other banks (each below US\$10,000)	685	231
Rupiah accounts:		
<u>Government-related entities</u>		
- BNI	3,553	3,453
- BRI	1,421	3,408
- Bank Mandiri	990	875
<u>Third parties</u>		
- Other banks (each below US\$10,000)	-	792
Total restricted cash	108,915	119,671

Annual interest rates on restricted cash in 2018 and 2017 are as follows:

	December 31, 2018	December 31, 2017
Rupiah	5.00% - 7.80%	2.00% - 8.50%
US Dollar	0.24% - 0.80%	0.75% - 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 represent time deposits used as collateral for bank guarantees and performance bonds.

8. RECEIVABLES - THIRD PARTIES

a. Trade receivables

	December 31, 2018	December 31, 2017
Trade receivables	2,161,456	1,792,133
Provision for impairment	(228,001)	(211,506)
Total	1,933,455	1,580,627

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8. RECEIVABLES - THIRD PARTIES (continued)

a. Trade receivables (continued)

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.

Certain subsidiaries' trade receivables were pledged as collateral for those subsidiaries long-term loans (Note 20a).

Management believes that there is no significant concentrations on credit risk involving trade receivables from third parties.

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

	December 31, 2018	December 31, 2017
Beginning balance	211,506	204,340
Impairment	29,957	42,001
Reversal of impairment	(7,652)	(33,935)
Foreign exchange differences	(5,810)	(900)
Net	228,001	211,506

Based on management's review of the collectability of each balance of trade receivables as of December 31, 2018 and 2017, management believes that the provision for impairment is adequate to cover the potential losses as a result of uncollected third party trade receivables.

Details of trade receivables by currencies are as follows:

	December 31, 2018	December 31, 2017
US Dollar	1,323,528	1,037,216
Rupiah	837,130	754,907
Euro	98	10
Singapore Dollar	700	-
Total	2,161,456	1,792,133

b. Other receivables

	December 31, 2018	December 31, 2017
Reinsurance assets	333,119	243,068
Receivables from subsidiary operations in oil and gas related activities	132,545	256,883
Others	286,788	139,060
Sub-total	752,452	639,011
Provision for impairment	(18,140)	(18,551)
Total other receivables	734,312	620,460

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8. RECEIVABLES - THIRD PARTIES (continued)

b. Other receivables (continued)

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

	December 31, 2018	December 31, 2017
Beginning balance	(18,551)	(11,635)
Recovery/(Additions) of impairment	411	(6,916)
Ending balance	(18,140)	(18,551)

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.

9. DUE FROM THE GOVERNMENT

	December 31, 2018	December 31, 2017
The Company:		
Receivables from recognition of Disparity of Selling Price	2,924,148	-
Receivables from subsidy reimbursements for 3 kg LPG cylinders	1,147,538	1,404,911
Receivables from subsidy reimbursements for certain fuel (BBM) products	175,556	473,928
Receivables for reimbursement of subsidized costs for kerosene	16,828	-
Receivables from marketing fees	72,489	49,902
Kerosene conversion	10,626	-
Others	-	102
Sub-total	4,347,185	1,928,843
Subsidiaries	411,224	337,832
Sub-total	4,758,409	2,266,675
Provision for impairment	-	(110,936)
Total (Note 41)	4,758,409	2,155,739
Current portion	(1,834,261)	(1,492,625)
Non-current portion	2,924,148	663,114

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

	December 31, 2018	December 31, 2017
Beginning balance	110,936	-
Impairment	-	363,830
Reversal of impairment	(106,085)	(252,894)
Foreign exchange differences	(4,851)	-
Ending balance	-	110,936

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9. DUE FROM THE GOVERNMENT (continued)

The balance of allowance for government receivables in 2017 amounting to USD110,936 related to subsidy receivables in 2016 are result of postponement of payments in accordance with the Directorate General of Budget Letter No. S-2616/AG/2017 dated December 12, 2017.

a. Receivables from recognition of Disparity of Selling Price

Details of receivables from recognition of Disparity of Selling Price are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Receivables from recognition of Disparity Selling Price:		
2018	2,657,132	-
2017	1,248,347	-
Sub-total	3,905,479	-
Fair value adjustments of receivables:		
2018	(773,562)	-
2017	(207,769)	-
Sub-total	(981,331)	-
Net receivables amount post fair value adjustments:		
2018	1,883,570	-
2017	1,040,578	-
Total (Note 31)	2,924,148	-

On July 16, 2018, BPK issued its audit results ("LHP") No. 36/AUDITAMA VII/PDPT/07/2018 on the calculation and distribution of subsidized JBT Diesel Fuel and 3 kg LPG cylinders. Based on such LHP, the Company is recommended to request reimbursement from the Government for the 2017 Disparity of Selling Price of JBT Diesel Fuel amounting to Rp20.79 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).

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 Sumatera, Riau, South Sumatera, Lampung, Banten, DKI Jakarta, West Java, Central Java, Yogyakarta Special Region, East Java, West Nusa Tenggara, West Kalimantan, East Kalimantan, North Sulawesi, South Sulawesi, North Maluku, and Papua No. 31/AUDITAMA VII/PDPT/05/2019, which was received by the Company on May 23, 2019. Based on such LHP, among others, the Company experienced:

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9. DUE FROM THE GOVERNMENT (continued)

a. Receivables from recognition of Disparity of Selling Price (continued)

- Shortfall of revenue from Disparity of Selling Price in the distribution of JBT Diesel Fuel in 2018 amounting to Rp29.31 trillion or equivalent to \$2,024,203 (including VAT and PBBKB amounting to Rp.4.18 trillion or equivalent to US\$288,943);
- Shortfall of revenue from Disparity of Selling Price in the distribution of JBT Kerosene in 2018 amounting to Rp243.68 billion or equivalent to US\$16,828 (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 from Disparity of Selling Price in the distribution of JBKP Premium in 2018 amounting to Rp23.27 trillion or equivalent to \$1,456,076 (including VAT and PBBKB), 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 or equivalent to US\$534,205 (including VAT and PBBKB) and Rp15.53 trillion or equivalent to US\$921,871 (including VAT and PBBKB), respectively;
- Excess of revenue from the sale of JBKP Premium Jamali that exceeded the Government stipulated HJE amounting to Rp234.82 billion or equivalent to US\$16,216 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/PDPT/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 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 disparity 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.

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\$813,389) and Rp13.35 trillion or equivalent to US\$921,881 (excluding VAT and PBBKB amounting to Rp 2.19 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).

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9. DUE FROM THE GOVERNMENT (continued)

a. Receivables from recognition of Disparity of Selling Price (continued)

Fair value adjustments on revenue recognition and due from Government from Disparity of Selling Price in 2018 and 2017 was amounted to Rp11.20 trillion or equivalent to US\$773,562 and Rp3.01 trillion or equivalent to US\$207,769, respectively. The assumptions used for calculating the fair value are as follows:

Year	Payment Installments	Discount interest rate (Yield) Government Rupiah Bonds As of December 31, 2018	Estimate Year of Receipt
2018	Installment 1	7.91%	2022
	Installment 2	8.01%	2023
2017	Installment 1	7.38%	2020
	Installment 2	7.72%	2021

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 Public Service Obligations ("PSO") and its pricing is based on a yearly contract with MoEMR.

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

	December 31, 2018	December 31, 2017
Beginning balance	1,404,911	1,068,920
Subsidy reimbursements for 3 kg LPG cylinders for current year (Note 29)	3,496,603	2,977,967
Correction from Government audit for subsidy reimbursement for 3 kg LPG cylinders for the years:		
- 2018 (Note 29)	(1,252)	-
- 2017 (Note 29)	(5,661)	-
- 2016 (Note 29)	-	(484)
Cash received	(3,614,277)	(2,624,110)
Foreign exchange loss	(132,786)	(17,382)
Ending balance	1,147,538	1,404,911

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.

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9. 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 Expenditure ("APBN") period.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	473,928	422,398
Subsidy reimbursements for certain fuel (BBM) products for current year (Note 29)	2,126,796	595,206
Taxes	266,693	69,617
Correction from Government audit for subsidy reimbursement for certain fuel (BBM) products for the year:		
- 2018 (Note 29)	(699)	-
- 2017 (Note 29)	(147)	-
- 2016 (Note 29)	-	(605)
Cash received	(2,600,487)	(600,992)
Foreign exchange loss	(90,528)	(11,696)
Ending balance	<u>175,556</u>	<u>473,928</u>

Correction of the calculation of the fuel subsidy cost reimbursement bill is based on the results of the audit of the Supreme Audit Agency ("BPK") and recorded in the period in which the audit was completed.

During 2017, the Company used the Government decreed price to recognize the sale of certain types of BBM oil ("JBT") and premium Special Fuel Type Assignments ("JBKP") in accordance with the revision of the 2017 Work Plan and Budget approved by the Board of Commissioners and Holders Shares on January 17, 2018 and December 9, 2017.

On August 16, 2018, the MoEMR issued Regulation No. 40 of 2018 which replaces MoEMR Regulation No. 39 of 2014 concerning the calculation of the retail selling price of fuel oil. In accordance with the new regulation, the retail selling price of 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 for reimbursement of subsidized costs for kerosene

As discussed in Note 9a above, based on BPK's LHP No. 31/AUDITAMA VII/PDPT/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 or equivalent to US\$16,828 (excluding VAT amounting to Rp24.38 billion or equivalent to US\$1,683) due to the determination of Market Index Prices ("HIP") and Basic Prices of JBT Kerosene 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.

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9. DUE FROM THE GOVERNMENT (continued)

e. 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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Marketing fees:		
2018	22,587	-
2017	26,529	26,529
2016	23,373	23,373
Ending balance	<u>72,489</u>	<u>49,902</u>

f. Subsidiaries' receivables

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
PEP		
- Domestic Market Obligation ("DMO") fees	106,398	90,930
- Underlifting	18,942	-
PHE		
- DMO fees	15,414	25,859
- Underlifting	25,730	46,480
PEPC		
- Underlifting	224,904	174,563
PHI		
- DMO fees	18,780	-
- Underlifting	1,056	-
Total - subsidiaries	<u>411,224</u>	<u>337,832</u>

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 from 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 collectability of each balance of the subsidiaries' receivables, management believes that the provision for impairment is adequate to cover possible losses as a result of uncollected subsidiaries receivables from the Government.

10. INVENTORIES

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Gas	13,984	23,528
Crude oil:		
Domestic production	1,026,225	1,029,639
Imported	579,765	754,663
Sub-total for crude oil	<u>1,605,990</u>	<u>1,784,302</u>

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10. INVENTORIES (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Oil products:		
Automotive Diesel Oil ("ADO")	1,018,791	755,620
Premium gasoline	536,309	594,740
Pertamax, Pertamax Plus, Peralite gasoline and Pertadex (diesel oil)	491,005	451,999
Intermediary	337,246	272,786
Oil products in process of production	399,963	347,408
Avtur and Avigas	264,545	220,903
LPG	262,104	277,690
Petrochemicals	170,815	127,457
Industrial/Marine Fuel Oil ("IFO/MFO")	148,621	118,515
Kerosene	94,299	75,503
Industrial Diesel Oil ("IDO")	17,563	21,722
Others	476,999	514,176
Sub-total for oil products (Note 32)	<u>4,218,260</u>	<u>3,778,519</u>
Sub-total for gas, crude oil and oil products	<u>5,838,234</u>	<u>5,586,349</u>
Provision for decline in value of oil products (Note 32)	<u>(167,270)</u>	<u>(92,854)</u>
	<u>5,670,964</u>	<u>5,493,495</u>
Materials	754,228	645,825
Provision for decline in value of material	<u>(102,027)</u>	<u>(103,183)</u>
	<u>652,201</u>	<u>542,642</u>
Total	<u>6,323,165</u>	<u>6,036,137</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance (Note 32)	(92,854)	(76,542)
Addition during the year - net	(74,416)	(16,312)
Ending balance (Note 32)	<u>(167,270)</u>	<u>(92,854)</u>

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	(103,183)	(30,223)
Addition (reversal) during the year - net	1,156	(72,960)
Ending balance	<u>(102,027)</u>	<u>(103,183)</u>

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

As of December 31, 2018 and 2017, 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.

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11. 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.

On March 13, 2017, Petral has distributed its funds to the Company.

On June 16, 2017, Zambesi was liquidated.

On October 31, 2017, Petral was liquidated.

As of December 31, 2018, the balance of net assets held for distribution to the Company based on the liquidator’s report for PES amounted to US\$80,171 (2017: US\$27,328) (Note 39).

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, while at once, do the corporate actions needed to complete the dissolution/liquidation.

12. LONG-TERM INVESTMENTS

	December 31, 2018	December 31, 2017
Investment in oil and gas blocks - net	1,024,237	1,227,187
Investments in associates - net	725,846	583,694
Investment in bonds - net	391,307	391,307
Investments in joint ventures	369,922	457,405
Investment properties	280,668	284,354
Investments in shares of stock - net	6,292	6,292
Other financial assets	20,782	20,679
Total	2,819,054	2,970,918

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 are 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.

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
December 31, 2017						
	Beginning balance	Addition	Adjustment	Transfer	Impairment in value	Ending balance
Cost	1,698,348	-	(113)	-	(83,270)	1,614,965
Accumulated amortization	(271,337)	(116,441)	-	-	-	(387,778)
Net book value	1,427,011	(116,441)	(113)	-	(83,270)	1,227,187

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12. LONG-TERM INVESTMENTS (continued)

b. Investments in associates

The movement on investments in associates are as follows:

		December 31, 2018						
		Percentage of effective ownership	Beginning balance	Additions/ (deductions)	Other changes	Share in net Income/ (loss)	Dividends	Ending balance
The Company								
PPT Energy Trading Co., Ltd.	50.00%	35,489	-	-	12,549	-	48,038	
PT Trans-Pacific Petrochemical Indotama ("TPPI")	48.59%	151,937	-	-	(69,932)	-	82,005	
		187,426	-	-	(57,383)	-	130,043	
Indirect investments in shares of associates								
PT Donggi-Senoro LNG	29.00%	240,437	-	2	38,780	-	279,219	
PT Asuransi Samsung Tugu	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	
PT Gas Energi Jambi ^(c)	40.00%	-	-	-	-	-	-	
Others	19.67%-50.00%	54,650	27,458	2,298	(1,439)	-	82,967	
		396,268	27,458	70,362	113,899	(12,184)	595,803	
Total investments in associates		583,694	27,458	70,362	56,516	(12,184)	725,846	
		December 31, 2017						
		Percentage of effective ownership	Beginning balance	Additions/ (deductions)	Other changes	Share in net Income/ (loss)	Dividends	Ending balance
The Company								
PPT Energy Trading Co., Ltd.	50.00%	32,499	-	1,516	2,616	(1,142)	35,489	
PT Trans-Pacific Petrochemical Indotama ("TPPI")	48.59%	204,907	-	-	(52,970)	-	151,937	
		237,406	-	1,516	(50,354)	(1,142)	187,426	
Indirect investments in shares of associates								
PT Donggi-Senoro LNG	29.00%	195,083	-	-	45,354	-	240,437	
PT Tugu Reasuransi Indonesia ^(a)	33.01%	29,849	-	(29,849)	-	-	-	
PT Asuransi Samsung Tugu	19.50%	8,290	-	(19)	648	(178)	8,741	
Etablissements Maurel et Prom SA ^(b) (Note 4c)	72.65%	227,222	-	(227,222)	-	-	-	
Seplat Petroleum Development Company Plc, Nigeria	21.37%	-	92,440	-	-	-	92,440	
PT Gas Energi Jambi ^(c)	40.00%	-	-	-	-	-	-	
Others	19.67%-50.00%	-	54,650	-	-	-	54,650	
		460,444	147,090	(257,090)	46,002	(178)	396,268	
Total investments in associates		697,850	147,090	(255,574)	(4,352)	(1,320)	583,694	

a) In 2017, the Group has control over PT Tugu Reasuransi Indonesia ("TRI") and consolidate its financial statements

b) On February 15, 2017, PT Pertamina Internasional Eksplorasi & Produksi had a 72.65% ownership interest in Etablissements Maurel et

c) PGN has ownership interest in PT Gas Energi Jambi ("GEJ") by 40,00% from 2015, GEJ suffered loss.

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.

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12. LONG-TERM INVESTMENTS (continued)

b. Investments in associates (continued)

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

	Country of incorporation	Assets	Liabilities	Revenues	Profit/(loss)	Percentage of ownership
December 31, 2018						
- PPT Energy Trading Co., Ltd.	Japan	118,983	(30,486)	731,189	25,098	50.00%
- PT Trans-Pacific Petrochemical Indotama ("TPPI")	Indonesia	866,155	(697,385)	65,136	(141,991)	48.59%
- PT Donggi-Senoro LNG	Indonesia	2,646,556	(1,669,778)	1,174,024	133,726	29.00%
- PT Asuransi Samsung Tugu	Indonesia	61,997	(31,766)	9,046	1,446	19.50%
- Seplat	Nigeria	2,526,565	(925,680)	746,140	146,576	20.46%
- PT Gas Energi Jambi	Indonesia	41	(653)	-	-	-
December 31, 2017						
- PPT Energy Trading Co., Ltd.	Japan	153,471	(82,496)	692,966	5,232	50.00%
- PT Trans-Pacific Petrochemical Indotama ("TPPI")	Indonesia	601,445	(1,045,454)	59,574	(50,519)	48.59%
- PT Donggi-Senoro LNG	Indonesia	2,466,693	(1,627,338)	998,208	155,704	29.00%
- PT Asuransi Samsung Tugu	Indonesia	55,775	(36,791)	11,161	2,163	19.50%
- Seplat	Nigeria	2,207,964	(975,232)	371,413	(3,307)	21.37%
- PT Gas Energi Jambi	Indonesia	41	(653)	-	-	-

c. Investment in bonds

As of December 31, 2018 and 2017, 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:

December 31, 2018								
	Percentage of effective ownership	Beginning balance	Additional (deduction) investment	Other changes	Share in net income	Dividends	Recovery/ (impairment) in value	Ending balance
Indirect investments in joint ventures								
PT Transportasi Gas Indonesia	59.87%	281,700	-	(1,013)	27,814	(105,758)	-	202,743
PT Pertamina 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 Pertamina Daya Gas	65.00%	1,683	-	28	2,023	-	-	3,734
Unimar LLC	50.00%	10,392	(7,176)	(1,657)	6,941	(8,500)	-	-
PT Pertamina Rosneft Pengolahan and Petrokimia	55.00%	407	-	-	-	-	-	407
PT Permata Karya Jasa	60.00%	-	2,416	-	1,382	(212)	-	3,586
Total investments in Joint Venture		457,405	(3,970)	(3,401)	66,208	(146,320)	-	369,922
December 31, 2017								
	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 Pertamina Samtan Gas	66.00%	79,383	-	7,355	17,635	(13,200)	-	91,173
PT Patra SK	35.00%	68,919	-	(26)	3,876	(7,000)	-	65,769
PT Indo Thai Trading	51.00%	4,815	-	(2)	1,468	-	-	6,281
PT Pertamina Daya Gas	65.00%	1,403	-	(111)	391	-	-	1,683
PT Pertamina Rosneft Pengolahan dan Petrokimia	55.00%	-	407	-	-	-	-	407
PT Elnusa CCGVeritas Seismic*	20.96%	-	-	-	-	-	-	-
PT Transportasi Gas Indonesia	59.87%	281,167	-	-	26,072	(25,539)	-	281,700
Unimar LLC	50.00%	45,069	-	-	(7,177)	(27,500)	-	10,392
Total investments in joint ventures		480,756	407	7,216	42,265	(73,239)	-	457,405

* Note 1b.iii
 **Liquidated on May 24, 2017

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12. 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)	Percentage of ownership
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	35,332	(21,470)	184,779	1,549	51.00%
- PT Elnusa CGGVeritas Seismic	Indonesia	511	-	-	3	20.96%
- PT Transportasi Gas Indonesia	Indonesia	735,029	(96,391)	153,413	46,458	59.87%
- Unimar LLC	USA	33,740	(19,387)	43,918	13,881	50.00%
- PT Permata Karya Jasa*	Indonesia	6,308	(2,040)	16,301	1,383	60.00%
December 31, 2017						
- PT Patra SK	Indonesia	244,717	(59,696)	259,596	11,072	35.00%
- PT Perta Samtan Gas	Indonesia	180,172	(42,032)	106,950	26,720	66.00%
- PT Perta Daya Gas	Indonesia	53,219	(50,630)	12,469	602	65.00%
- PT Indo Thai Trading	Indonesia	31,994	(19,369)	156,716	2,869	51.00%
- PT Pertamina Rosneft Pengolahan dan Petrokimia	Indonesia	739	-	-	-	55.00%
- PT Elnusa CGGVeritas Seismic	Indonesia	515	-	-	-	20.96%
- PT Transportasi Gas Indonesia	Indonesia	557,875	(87,357)	151,625	43,548	59.87%
- Unimar LLC	USA	49,370	(31,899)	62,993	(9,991)	50.00%

* Note 1b.iii

e. Investment properties

	December 31, 2018				
	Beginning balance	Additions	Deductions	Transfers/ Reclassifications	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
	December 31, 2017				
	Beginning balance	Additions	Deductions	Transfers/ Reclassifications	Ending balance
Historical cost:					
Land and land rights	288,314	-	-	(19,088)	269,226
Buildings	43,042	-	-	245	43,287
Total historical cost	331,356	-	-	(18,843)	312,513
Accumulated depreciation:					
Buildings	(26,983)	(2,301)	-	1,125	(28,159)
Net book value	304,373				284,354

Depreciation expense for the periods ended December 31, 2018 and 2017 for investment properties amounted to US\$2,058 and US\$2,301, respectively (Note 37).

As of December 31, 2018 all of the Group's investment properties, except land and land rights, were insured against fire and other possible risks (Note 13).

As of December 31, 2018 and 2017, management has estimated fair value of the investment properties which amounted to US\$1,803,218 and US\$1,503,088, respectively.

Rental income from investment properties recognized for the periods ended December 31, 2018 and 2017 amounted to US\$26,588 and US\$11,792, respectively.

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12. LONG-TERM INVESTMENTS (continued)

e. Investment properties (continued)

Management believe that, there were no events or changes in circumstances which indicated impairment in the value of investment properties as of December 31, 2018 and 2017.

f. Investments in shares of stock

	December 31, 2018		December 31, 2017	
	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 substance, does not control those companies. These investments are measured at cost since their fair values cannot be measured reliably.

g. Other financial assets

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

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13. FIXED ASSETS

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

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13. FIXED ASSETS (continued)

	December 31, 2017					
	Beginning balance	Additions	Deductions	Transfers/ Reclassifications	Translations	Ending balance
Acquisition cost						
Direct acquisition:						
Land and land rights	1,663,116	29,716	-	10,259	(814)	1,702,277
Tanks, pipeline installations and other equipments	8,226,598	156,997	(1,855)	787,473	(366)	9,168,847
Refineries	3,815,932	175,395	(349)	31,774	(6)	4,022,746
Buildings	1,003,055	16,298	(1,984)	193,110	(9,594)	1,200,885
Ships and aircrafts	1,894,266	52,838	-	70,460	(1,844)	2,015,720
Moveable assets	1,563,969	86,287	(7,203)	(29,853)	11,585	1,624,785
Assets under construction	1,792,241	999,558	(12,896)	(1,332,310)	(253)	1,446,340
Sub-total	19,959,177	1,517,089	(24,287)	(269,087)	(1,292)	21,181,600
Finance lease assets:						
Land rights	122,815	-	-	35,216	(426)	157,605
Buildings	83,987	-	-	-	-	83,987
Tanks, pipeline installations and other equipments	305,567	63,967	-	-	-	369,534
Moveable assets	152,167	6,498	-	(1,740)	(493)	156,432
Sub-total	664,536	70,465	-	33,476	(919)	767,558
Total acquisition cost	20,623,713	1,587,554	(24,287)	(235,611)	(2,211)	21,949,158
Accumulated depreciation						
Direct acquisition:						
Land rights	(697)	-	-	(181)	2	(876)
Tanks, pipeline installations and other equipments	(3,883,879)	(544,907)	676	34,121	167	(4,393,822)
Refineries	(2,139,241)	(223,626)	-	13,722	11	(2,349,134)
Buildings	(426,461)	(59,431)	492	8,136	247	(477,017)
Ships and aircrafts	(675,211)	(101,882)	-	849	409	(775,835)
Moveable assets	(883,826)	(106,150)	4,229	21,281	(5,216)	(969,682)
Sub-total	(8,009,315)	(1,035,996)	5,397	77,928	(4,380)	(8,966,366)
Finance lease assets:						
Land rights	(70,578)	(12,294)	-	-	-	(82,872)
Buildings	(50,506)	(8,396)	-	-	-	(58,902)
Tanks, pipeline installations and other equipments	(165,624)	(34,098)	-	(11,064)	-	(210,786)
Moveable assets	(121,208)	(9,216)	-	(4,432)	1,190	(133,666)
Sub-total	(407,916)	(64,004)	-	(15,496)	1,190	(486,226)
Total accumulated depreciation	(8,417,231)	(1,100,000)	5,397	62,432	(3,190)	(9,452,592)
Provision for impairment	(49,697)	(7,364)	-	-	6	(57,055)
Net book values	12,156,785					12,439,511

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13. FIXED ASSETS (continued)

The allocation of depreciation expenses are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Cost of goods sold (Note 32)	566,412	551,911
Expenses from other operating activities (Note 35)	88,405	84,636
Selling and marketing expenses (Note 36)	328,695	362,241
General and administrative expenses (Note 37)	97,655	101,212
Total	<u>1,081,167</u>	<u>1,100,000</u>

As of December 31, 2018, the Group owned parcels of land at various locations in Indonesia with Building Rights Title ("HGB") period ranging from 20-30 years. Some of the HGBs are near their expiration dates. Management believes that those HGB certificates can be extended upon their expiration.

As of December 31, 2018 and 2017, 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\$53,391,900 and US\$50,430,767, respectively. Management believes that the insurance coverage is adequate to cover any possible losses that may arise in relation to the insured assets.

Certain subsidiaries fixed assets were pledged as collateral for those subsidiaries long term loans (Note 20a).

Interest capitalized as part of fixed assets for the periods ended December 31, 2018 and 2017 amounted to US\$31,500 and US\$25,611, respectively (Note 46a).

Management believes that the provision for impairment in the value of fixed assets as of December 31, 2018 and 2017 is adequate to cover any possible losses from impairment of fixed assets.

Assets under construction as of December 31, 2018 and 2017 consists of refineries, buildings, vessels, installations and moveable assets.

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14. OIL AND GAS, AND GEOTHERMAL PROPERTIES

	December 31, 2018				
	Beginning balance	Additions	Deductions	Transfers/ Reclassifications	Ending balance
Acquisition cost					
Direct acquisition:					
Land and land rights	18,243	-	-	38	18,281
Oil and gas wells	13,915,574	1,116,330	(107,073)	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					
Direct acquisition:					
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

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

	December 31, 2017				
	Beginning balance	Additions	Deductions	Transfers/ Reclassifications	Ending balance
Acquisition cost					
Direct acquisition:					
Land and land rights	17,651	-	-	592	18,243
Oil and gas wells	10,936,067	2,030,494	(172,042)	1,121,055	13,915,574
Geothermal wells	473,810	-	-	197,785	671,595
Installations	6,345,909	138,748	(144)	729,365	7,213,878
LPG plants	1,435,050	-	-	103,316	1,538,366
Buildings	139,738	2,054	-	31,392	173,184
Moveable assets	306,208	9,942	-	30,805	346,955
Sub-total	19,654,433	2,181,238	(172,186)	2,214,310	23,877,795
Assets under construction					
Exploratory and evaluation wells	1,851,229	463,671	(85,882)	(902,593)	1,326,425
Development wells	1,769,156	1,190,713	-	(862,993)	2,096,876
Sub-total	3,620,385	1,654,384	(85,882)	(1,765,586)	3,423,301
Finance lease assets:					
Installations	21,260	-	(16,588)	-	4,672
LPG plants	28,163	-	-	(15,662)	12,501
Buildings	19,962	-	-	(23)	19,939
Moveable assets	195,572	-	-	23	195,595
Sub-total	264,957	-	(16,588)	(15,662)	232,707
Total acquisition cost	23,539,775	3,835,622	(274,656)	433,062	27,533,803
Accumulated depreciation, depletion and amortization					
Direct acquisition:					
Oil and gas wells	(4,582,073)	(914,618)	103,496	(703,781)	(6,096,976)
Geothermal wells	(81,462)	(32,442)	-	-	(113,904)
Installations	(1,592,282)	(529,382)	-	-	(2,121,664)
LPG plants	(105,817)	(58,200)	-	(15,664)	(179,681)
Buildings	(26,761)	(9,937)	-	-	(36,698)
Moveable assets	(176,852)	(37,150)	-	-	(214,002)
Sub-total	(6,565,247)	(1,581,729)	103,496	(719,445)	(8,762,925)
Finance lease assets:					
Installations	(31,060)	(2,223)	16,588	-	(16,695)
LPG plants	(20,517)	(617)	-	15,665	(5,469)
Buildings	(17,787)	(411)	-	-	(18,198)
Moveable assets	(180,831)	(287)	-	-	(181,118)
Sub-total	(250,195)	(3,538)	16,588	15,665	(221,480)
Total accumulated depreciation, depletion and amortization	(6,815,442)	(1,585,267)	120,084	(703,780)	(8,984,405)
Provision for impairment	(326,671)	(234,614)	43,261	-	(518,024)
Net book values	16,397,662				18,031,374

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

The allocation of depreciation expense are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Upstream production and lifting costs (Note 33)	1,741,040	1,578,988
General and administrative expenses (Note 37)	7,825	6,279
Total	<u>1,748,865</u>	<u>1,585,267</u>

As of 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 under joint insurance agreement with fixed assets and investment properties (Note 13).

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

PGE's interest capitalized as part of geothermal properties amounted to US\$24,885, and US\$32,338, as of December 31, 2018 and 2017, respectively (Note 46a).

The increase in the value of oil and gas wells in 2018 and 2017 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 2018 and 2017 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 December 31, 2018, and December 31, 2017 are as follows:

	<u>December 31, 2018</u>				
	<u>Estimated recoverable amount</u>	<u>Book value</u>	<u>Estimated impairment loss (recovery)</u>	<u>Impairment loss (recovery) on goodwill</u>	<u>Impairment loss (recovery) in oil and gas and geothermal properties</u>
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	<u>1,101,062</u>	<u>1,319,251</u>	<u>218,189</u>	<u>-</u>	<u>218,189</u>

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

Impairment of oil and gas properties (continued)

	December 31, 2017				
	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	856,112	1,097,805	241,693	6,890	234,803
PIEP and its subsidiaries	740,580	708,003	(32,577)	-	(32,577)
Pertamina EP Cepu	58,888	-	(58,888)	-	(58,888)
Pertamina EP Cepu ADK	8,817	63,864	55,047	-	55,047
PGN and its subsidiaries	842,735	835,703	(7,032)	-	(7,032)
Net book value	2,507,132	2,705,375	198,243	6,890	191,353

The assumption of oil and gas price and the discount rate used are disclosed in Note 15d.

15. OTHER NON-CURRENT ASSETS

	December 31, 2018	December 31, 2017
Restricted funds	915,221	867,332
Government contributed assets pending final clarification of status (Note 26)	401,120	1,361
Finance lease receivables	200,770	208,908
Advances to vendors	133,406	217,704
Other receivables - third parties	80,287	243,786
Prepaid expenses	65,319	31,601
Other receivables - related parties (Note 41b)	64,907	80,349
Goodwill	53,807	53,807
Long-term employee receivables	37,530	45,652
Assets held but not used for operation	23,454	24,819
Land rights costs	18,917	21,653
Deferred charges	17,256	92,834
Intangible assets	13,711	17,771
Post-employment benefits	11,589	9,181
Non-free and non-clear assets - net	1,837	1,837
Others	46,202	58,875
Total	2,085,333	1,977,470

a. Restricted funds

	December 31, 2018	December 31, 2017
US Dollar accounts		
<u>Government-related entities</u>		
- BRI	286,789	252,149
- Bank Mandiri	14,030	47,038
- BNI	50,016	-
<u>Third parties</u>		
- JP Morgan	31,087	24,661
- Others	540	-
	382,462	323,848

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15. OTHER NON-CURRENT ASSETS (continued)

a. Restricted funds (continued)

	December 31, 2018	December 31, 2017
Rupiah accounts		
<u>Government-related entities</u>		
- BRI	290,500	296,096
- Bank Mandiri	233,993	238,692
- BNI	840	899
 <u>Third parties</u>		
Others	7,426	7,797
	532,759	543,484
 Total	915,221	867,332

As of December 31, 2018, PT Pertamina EP has deposited funds amounted to US\$275,660 (2017: US\$252,501) 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 in accordance with instructions from SKK Migas. As of December 31, 2018, PIEP for PT Pertamina Malaysia EP ("PMEP") deposited funds for decommissioning site restoration and other related activities in a joint bank account amounting to US\$31,087 (2017: US\$24,661).

The Company has created reserves fund for past service liabilities to employees as of December 31, 2018 and 2017 amounting to Rp7,534,125 million (equivalent to US\$520,277), and Rp7,185,952 million (equivalent to US\$530,407), respectively.

As of December 31, 2018 and 2017, restrained fund for Partnership Program amounted to Rp12,174 million (equivalent to US\$840) and Rp12,174 million (equivalent to US\$899), 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 and Produksi.

b. Finance lease receivables

This account represents the non-current portion of the finance lease receivables exist 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 acceptance facility on land (Gas Transport Agreement ("GTA") Kalija 1 which is classified as a finance lease transaction.

c. Advances to vendors, net

	December 31, 2018	December 31, 2017
Advances to vendors	166,110	250,408
Provision for impairment	(32,704)	(32,704)
 Net	133,406	217,704

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15. 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
December 31, 2018				
PT PHE ONWJ	53,337	-	-	53,337
PHE Nunukan Company	415	-	-	415
PGN and its subsidiaries	55	-	-	55
Total	53,807	-	-	53,807
December 31, 2017				
PT PHE ONWJ	53,337	-	-	53,337
PHE Tuban	4,538	-	(4,538)	-
PGN and its subsidiaries	55	-	-	55
Others	2,767	-	(2,352)	415
Total	60,697	-	(6,890)	53,807

The goodwill is allocated to the Company's Cash Generating Unit ("CGU") identified according to PSC blocks.

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 2018 amounted to nil and 2017 amounting to US\$4,538 and US\$2,352 (Note 39), 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.

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 risk relating to the relevant oil and gas industry and considering the risks of individual country of operations.

These consolidated financial statements are originally issued in the Indonesian language

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15. OTHER NON-CURRENT ASSETS (continued)

d. Goodwill (continued)

Key assumptions used for the basis of the impairment test on December 31, 2018 are as follows:

	Assumptions 2018				
	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
ICP Projection	US\$68.60	US\$67.90	US\$66.20	US\$66.60	US\$68.00
Brent Projection	US\$72.00	US\$71.30	US\$69.60	US\$70.00	US\$71.60

The projection of ICP value for the years 2024 to 2030 has increased between US\$1.60 to US\$1.80, while for Brent the value is between US\$1.60 to US\$1.90.

Gas price	Based on the gas sales agreement
Discount rate	6.71% - 10.20%

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

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Non-free and non-clear assets	112,237	112,237
Provision for impairment	(110,400)	(110,400)
Net	<u>1,837</u>	<u>1,837</u>

Non-free and non-clear assets represent land 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.

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16. SHORT-TERM LOANS

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
<u>Government-related entities (Note 41)</u>		
- Bank Mandiri	1,705,709	166,151
- BRI	820,154	189,027
- BNI	638,751	340
- Others (each below US\$10,000)	110	-
Sub-total	<u>3,164,724</u>	<u>355,518</u>
<u>Third parties</u>		
- PT Bank Mizuho Indonesia	203,272	10,000
- PT Bank Sumitomo Mitsui Indonesia	145,368	-
- Citibank, N.A.	145,344	-
- PT ANZ Panin Bank Indonesia Tbk	139,491	-
- BCA	118,934	-
- Sumitomo Mitsui Banking Corporation	97,016	10,000
- Deutsche Bank AG	93,970	32,285
- PT Bank DBS Indonesia	86,842	-
- The Hongkong and Shanghai Banking Corp ("HSBC")	67,075	-
- PT Bank Permata Tbk	59,804	-
- PT Bank ICBC Indonesia	23,974	27,292
- PT Bank UOB Indonesia	-	10,000
- Others (each below US\$10,000)	1,221	7,784
Sub-total	<u>1,182,311</u>	<u>97,361</u>
Total	<u>4,347,035</u>	<u>452,879</u>

Other information related to the Group's short-term bank loan facilities as of December 31, 2018 are as follows:

<u>Lenders</u>	<u>Expiration date</u>
Bank Mandiri	June 17, 2019
BNI	June 14, 2019
BRI	June 17, 2019
Citibank, N.A.	May 8, 2019
BNI Syariah	May 31, 2019
PT Bank Mizuho Indonesia	May 22, 2019
PT Bank Sumitomo Mitsui Indonesia	June 26, 2019
Sumitomo Mitsui Banking Corporation	April 2, 2019
PT ANZ Panin Bank Indonesia Tbk	June 17, 2019
BCA	March 20, 2019
PT Bank Permata Tbk	May 10, 2019
PT Bank DBS Indonesia	July 5, 2019
Deutsche Bank AG	June 19, 2019
HSBC	August 14, 2019
PT Bank Danamon Indonesia Tbk	May 31, 2019
PT Bank ICBC Indonesia	October 31, 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.

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16. SHORT-TERM LOANS (continued)

The interest rates on short-term loans for the period ended December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
US Dollar	2.76% - 3.71%	1.42% - 2.52%
Rupiah	7.25% - 11.50%	6.40% - 12.50%

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

17. TRADE PAYABLES - THIRD PARTIES

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
US Dollar	3,215,103	3,719,566
Rupiah	374,194	152,548
Others	8,480	28,007
Total	<u>3,597,777</u>	<u>3,900,121</u>

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

18. DUE TO THE GOVERNMENT

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
The Company		
Conversion account (amount due to the Government for its share in the Indonesian crude oil production supplied to the Company's refineries)	961,481	749,956
Ulubelu and Lahendong geothermal project loan	253,310	252,123
Lumut Balai geothermal project loan	84,594	47,590
The Government's share in the domestic natural gas sales including its share of Indonesian gas production	36,889	30,674
Payable for purchase of the Government's share in the LPG production	11,358	8,826
Ngurah Rai Airport refuelling facility ("DPPU") construction project loan	4,505	5,152
Other liabilities	-	174,907
Sub-total	<u>1,352,137</u>	<u>1,269,228</u>

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18. DUE TO THE GOVERNMENT (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Subsidiaries:		
PT Pertamina EP		
Government share of production	25,764	1,897
Finance lease liability - state-owned assets	81,815	88,536
Sub-total	<u>107,579</u>	<u>90,433</u>
PT Pertamina Hulu Energi		
Overlifting payables	37,878	59,678
PT Pertamina Hulu Indonesia		
Overlifting payables	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	352,971	360,034
Domestic Gas market development project loan	36,008	39,996
Gas transmission and distribution project phase II project loan	7,126	11,876
Sub-total	<u>650,688</u>	<u>562,017</u>
Total (Note 41)	2,002,825	1,831,245
Current portion	(1,207,743)	(1,050,619)
Non-current portion	795,082	780,626

a. Conversion account (amount due to the Government for its sharing the Indonesian crude oil production supplied to the Company and its subsidiaries)

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 production of Indonesian crude oil is derived from the work area of the KKS Contractor.

The movement in the conversion account is as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
The Company		
Beginning balance	749,956	586,171
Government share in the Indonesian crude oil production delivered to the Company's refineries during the year	10,289,631	6,819,294
Cash settlement	(10,029,737)	(6,641,271)
Gains on foreign exchange	(48,369)	(14,238)
Ending balance	961,481	749,956

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18. DUE TO THE GOVERNMENT (continued)

b. 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 + 0.45% + 0.5% (bank charges) + variance spread annually, while interest rate from the Japan International Cooperation Agency (“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, commencing on October 10, 2020 until October 10, 2035 and LA TF10417-ID, commencing on October 10, 2021 until April 10, 2051.

The following are outstanding loan balance as of December 31, 2018 and December 31, 2017:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
LA 8082-ID	129,044	131,055
LA TF10417-ID	124,266	121,068
Total	<u>253,310</u>	<u>252,123</u>

c. Lumut Balai geothermal project loan

On March 29, 2011, the Loan Agreement (“LA”) IP-557 was signed between the Government of Indonesia, represented by the Director General of Debt Management, Ministry of Finance, and Japan International Cooperation Agency (“JICA”), represented by the Chief Representative of JICA, with the Company as Executing Agency and PGE as Implementing Agency. The amount of the loan facility was ¥26,966,000,000 (full amount) with period of withdrawal for eight years from the effective date with effective rates at 0.6% and 0.02%, respectively.

Repayment of the loan principal will be on a semi-annual basis, on March 20, and September 20, commencing on March 20, 2021 to March 2051. The outstanding loan balance as of December 31, 2018 and 2017 amounted to ¥9,343,033,479 and ¥5,363,082,289 (full amount) or equal to US\$84,594 and US\$47,590 respectively.

d. 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 DPPU Ngurah Rai Airport in accordance with the loan agreement dated November 29, 1994.

The loan is repayable in 36 semi-annual installments commencing in May 2007 through November 2024, and is subject to interest at the rate of 3.1% per annum. The loan balance as of December 31, 2018 and 2017 amounted to ¥497,492,834 and ¥580,408,306 (full amount), equivalent to US\$4,505 and US\$5,152, respectively.

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18. DUE TO THE GOVERNMENT (continued)

e. Other liabilities

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

On June 8, 2018, the Government through MoF issued a letter Number S-100/MK.2/2018 concerning Submission of Settlement of Follow-Up Recommendations of the BPK RI in LHP on Central Government Financial Reports ("LKPP") and State General Treasurer Financial Reports ("LKBUN ") in 2015-2017 and LHP for Examinations with Specific Purpose at the Ministry of Finance in 2015-2016, stated that the excess revenue due to price disparity in 2016 JBKP Premium sales was recognized as excess revenue for the Company. This resulted in an amount of Rp2.37 trillion (equivalent to US\$178,070) which was previously recorded as due to the Government that corrected to other operating activities revenue in 2018 (Note 31).

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

In accordance with the MoF Decree dated May 2, 2007, assets previously owned by the former Pertamina Entity which have not been recognized in the opening balance sheet of the Company, represent BMN, the control of which is exercised by the Directorate General of State Assets.

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

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

Lessor	Type of asset	December 31, 2018	December 31, 2017
The Ministry of Finance	Installation assets, buildings and moveable assets	81,815	88,536
Current portion		(1,180)	(1,087)
Non-current portion		80,635	87,449

Future minimum lease payments as of December 31, 2018, and 2017 are as follows:

	December 31, 2018	December 31, 2017
Within one year	14,310	15,295
More than one year but not more than five years	71,550	76,475
More than five years	153,832	179,716
Total	239,692	271,486
Interest	(157,877)	(182,950)
Net	81,815	88,536
Current portion	(1,180)	(1,087)
Non-current portion	80,635	87,449

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18. DUE TO THE GOVERNMENT (continued)

g. 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.

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

On March 27, 2003, Japan Bank for International Cooperation ("JBIC") agreed to provide loans to the Government with 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 Sumatra to Java West and distribution pipelines in West Java.

On May 28, 2003, PGN and the Government entered into a Loan Forwarding Agreement No. SLA1156 / DP3 / 2003, where the Government continues this loan from JBIC with a total not exceeding JPY49,088,000,000 (full amount) to PGN.

For the years ended December 31, 2018 and 2017, PGN has paid installments amounting to ¥1,591,118,000 (full amount) and ¥1,591,118,000 (full amount). Payment of loan principal is made every six months on March 20 and September 15. Payments began from March 20, 2013 to March 20, 2043. The loan balance as of December 31, 2018 was ¥38,983,847,840 (full amount) or equivalent to US\$352,971.

i. Domestic gas market development project loan

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

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

In December 2011, the total loan facilities were changed to USD69,381,312 (full amount). On November 14, 2013, PGN received Letter No.5786/PU/2013 from the Directorate General of Debt Management, Ministry of Finance of the Republic of Indonesia, regarding the approval of the remaining cancellation of loan facilities amounting to US\$7,616 starting February 1, 2013.

For the year ended December 31, 2018 and 2017, PGN has paid installments in each period amounting to US\$3,988 and US\$3,820.

j. Gas transmission and distribution project phase II project loan

On September 15, 2000, the Company and the Government entered into a Loan Agreement, which provides for the Government's relending of the EIB loan proceeds not exceeding €70,000,000 (full amount) not higher than US\$54,633 to PGN as part of the financing of the Gas Transmission and Distribution Project Phase II.

As of December 31, 2018 and 2017, the Group has complied with all the financial ratios required to be maintained under the loan agreements.

For the year ended December 31, 2018 and 2017, PGN has paid installments in each period amounting to US\$4,752, respectively.

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19. ACCRUED EXPENSES

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Suppliers and contractors	1,069,409	1,040,540
Bonuses, incentives, and salaries	441,536	460,779
Estimated owned retention claim	286,508	190,458
Employee benefit liabilities due within one year (Note 22b)	232,994	260,010
Interest on loans	105,062	68,109
Total	<u>2,135,509</u>	<u>2,019,896</u>

20. LONG-TERM LIABILITIES

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Bank loans:		
Government-related entities (Note 41)	179,361	174,638
Third parties	1,891,264	2,100,822
	<u>2,070,625</u>	<u>2,275,460</u>
Issuance costs - net	(4,775)	(6,838)
Total bank loans - net	2,065,850	2,268,622
Finance leases	160,027	207,104
Total long-term liabilities (Note 48d)	<u>2,225,877</u>	<u>2,475,726</u>
Current portion	<u>(420,577)</u>	<u>(365,959)</u>
Long-term liabilities - net of current portion	<u>1,805,300</u>	<u>2,109,767</u>

Annual interest rates on bank loans during 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rupiah	2.35%-13.00%	7.25%-13.00%
US Dollar	1.37%-5.60%	1.37%-3.51%

a. Bank loans

Details of the Group's syndicated and bank loans as of December 31, 2018 and 2017 are as follows:

	December 31, 2018		
	<u>Total</u>	<u>Current</u>	<u>Non-current</u>
<u>Government-related entities</u>			
Bank Mandiri	19,753	10,043	9,710
BSM	9,330	-	9,330
BRI	181	181	-
BNI Syariah	97	70	27
Other financial institutions:			
PT Sarana Multi Infrastruktur (Persero)	150,000	-	150,000

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20. LONG-TERM LIABILITIES (continued)

a. Bank loans (continued)

Details of the Group's syndicated and bank loans as of December 31, 2018 and 2017 are as follows: (continued)

	December 31, 2018		
	Total	Current	Non-current
<u>Third parties</u>			
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

	December 31, 2017		
	Total	Current	Non-current
<u>Government-related entities</u>			
Bank Mandiri	17,463	15,981	1,482
BNI	2,715	2,449	266
BRI	1,725	1,532	193
BNI Syariah	359	255	104
Other financial institutions:			
PT Multi Sarana Infrastruktur (Persero)	150,000	-	150,000
Lembaga Pembiayaan Ekspor Indonesia	2,376	2,376	-
<u>Third parties</u>			
BOTM (Syndicated loan)	1,935,000	277,547	1,657,453
Sumitomo Mitsui Banking Corporation	105,575	10,602	94,973
PT Bank Sumitomo Mitsui Indonesia	60,247	7,273	52,974
Total	2,275,460	318,015	1,957,445

Other information on the Group's syndicated and bank loans as of December 31, 2018 is as follows:

Creditors	Repayment schedule
<u>The Company</u>	
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)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Several installments (2016-2021)

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20. 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)
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 instalments (2018-2024)
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 13).

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\$600.000 which bears interest at LIBOR plus 1.5% margin 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 & 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 constitute a guarantee in respect of the obligation of PIEP under Sponsor Support Agreement and the Company shall not be construed acting as a guarantor.

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

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20. LONG-TERM LIABILITIES (continued)

b. Finance leases

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

Minimum lease payments as of December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Within one year	84,137	54,407
Within more than one year but not more than five years	115,474	121,179
More than five years	32,487	49,493
Total	<u>232,098</u>	<u>225,079</u>
Interest	(72,071)	(17,975)
Net	<u>160,027</u>	<u>207,104</u>
Current portion	(58,722)	(50,008)
Non-current portion	<u>101,305</u>	<u>157,096</u>

21. BONDS PAYABLE

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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	1,230,000
Issued in 2013		
Due in 2023	1,615,000	1,615,000
Due in 2043	1,433,261	1,462,500
Issued in 2014		
Due in 2044	1,500,000	1,500,000
Issued in 2018		
Due in 2048	750,000	-
Total	<u>9,261,851</u>	<u>8,549,500</u>
Discount	(65,722)	(51,180)
Issuance cost	(27,211)	(23,552)
Amortization of discount and issuance cost	28,608	23,679
Bonds payable owned by subsidiaries:	(62,000)	(68,500)
Sub-total	<u>9,135,526</u>	<u>8,429,947</u>

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21. BONDS PAYABLE (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
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)	(16,430)	(19,074)
Sub-total	1,958,570	1,955,926
Total bonds payable (Note 48d)	11,094,096	10,385,873

Other information on the Company's bonds payable as of December 31, 2018 is as follows:

	Nominal Issued Amount	Issuance price	Starting date	Maturity date	Trustee	Interest rate
The Company:						
Issued in 2011						
Due in 2021	1,000,000	98.097%	May 23, 2011	May 23, 2021	HSBC Bank USA, N.A	5.25%
Due in 2041	500,000	98.380%	May 27, 2011	May 27, 2041	HSBC Bank USA, N.A	6.50%
Issued in 2012						
Due in 2022	1,250,000	99.414%	May 3, 2012	May 3, 2022	HSBC Bank USA, N.A	4.88%
Due in 2042	1,250,000	98.631%	May 3, 2012	May 3, 2042	HSBC Bank USA, N.A	6.00%
Issued in 2013						
Due in 2023	1,625,000	100.000%	May 20, 2013	May 20, 2023	The Bank of New York Mellon	4.30%
Due in 2043	1,625,000	100.000%	May 20, 2013	May 20, 2043	The Bank of New York Mellon	5.63%
Issued in 2014						
Due in 2044	1,500,000	100.000%	May 30, 2014	May 30, 2044	The Bank of New York Mellon	6.45%
Issued in 2018						
Due in 2038	750,000	98.061%	Nov. 7, 2018	Nov. 7, 2048	The Bank of New York Mellon	6.50%
The Subsidiaries:						
Issued in 2014						
Due in 2024	1,350,000	99.037%	May 12, 2014	May 16, 2024	The Bank of New York Mellon	5.13%
Issued in 2017						
Due in 2024	625,000	100.000%	April 26, 2017	May 5, 2024	Citicorp International Limited	4.45%

The Company

The Indenture stipulates that:

- No later than 30 days following the occurrence of an event in which the Government of Indonesia ceases to own, directly or indirectly, more than 50% of the voting securities of the Company (Change of Control Triggering Event), the Company may be required to make an offer to repurchase all senior notes outstanding at a purchase price equal to 101% of their principal amount plus accrued and unpaid interest, if any, to the date of repurchase. The senior notes are subject to redemption in whole, at 100% of their principal amount, together with any accrued interest, at the option of the Company at a certain time in the event of certain changes affecting Indonesian taxation.
- Certain covenants include among others: limitation on liens, limitation on sale and lease back transactions and provision of financial statements and other reports.
- The Company complied with the restrictions specified within the agreements with the Trustee.
- The proceeds from senior notes issued were used to partially fund the capital expenditure requirements in the acquisition of new blocks, development of existing blocks, rig purchase and tanker building.

As of December 31, 2018, 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 2018, the Company bought back a portion of senior bonds totaling to US\$37,649 (2017: nil).

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21. BONDS PAYABLE (continued)

The Subsidiaries:

- Senior unsecured fixed notes
In connection with these bonds, the Company is restricted in carrying out consolidation, mergers, transfers, leases, or deletions of all assets. Based on Moody's Investors Services, Standard & Poor's (S&P) and Fitch, these bonds were given a rating of Baa3, BB+, and BBB- respectively.
- SEI senior unsecured fixed rate notes
SEI does not require the Company to make sinking fund payments related to these bonds. Based on Moody's Investors Services, Standard & Poor's (S&P) and Fitch, the ratings of these bonds in sequence are Ba1, BB+, and BB+.

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

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22. EMPLOYEE BENEFIT LIABILITIES (continued)

b. Provision for employee benefits

The estimated employee benefits obligations of the Company and most of its Subsidiaries as of December 31, 2018 and 2017, were determined based on the valuation reports of an independent actuary, PT Dayamandiri Dharmakonsilindo, dated January 9, 2019 and January 25, 2018 respectively. The table below presents a summary of the employee benefits obligations reported in the consolidated statements of financial position:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
The Company:		
Pension and other post-employment benefits:		
- PPMP	142,585	200,990
- Post-retirement healthcare benefits	786,489	924,654
- PAP	718,902	900,396
- Repatriation costs	5,423	8,480
Sub-total	<u>1,653,399</u>	<u>2,034,520</u>
Other long-term employee benefits:		
- MPPK	104,428	129,278
- Annual leave and service anniversary	10,035	16,063
Sub-total	<u>114,463</u>	<u>145,341</u>
Total - The Company	<u>1,767,862</u>	<u>2,179,861</u>
Subsidiaries:		
Pension and other post-employment benefits	<u>315,515</u>	<u>288,369</u>
Total	<u>2,083,377</u>	<u>2,468,230</u>
Current portion (Note 19)	<u>(232,994)</u>	<u>(260,010)</u>
Non-current portion	<u>1,850,383</u>	<u>2,208,220</u>

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22. 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 recognised in the statement of profit or loss and other comprehensive income and the funded status and amounts recognised in the statement of financial position for the respective plans for the years ended December 31, 2018 and 2017:

i. Post-employment benefit obligations

December 31, 2018							
PPMP							
	Present value of post- employment benefit obligations	Fair value of plan assets	Post- employment benefit obligations	Post- retirement healthcare benefits	PAP	Repatriation cost	Total
Beginning balance	790,740	(589,750)	200,990	924,654	900,396	8,480	2,034,520
Current service cost (Contribution from employee)	3,935	(1,057)	2,878	27,061	48,428	405	78,772
Interest expense (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	-	-	-	-	-
Benefits paid by the Company	-	-	-	(35,241)	(169,620)	(1,107)	(205,968)
Contribution to plan by the Company	-	(34,218)	(34,218)	-	-	-	(34,218)
Gain (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

December 31, 2017							
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	735,775	(593,449)	142,326	832,487	922,194	8,230	1,905,237
Current service cost (Contribution from employee)	3,569	(1,266)	2,303	16,809	45,431	534	65,077
Interest expense (Interest income)	60,762	(50,168)	10,594	72,036	67,105	654	150,389
Sub-total amounts recognized in profit or loss	64,331	(51,434)	12,897	88,845	112,536	1,188	215,466

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22. 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, 2017							
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
Actuarial (gain) loss arising from: Changes in financial assumptions	80,080	22,798	102,878	166,048	76,914	836	346,676
Experience adjustments	(18,440)	-	(18,440)	(120,215)	(35,473)	(1,111)	(175,239)
Sub-total Expense (income) recognized in other comprehensive income	61,640	22,798	84,438	45,833	41,441	(275)	171,437
Benefits paid from plan asset	(64,177)	64,177	-	-	-	-	-
Benefits paid by The Company	-	-	-	(34,417)	(168,325)	(590)	(203,332)
Contribution to plan by the Company	-	(36,763)	(36,763)	-	-	-	(36,763)
Gain (loss) on foreign currency exchange	(6,829)	4,921	(1,908)	(8,094)	(7,450)	(73)	(17,525)
Ending balance	790,740	(589,750)	200,990	924,654	900,396	8,480	2,034,520

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 December 31, 2018 and 2017 amounted to US\$6,116 and US\$27,369 respectively.

ii. Other long-term employee benefits obligations

	December 31, 2018			December 31, 2017		
	MPPK	Annual leave and service anniversary	Total	MPPK	Annual leave and service anniversary	Total
Beginning balance	129,278	16,063	145,341	114,778	12,843	127,621
Current service cost	6,743	3,866	10,609	6,573	7,039	13,612
Interest cost	7,995	802	8,797	8,828	817	9,645
Actuarial gain (loss)	(18,078)	(3,605)	(21,683)	4,604	864	5,468
Sub-total benefit cost recognized in the profit or loss	(3,340)	1,063	(2,277)	20,005	8,720	28,725
Benefits paid by the Company	(13,453)	(6,138)	(19,591)	(4,367)	(5,353)	(9,720)
Gain on foreign exchange	(8,057)	(953)	(9,010)	(1,138)	(147)	(1,285)
Ending balance	104,428	10,035	114,463	129,278	16,063	145,341

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22. EMPLOYEE BENEFIT LIABILITIES (continued)

d. Actuarial assumptions

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

	December 31, 2018	December 31, 2017
Discount rate:		
- Defined benefits plan administered by Dana Pensiun Pertamina per annum	8.41% per annum	7.76% per annum
- PAP	8.12% per annum	6.44% per annum
- Post-retirement healthcare benefits	8.77% per annum	7.76% per annum
- Repatriation cost	8.29% per annum	7.26% per annum
- MPPK	8.27% per annum	7.07% per annum
- Annual leave	7.39% per annum	6.35% per annum
- Service anniversary	8.30% per annum	7.07% per annum
Gold inflation rate	8.00% per annum	9.00% 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

Investment portfolio of plan assets comprises the following:

	December 31, 2018		December 31, 2017	
	Investment value	%	Investment value	%
Equity instruments	154,253	29%	171,028	29%
Debt instruments	218,082	41%	247,694	42%
Others	159,573	30%	171,028	29%
Total	531,908	100%	589,750	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 period ended December 31, 2018 and 2017 amounted to US\$31,166 and US\$35,703, respectively.

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22. EMPLOYEE BENEFIT LIABILITIES (continued)

d. Actuarial assumptions (continued)

The qualitative sensitivity analysis for significant assumptions as of December 31, 2018 is as follows:

	<u>Effect of 1% increase to defined benefit obligation</u>	<u>Effect of 1% decrease to defined benefit obligation</u>
Discount rate	(199,710)	227,399
Salary rate	46,164	(68,845)
Healthcare cost trend rate	115,726	(93,508)

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
PPMP	14.35	15.38
PAP	5.98	6.71
Post-retirement healthcare benefits	17.84	25.57

The maturity profile of post-employment benefits obligation as of December 31, 2018 and 2017 are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Within 1 year	266,405	291,079
2 - 5 years	791,955	903,342
More than 5 years	22,500,076	23,312,066
Total	23,558,436	24,506,487

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.

23. PROVISION FOR DECOMMISSIONING AND SITE RESTORATION

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	2,129,337	1,900,093
Addition (deduction) - net	(186,637)	177,746
Accretion expense (Note 38 and 46a)	87,035	51,498
Ending balance	2,029,735	2,129,337

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

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24. NON-CONTROLLING INTERESTS

	December 31, 2018	December 31, 2017
PT Perusahaan Gas Negara	1,397,957	1,382,334
PT Pertamina Internasional Eksplorasi dan Produksi	333,294	263,376
PT Asuransi Tugu Pratama Indonesia Tbk. (previously PT Tugu Pratama Indonesia)	143,831	108,797
PT Elnusa Tbk.	134,790	132,956
Pertamina International Timor S.A.	1,447	1,086
Total	2,011,319	1,888,549

25. 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 MoF through Decision Letter No. 408/KMK.02/2003 (KMK 408) dated September 16, 2003, the Company's authorized capital amounted to Rp200 trillion, which consists of 200,000,000 ordinary shares with a par value of Rp1,000,000 (full amount) per share of which Rp100 trillion (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.

Based on MoF's Decision Letter No. 23/KMK.06/2008 dated January 30, 2008, regarding the Determination of the Opening Balance Sheet of PT Pertamina (Persero) as of September 17, 2003, the total amount of the Government's equity ownership in the Company is Rp82,57 trillion (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.

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

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

The Increase in 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 December 31, 2018 and 2017, the Company's issued and paid-up share capital are as follows:

Shareholder	Number of issued and paid-up shares (full amount)	Percentage of ownership	Issued and paid up share capital
December 31, 2018			
The Government of the Republic of Indonesia	171,227,044	100%	16,191,204
December 31, 2017			
The Government of the Republic of Indonesia	133,090,697	100%	13,417,047

b. Additional paid-in capital

The additional paid-in capital as of December 31, 2018 and 2017 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.

26. 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.

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

a. Natural gas distribution network ("jargas") for households and gas refueling stations ("SPBG") and supporting infrastructure (continued)

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.

27. RETAINED EARNINGS AND DIVIDEND

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 as follows:

- Distribution of dividends of Rp12,10 trillion (full amount) (equivalent to US\$907,383)
- The remaining amount of US\$2,239,660 were reserved to support operations and corporate development.

Based on the GMS' decision to approve the 2017 annual report of PT Pertamina (Persero), there was an additional appropriation of retained earnings for partnership program and community development program amounting to 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 others, the utilization of 2017 net income of the Company to be as follows:

- Distribution of dividends amounting to Rp8.57 trillion (full amount) (equivalent to US\$614,939)
- The remaining amount of US\$1,925,256 is reserved to support operations and corporate development.

28. DOMESTIC SALES OF CRUDE OIL, NATURAL GAS, GEOTHERMAL ENERGY AND OIL PRODUCTS

	For the years ended December 31,	
	2018	2017
Pertamax, Pertamax Plus Peralite gasoline and Pertadex (diesel oil)	11,215,914	9,794,161
Automotive diesel oil ("ADO")	10,713,543	9,388,019
LPG, petrochemicals, lubricants and others	8,201,023	4,313,150
Premium gasoline	4,509,233	5,429,272
Avtur dan Avigas	3,955,434	2,990,276
Natural gas	3,196,038	5,461,178
Crude oil	917,333	763,281
Geothermal energy-steam and electricity	645,593	609,610
Industrial/Marine Fuel Oil	639,575	492,753
DMO fees-crude oil	612,953	400,621
Kerosene	123,894	137,924
Industrial diesel oil	11,978	8,539
Total	44,742,511	39,788,784

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29. SUBSIDY REIMBURSEMENTS FROM THE GOVERNMENT

	For the years ended December 31,	
	2018	2017
Current year:		
Subsidy reimbursements for 3 kg LPG cylinders (Note 9b)	3,496,603	2,977,967
Subsidy reimbursements for certain fuel (BBM) products (Note 9c)	2,126,796	595,206
Subsidy reimbursements for kerosene (Note 9)	16,828	-
Sub-total	5,640,227	3,573,173
Corrections from Government audit (BPK and MoEMR) for subsidy reimbursements:		
LPG year 2018 (Note 9b)	(1,252)	-
BBM year 2018 (Note 9c)	(699)	-
LPG year 2017 (Note 9b)	(5,661)	-
BBM year 2017 (Note 9c)	(147)	-
LPG year 2016 (Note 9b)	-	(484)
BBM year 2016 (Note 9c)	-	(605)
Sub-total	(7,759)	(1,089)
Total	5,632,468	3,572,084

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

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

	For the years ended December 31,	
	2018	2017
Oil products	1,811,257	968,882
Crude oil	1,187,824	659,722
Natural gas	637,872	245,677
Total	3,636,953	1,874,281

31. REVENUES FROM OTHER OPERATING ACTIVITIES

	For the years ended December 31,	
	2018	2017
Disparity between formula price and Government stipulated price (Note 9a and 18e)	3,102,218	-
Natural gas transportation services	204,140	151,916
Upstream support services	156,869	155,442
Shipping services	127,010	124,224
Insurance services	84,585	98,870
Health and hospital services	76,607	85,383
Gas regasification services	31,108	19,224

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31. REVENUES FROM OTHER OPERATING ACTIVITIES (continued)

	For the years ended December 31,	
	2018	2017
Office and hospitality services	26,155	23,656
Air transport services	18,756	39,137
Transportation and technical services	13,359	8,994
Portfolio management services	4,962	9,157
Human resources provision and development services	4,825	2,026
Others services	55,613	22,071
Total	3,906,207	740,100

32. COST OF GOODS SOLD

	For the years ended December 31,	
	2018	2017
Beginning balance of oil products	(3,778,519)	(2,990,517)
Provision for decline in value of oil products (Note 10)	92,854	76,542
Sub-total	(3,685,665)	(2,913,975)
Production costs:		
- Direct materials	(20,349,186)	(15,368,304)
- Supporting materials	(1,151,033)	(879,291)
- Depreciation (Note 13)	(566,412)	(551,911)
- Utilities, infrastructure and fuel	(484,322)	(441,655)
- Salaries, wages, and other employee benefits	(452,184)	(503,547)
- Rental (Note 49c)	(286,481)	(717,475)
- Freight and transportation	(152,255)	(112,534)
- Custom and duty	(124,215)	(138,148)
- Professional services	(124,109)	(82,225)
- Maintenance and repairs	(115,899)	(114,228)
- Overhead	(84,460)	(71,035)
- Materials and equipment	(17,109)	(98,863)
- Business Travel	(99,311)	(15,569)
Sub-total	(24,006,976)	(19,094,785)
Purchases of oil products and others:		
- Imports of other oil products (Note 10)	(9,230,605)	(7,515,863)
- Imports of premium gasoline	(4,433,062)	(3,811,785)
- Domestic purchases of other oil products	(2,782,989)	(2,340,875)
- Imports of ADO	(1,385,810)	(853,533)
- Purchases of geothermal energy	(1,313,799)	(330,505)
Sub-total	(19,146,265)	(14,852,561)
Ending balance of oil products (Note 10)	4,218,260	3,778,519
Provision for decline in value of oil products (Note 10)	(167,270)	(92,854)
Sub-total	4,050,990	3,685,665
Total	(42,787,916)	(33,175,656)

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33. UPSTREAM PRODUCTION AND LIFTING COSTS

	For the years ended December 31,	
	2018	2017
Depreciation, depletion and amortization (Note 14)	(1,741,040)	(1,578,988)
Contracts	(734,342)	(373,194)
Salaries, wages and other employee benefits	(618,458)	(419,526)
Technical Assistance Contracts ("TAC")	(335,532)	(136,609)
Materials	(267,437)	(287,612)
Amortization of investment in oil & gas block (Note 12a)	(144,472)	(116,441)
Others	(545,235)	(508,837)
Total	(4,386,516)	(3,421,207)

34. EXPLORATION COSTS

	For the years ended December 31,	
	2018	2017
Dry hole	(112,476)	(74,744)
Seismic, geological and geophysical	(89,680)	(40,000)
Others	(65,524)	(50,612)
Total	(267,680)	(165,356)

35. EXPENSES FROM OTHER OPERATING ACTIVITIES

	For the years ended December 31,	
	2018	2017
Cost of services	(917,123)	(561,688)
Salaries, wages and other employee benefits	(173,585)	(148,022)
Insurance claims	(92,864)	(68,616)
Depreciation (Note 13)	(88,405)	(84,636)
Total	(1,271,977)	(862,962)

36. SELLING AND MARKETING EXPENSES

	For the years ended December 31,	
	2018	2017
Freight and transportation	(453,664)	(519,929)
Depreciation (Note 13)	(328,695)	(362,241)
Salaries, wage, and other employee benefits	(263,020)	(222,447)
LPG filling fees	(113,971)	(132,647)
Professional services	(96,851)	(53,660)
Taxes, retributions and penalties	(89,179)	(46,201)
Maintenance and repairs	(84,776)	(66,757)
Materials and equipment	(33,441)	(45,992)

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36. SELLING AND MARKETING EXPENSES (continued)

	For the years ended December 31,	
	2018	2017
Rental	(26,210)	(44,981)
Advertising and promotions	(24,151)	(25,102)
Utilities, infrastructure and fuel	(21,092)	(8,339)
Travel	(15,331)	(12,483)
Others	(92,450)	(49,423)
Total	(1,642,831)	(1,590,202)

37. GENERAL AND ADMINISTRATIVE EXPENSES

	For the years ended December 31,	
	2018	2017
Salaries, wages and other employee benefits	(649,669)	(825,414)
Taxes, retributions and penalties	(295,439)	(222,737)
Depreciation, depletion and amortization (Notes 12, 13 and 14)	(107,538)	(109,792)
Professional services	(41,828)	(113,979)
Materials and equipment	(36,022)	(52,663)
Rental (Note 49c)	(31,177)	(19,906)
Training, education and recruitment	(29,828)	(22,570)
Maintenance and repairs	(24,825)	(38,009)
Business travel	(23,252)	(26,136)
Others	(90,333)	(167,728)
Total	(1,329,911)	(1,598,934)

38. FINANCE INCOME AND COSTS

	For the years ended December 31,	
	2018	2017
Finance income:		
Time deposits	161,818	162,988
Other investments	54,797	25,277
Current accounts	39,958	38,779
Other	-	6,030
Total	256,573	233,074
Finance costs:		
Bonds	(351,914)	(352,622)
Long-term loans	(172,586)	(202,974)
Accretion expense (Note 23)	(87,035)	(51,498)
Short-term loans	(56,499)	(8,465)
Finance leases	(30,309)	(58,323)
Others	(136,895)	(143,829)
Total	(835,238)	(817,711)

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39. OTHER INCOME/(EXPENSES)

	For the years ended December 31,	
	2018	2017
Recovery/(provision) of impairment for receivable	108,757	(49,826)
Income from contract and material penalties and claims	91,101	41,058
Adjustment of fair value of other investments (Note 11)	52,843	-
Rental	35,325	34,167
Reversal/(impairment) of fixed assets (Note 13)	2,719	(7,364)
Provision for impairment of oil and gas assets (Note 14)	(218,189)	(191,353)
Decrease in value of investments in oil and gas blocks (Note 12a)	(154,773)	(83,270)
Tax penalties underpayment tax assessment letter ("SKPKB") and tax billed ("STP") (Note 40a)	(36,622)	-
Interest tax income restitution	-	99,577
Provision for impairment of goodwill (Note 15d)	-	(6,890)
Provision for tax dispute (Note 40g)	-	(621,148)
Tax refund	-	121,676
Final income tax asset revaluation (Note 40h)	-	(129,610)
Write-off of oil and gas properties	-	(68,546)
Others - net	38,014	30,947
Total	(80,825)	(830,582)

40. TAXATION

a. Prepaid taxes

	December 31, 2018	December 31, 2017
Corporate Income Tax ("CIT")		
The Company:		
Overpayment of corporate income tax:		
- 2017	14,520	164,266
Subsidiaries:		
Corporate income tax and dividend	458,483	330,676
Sub-total CIT - Consolidated	473,003	494,942
Value added tax ("VAT")		
The Company:		
- 2018	386,989	-
- 2017	-	418,255
- 2016	84,290	-
Sub-total	471,279	418,255

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40. TAXATION (continued)

a. Prepaid taxes (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Value added tax ("VAT") (continued)		
Subsidiaries:		
Reimbursable VAT	290,872	313,468
VAT	386,737	396,890
Sub-total	<u>677,609</u>	<u>710,358</u>
Sub-total VAT - Consolidated	1,148,888	1,128,613
Other taxes	18,994	-
Total	<u>1,640,885</u>	<u>1,623,555</u>
Current portion	<u>(820,598)</u>	<u>(794,255)</u>
Non-current portion	<u>820,287</u>	<u>829,300</u>

Details of Reimbursable VAT are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Reimbursable VAT by SKK Migas:		
- PT Pertamina EP	84,264	73,348
- PGN and its subsidiaries	69,014	75,356
- PT Pertamina EP Cepu	31,194	43,160
- PHE and its subsidiaries	3,643	26,638
Sub-total	<u>188,115</u>	<u>218,502</u>
Reimbursable VAT by the Directorate General of Budgeting and Finance Stability: PT Pertamina Geothermal Energy	102,757	94,966
Total	<u>290,872</u>	<u>313,468</u>

On December 27, 2018, the Company received underpayment tax assessment letter ("SKPKB") and tax bill ("STP") for the 2016 fiscal year tax audit 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 amounting to Rp991.86 billion (equivalent to US\$68,108).

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.

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40. TAXATION (continued)

a. Prepaid taxes (continued)

On January 25, 2019, the Company has filed objection letters to the SKPKB PPh 22, PPh 23, PPh 4 (2), PPh 15, SKPKB and STP PPN.

On November 7, 2018, the Company received a letter of return for overpayment of tax for overpayment of 2017 corporate income tax from the Directorate General of Taxes (“DGT”) for Large Taxpayers Three No.80367/051-00367-2018 for tax refund amounting to Rp2.26 trillion by compensating taxes payable amounting to Rp159 million, so that it was refunded amounting to Rp2.26 trillion (equivalent to US\$154,758).

On February 9, 2018, the Company obtained from the DGT decision No. Kep-29/WPJ.19/2018 concerning the Determination of Certain Taxpayers with Specific Criteria, which was put into effect from January 1, 2018 to December 31, 2019. Taxpayers that fulfill all criteria can be given an initial tax refund if they had previously overpaid taxes.

On March 21, 2017, the Tax Court accepted the Company’s tax appeals for the partial portion of underpayment tax assessment letter (“SKPKB”) of value added tax for fiscal period December 2007. The Company received tax refund for the overpayment of value added tax amounting to Rp1,62 trillion (equivalent to US\$121,576) on August 3, 2017.

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 3, 2017, the Company received tax refund overpayment letters for overpayment of corporate income tax for fiscal years 2014 and 2013 amounting to Rp3.88 trillion (equivalent to US\$296,363) and Rp23.25 billion (equivalent to US\$1,754) respectively.

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 the Directorate General of Taxes of 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 the 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 Rp429.77 million (equivalent to US\$31,899).

b. Taxes payable

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Corporate income tax - Company	19,684	-
Corporate income tax - Subsidiaries	447,921	308,803
Sub-total	<u>467,605</u>	<u>308,803</u>
Other taxes:		
- Income taxes - Article 21	33,909	39,763
- Income taxes - Article 23/26	13,189	11,363
- Income taxes - Article 22	10,580	6,341
- Income taxes - Article 15/4(2)	6,271	7,101
- Income taxes - Article 24	269	1
- VAT	74,542	68,617
- Fuel taxes	119,645	117,347
Sub-total	<u>258,405</u>	<u>250,533</u>
Total	<u>726,010</u>	<u>559,336</u>

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40. TAXATION (continued)

c. Income tax expense, net

	For the years ended December 31,	
	2018	2017
Current tax expense (Note 40d)	(2,627,443)	(1,699,088)
Deferred income tax benefit/(expense)	(385,759)	532,264
Net	(3,013,202)	(1,166,824)

d. Current taxes

Current income tax computation is based on estimated taxable income (loss). The amounts may be adjusted when annual tax returns are filed with the DGT.

The reconciliation between the consolidated profit before income tax and estimated taxable income is as follows:

	For the years ended December 31,	
	2018	2017
Consolidated profit before income tax expense	5,729,596	3,867,228
Add:		
Consolidation eliminations	3,610,474	2,247,936
Profit before income tax - subsidiaries	(6,610,027)	(3,821,301)
Profit before income tax - the Company	2,730,043	2,293,863
Temporary differences:		
Provision for incentives and performance bonuses (tantiem)	(6,894)	19,920
Provision for impairment of financial assets	(139,273)	20,305
Finance lease assets and liabilities	(7,368)	48,659
Discount and unamortized debt issuance cost	(55)	8,095
Accrual for legal costs	14,918	8,087
Provision for impairment of inventories	137,248	32,404
Fixed assets depreciation	(112,976)	(2,756)
Receivable fair value adjustment from Disparity of Selling Price (Note 2u and 9a)	981,331	-
Employee benefits liability	(181,421)	(121,652)
Fixed asset revaluation	(14,221)	-
Others	7,624	(346)
Permanent differences:		
Non-deductible expenses	342,456	1,093,884
Post-retirement healthcare benefits	648	46,334
Non-depreciable fixed assets	5,372	5,201
Income from subsidiaries and associates	(3,341,620)	(1,997,866)
Interest income subjected to final tax	(149,244)	(148,704)
Other income subjected to final tax	1,055,818	(147,399)
Total temporary and permanent differences	(1,407,657)	(1,135,834)
Taxable income - the Company	1,322,386	1,158,029

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40. TAXATION (continued)

d. Current taxes (continued)

	For the years ended December 31,	
	2018	2017
Current income tax - the Company	330,597	289,507
Prior year adjustments	42,403	-
Current income tax - the Subsidiaries	2,254,443	1,409,581
Consolidated current income tax (Note 40c)	2,627,443	1,699,088

The reconciliation between the Group's income tax expense and the theoretical tax amount on the Group's consolidated profit before income tax is as follows:

	December 31, 2018	December 31, 2017
Profit before income tax - Consolidated	5,729,596	3,867,228
Tax calculated at weighted average statutory tax rates	2,301,890	1,828,634
Non-deductible expenses	375,007	492,336
Post-retirement healthcare benefits	162	11,583
Non-depreciable fixed assets	1,368	(8,856)
Share in net income of associates	(868,954)	(553,989)
Income subjected to final tax	1,198,784	(35,280)
Interest income subjected to final tax	(37,458)	(34,943)
Prior year adjustments	42,403	-
Fixed assets revaluation	-	(532,661)
Consolidated corporate income tax expense	3,013,202	1,166,824

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 53% (2017: 30%).

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40. TAXATION (continued)

e. Deferred tax

	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	1,441,866
Deferred tax liabilities							
Provision for decommissioning and site restoration	371,738	-	-	-	-	(6,672)	365,066
Finance lease assets	29,013	-	-	-	-	892	29,905
Deferred revenues	10,750	-	-	-	-	(2,682)	8,068
Employee benefits	8,549	-	-	-	(395)	8,503	16,657
Provision for impairment	1,081	-	-	-	-	927	2,008
Oil and gas properties	(2,801,228)	-	-	-	-	(269,388)	(3,070,616)
Excess of fair value over net book value	(14,114)	-	-	-	-	1,516	(12,598)
Fixed assets	(351,100)	-	-	174	-	149,035	(201,891)
Unrealized profits from transaction at consolidation level	(377,158)	-	-	-	-	34,302	(342,856)
Others	274,317	-	-	949	-	(376,415)	(101,149)
Sub-total consolidated deferred tax liabilities - net	(2,848,152)	-	-	1,123	(395)	(459,982)	(3,307,406)
Total	(1,477,072)	-	(3,147)	2,002	(1,564)	(385,759)	(1,865,540)

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40. TAXATION (continued)

e. Deferred tax (continued)

	December 31, 2017						
	January 1, 2017	Additions from business combination	Charged to equity	Translation adjustment	Charged to OCI	Charged to profit or loss	December 31, 2017
Deferred tax assets							
Employee benefits	302,651	-	321	3,365	40,486	(32,352)	314,471
Provision for impairment of financial assets	114,611	-	864	(98)	-	6,029	121,406
Provision for decommissioning and site restoration	123,449	-	-	-	-	12,945	136,394
Provision for incentives and performance bonuses (tantiem)	72,084	-	-	102	-	11,327	83,513
Unrealized profits from transaction at consolidation level	48,756	-	-	-	-	16,069	64,825
Fixed assets	(24,717)	-	2,612	(17)	-	540,458	518,336
Provision for impairment of inventories	29,194	-	-	(8)	-	7,970	37,156
Provision for impairment of non-free and non-clear assets	27,588	-	-	-	-	-	27,588
Tax losses carry-forward	41,240	-	-	-	-	(27,476)	13,764
Deferred revenues	12,100	-	-	140	-	(4,650)	7,590
Accrual for legal cost	1,618	-	-	-	-	2,022	3,640
Oil and gas properties	(37,375)	-	-	-	-	32,373	(5,002)
Finance lease assets and liabilities	(23,333)	-	-	(1)	-	12,129	(11,205)
Discount and unamortized debt issuance cost	(7,962)	-	-	-	-	2,025	(5,937)
Others	71,559	-	666	(36)	-	(7,648)	64,541
Sub-total consolidated deferred tax assets - net	751,463	-	4,463	3,447	40,486	571,221	1,371,080
Deferred tax liabilities							
Provision for decommissioning and site restoration	367,350	(1,058)	-	-	-	5,446	371,738
Finance lease assets	30,670	-	-	-	-	(1,657)	29,013
Deferred revenues	22,404	-	-	-	-	(11,654)	10,750
Employee benefits	7,353	-	-	-	180	1,016	8,549
Provision for impairment	1,085	696	-	-	-	(700)	1,081
Oil and gas properties	(2,437,710)	(276,196)	-	-	-	(87,322)	(2,801,228)
Excess of fair value over net book value	(30,845)	2,352	-	-	-	14,379	(14,114)
Unrealized profits from transaction at consolidation level	(410,531)	-	-	-	-	33,373	(377,158)
Fixed assets	(242,785)	(8,362)	-	575	-	(100,528)	(351,100)
Others	164,492	48	-	1,087	-	108,690	274,317
Sub-total consolidated deferred tax liabilities - net	(2,528,517)	(282,520)	-	1,662	180	(38,957)	(2,848,152)
Total	(1,777,054)	(282,520)	4,463	5,109	40,666	532,264	(1,477,072)

Deferred tax assets and liabilities as of December 31, 2018 and 2017 have been calculated after taking into account the applicable tax rates for each respective period.

The Group's management believes that the above deferred tax assets can be fully recovered through future taxable income.

f. Administration

The Indonesian prevailing Tax Law requires each Company in the Group to submit individual tax returns on the basis of self 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 is due.

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40. TAXATION (continued)

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) (Note 39).

PT Pertamina Lubricants, a subsidiary, 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 an 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.

41. RELATED PARTY BALANCES AND TRANSACTIONS

Significant related party accounts are as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents (Note 6)	8,416,251	6,065,489
Restricted cash (Note 7)	86,230	88,896
Trade receivables - related parties (Note 41a)	1,297,651	1,095,016
Due from the Government (Note 9)	4,758,409	2,155,739
Other receivables - related parties (Note 41b)	149,178	255,054
Restricted cash - non-current (Note 15)	876,168	834,874
Total	15,583,887	10,495,068
As a percentage of total assets	24%	18%

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41. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Significant related party accounts are as follows: (continued)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Short-term loans (Note 16)	3,164,724	355,518
Trade payables - related parties (Note 41c)	78,781	49,277
Due to the Government (Note 18)	2,002,825	1,831,245
Long-term liabilities (Note 20)	179,361	174,638
Other payables - related parties (Note 41d)	54,011	56,625
Total	5,479,702	2,467,303
As a percentage of total liabilities	16%	8%

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.

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trade receivables - related parties	1,330,381	1,141,863
Provision for impairment	(32,730)	(46,847)
Net	1,297,651	1,095,016

Trade receivables based on customers are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
PLN and its subsidiaries	381,559	385,419
Indonesian Armed Forces ("TNI")/ Ministry of Defence ("Kemhan") (Note 48b.II.i)	318,142	258,566
PT Garuda Indonesia (Persero) Tbk.	226,166	106,801
PT Patra SK	40,013	40,117
PT Donggi-Senoro LNG	28,828	14,789
PT Pupuk Indonesia (Persero)	25,412	43,667
PT Pembangkit Jawa-Bali	17,484	1,069
PT Aneka Tambang	14,226	5,001
PT Merpati Nusantara Airlines (Persero)	11,499	12,254
PT Energy Trading Co., Ltd.	22	47,275
Others	267,030	226,905
	1,330,381	1,141,863
Provision for impairment	(32,730)	(46,847)
Total	1,297,651	1,095,016

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41. 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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	(46,847)	(105,824)
Reclassification of the beginning balance of the provision for account receivable	361	-
Reversal of provision for impairment for recovered receivables - net	18,373	92,757
Impairment during the year	(7,606)	(32,854)
Foreign exchange differences	2,989	(926)
Ending balance	<u>(32,730)</u>	<u>(46,847)</u>

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Rupiah	870,672	610,347
US Dollar	459,641	531,449
Others	68	67
Total	<u>1,330,381</u>	<u>1,141,863</u>

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Beginning balance	258,566	644,950
Distribution of fuel and lubricant	479,959	383,307
Collections from BMP distribution	(403,723)	(764,355)
Foreign exchange differences	(16,660)	(5,336)
Net	<u>318,142</u>	<u>258,566</u>

As of December 31, 2018 and 2017, management has recognized impairment on this receivables amounting to US\$12,992, and US\$10,409, respectively.

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41. 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:

	December 31, 2018	December 31, 2017
PT Donggi-Senoro LNG	115,500	109,458
PT Merpati Nusantara Airlines (Persero)	18,190	19,472
PT Jawa Satu Power	-	96,000
PT Perta Daya Gas	-	34,152
Others (each below US\$10,000)	100,011	97,181
Sub-total	233,701	356,263
Provision for impairment	(19,616)	(20,860)
Sub-total	214,085	335,403
Current portion	(149,178)	(255,054)
Non-current portion (Note 15)	64,907	80,349

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

	December 31, 2018	December 31, 2017
Beginning balance	(20,860)	(20,983)
Reversal of impairment on the recovered receivables - net	699	127
Impairment during the year	(705)	(162)
Foreign exchange differences	1,250	158
Ending balance	(19,616)	(20,860)

Management believes that the provision for impairment is adequate to cover possible losses that may arise from the uncollectible other receivables from related parties.

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41. 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 December 31, 2018 and 2017, amounting to US\$115,500 and US\$109,458, respectively are intended for the construction of a LNG production facility with a capacity of 2 million tonnes per year. PT Donggi-Senoro LNG is owned by PHE (29%), Sulawesi LNG Development Limited (59.9%) and PT Medco LNG Indonesia (11.1%). This project, which was planned to be finalised in 4 years, is funded by 40% from equity and 60% from loans.

The interest rate on the loan is one month US Dollar LIBOR plus 3.75% per annum and interest is due every three months after the loan drawdowns. In 2018 and 2017, accrued interest was added to the loan since the LNG production facility is still under construction. Interest income for the period ended December 31, 2018 and 2017 were US\$7,110 and US\$4,908, respectively.

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 MoSOE. As of December 31, 2018 and 2017 the provision for impairment for this receivable amounted to US\$18,190 and US\$19,472, respectively.

c. Trade payables

	December 31, 2018	December 31, 2017
PT Asuransi Jasa Indonesia (Persero)	6,279	-
Others	72,502	49,277
Total	78,781	49,277

d. Other payables

	December 31, 2018	December 31, 2017
PLN	6,044	31,452
Others	47,967	25,173
Total	54,011	56,625

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41. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

e. Sales and other operating revenues

The Group made sales and other operating revenues to related parties for the periods ended December 31, 2018 and 2017. Sales to related parties represent 24% and 18% of the total sales and other operating revenues for the respective periods/years. The details are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Domestic sales of crude oil, natural gas, geothermal energy and oil products		
Government-related entities	4,872,641	3,961,054
Shareholder	3,553,097	401,299
Associates	1,222	735
Subsidy reimbursements from the Government		
Shareholder (Note 29)	5,632,468	3,572,084
Marketing fees		
Shareholder	15,432	25,474
Revenues from other operating activities		
- Government-related entities	108,514	128,870
Total	<u>14,183,374</u>	<u>8,089,516</u>

f. Cost of goods sold

Purchases from related parties for the years ended December 31, 2018 and 2017 represent 25% and 22% of the total cost of goods sold, respectively. The details are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Crude oil for shareholder	10,002,633	6,879,687
Oil products:		
Associates	332,752	82,140
Joint ventures	158,260	174,842
Total	<u>10,493,645</u>	<u>7,136,669</u>

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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Salaries and other benefits	47,273	52,781

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41. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

h. Relationship with related parties

The nature of relationship with the related parties are as follows:

Relationships	Related parties
(i). Shareholder	The Government of the Republic of Indonesia
(ii). Associates	PPT Energy Trading Co. Ltd. PT Trans-Pacific Petrochemical Indotama PT Donggi-Senoro LNG PT Asuransi Samsung Tugu Seplat Petroleum Development Company Plc
(iii). 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)
(iv). Common key management	Koperasi Karyawan Pertamina Dana Pensiun Pertamina Pertamina Foundation Yayasan Kesehatan Pertamina
(v). Government-related entities	Indonesian Armed Forces Polisi Republik Indonesia (Polri) 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 BTN BSM Lembaga Pembiayaan Ekspor Indonesia PT Arun Natural Gas Liquefaction PT Badak Natural Gas Liquefaction State-Owned Enterprises Local Government-Owned Enterprises
(vi). Key management personnel	Board of Directors Other key management personnel
(vii). Governance oversight body	Board of Commissioners

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42. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

Segments are grouped into two principal business activities consisting of Upstream and Downstream, representing the Company's reportable segments as defined in the accounting standards for segment reporting SFAS 5 (Amendment 2014), Operating Segments (Note 2v). Business activities related to Gas and New and Renewable Energy are currently grouped into Other segment because they still have not met the quantitative thresholds as a reportable operating segment.

	December 31, 2018					
	Upstream	Downstream	Others*)	Total before elimination	Elimination	Total consolidated
External sales	7,054,464	45,691,622	5,187,485	57,933,571	-	57,933,571
Inter-segment sales	5,498,100	399,699	266,115	6,163,914	(6,163,914)	-
Total segment revenues	12,552,564	46,091,321	5,453,600	64,097,485	(6,163,914)	57,933,571
Segment results**)	5,960,645	(286,777)	616,351	6,290,219	(43,479)	6,246,740
Gain on foreign exchange - net						19,622
Finance income						256,573
Finance costs						(835,238)
Share in net profit of associates and joint venture						122,724
Other expenses - net						(80,825)
						(517,144)
Profit before income tax						5,729,596
Income tax expense						(3,013,202)
Profit for the year						2,716,394
Profit for the year attributable to:						
Owners of the parent						2,572,542
Non-controlling interests						143,852
Other Information						
Segment assets	24,620,521	35,093,033	6,655,756	66,369,310	(4,469,912)	61,899,398
Long-term investments	1,472,711	14,970,480	183,158	16,626,349	(13,807,295)	2,819,054
Total assets	26,093,232	50,063,513	6,838,914	82,995,659	(18,277,207)	64,718,452
Total liabilities	10,092,998	26,403,047	3,636,191	40,132,236	(5,023,824)	35,108,412
Depreciation, depletion and amortization expense	1,684,534	715,492	576,536	2,976,562	-	2,976,562
Additions to fixed assets, oil & gas and geothermal properties	3,110,810	1,135,645	287,056	4,533,511	-	4,533,511

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42. SEGMENT INFORMATION (continued)

	December 31, 2017					Total consolidated
	Upstream	Downstream	Others*)	Total before elimination	Elimination	
External sales	4,489,320	37,000,553	4,510,850	46,000,723	-	46,000,723
Inter-segment sales	3,477,012	372,195	427,098	4,276,305	(4,276,305)	-
Total segment revenues	7,966,332	37,372,748	4,937,948	50,277,028	(4,276,305)	46,000,723
Segment results**)	3,327,892	1,282,198	759,793	5,369,883	(183,477)	5,186,406
Gain on foreign exchange - net						58,137
Finance income						233,074
Finance costs						(817,711)
Share in net profit of associates and joint venture						37,904
Other expenses - net						(830,582)
						(1,319,178)
Profit before income tax						3,867,228
Income tax expense - net						(1,166,824)
Profit for the year after the effect of merging entity's income adjustment						2,700,404
Profit for the year after the effect of merging entity's income adjustment attributable to:						
Owners of the parent						2,621,732
Non-controlling interests						78,672
Other Information						
Segment assets	23,969,823	28,451,374	8,878,406	61,299,603	(6,831,146)	54,468,457
Long-term investments	1,476,703	16,490,057	451,653	18,418,413	(15,447,495)	2,970,918
Total assets	25,446,526	44,941,431	9,330,059	79,718,016	(22,278,641)	57,439,375
Total liabilities	12,148,638	21,037,697	4,165,216	37,351,551	(6,925,443)	30,426,108
Depreciation, depletion and amortization expense	1,507,444	692,767	603,798	2,804,009	-	2,804,009
Additions to fixed assets, oil and gas, and geothermal properties	3,672,689	1,529,130	221,357	5,423,176	-	5,423,176

*) 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.

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42. 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:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Revenue		
Indonesia	54,296,618	44,126,442
Other countries	3,636,953	1,874,281
Consolidated revenues	<u>57,933,571</u>	<u>46,000,723</u>

Revenues from two customers of the downstream segment for the years ended December 31, 2018 and 2017 represented approximately 21% and 11% (US\$12,039,130 and US\$4,864,790) 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, Italy, France, Myanmar, Canada, Congo, Tanzania, Gabon, Colombia, Namibia, and Venezuela.

43. 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).

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

a. PSCs (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.

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43. 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 a Pertamina Petroleum Contract ("PPC"), equivalent to a PSC, was signed between a Special Task Force For Upstream Oil and Gas Business Activities ("SKK Migas" - formerly Oil and Gas Upstream Activities Agency/"BP Migas") and PT Pertamina EP as a successor contract to 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. As a consequence of the Company assuming Pertamina's PPC, all of Pertamina's assets and liabilities in relation to PPC were transferred to the Company on a book value basis.

PT Pertamina EP's cooperation contract has the following financial provisions:

- **Working area**

The area represents the former Pertamina Entity's exploration and production areas excluding Cepu and Randugunting Blocks.

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

PT Pertamina EP and the Government's shares of equity (profit) of oil and gas production is 67.2269% and 32.7731%, respectively.

- **FTP**

The Government and PT Pertamina EP are entitled to receive an amount equal to 5% of the total production of oil and gas each year before any deduction for recovery of operating costs and investment credit. FTP is shared between the Government and PT Pertamina EP in accordance with the entitlements to oil and gas production.

- **Crude 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 Contract ("PJBG").

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.

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

Cooperation agreements with other parties are as follows:

- Technical Assistance Contract (“TAC”)

Under a TAC, operations are conducted through partnership agreements with PT Pertamina EP. TACs are awarded for fields which are currently in production, or which previously 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 accrued to PT Pertamina EP. Non-shareable production decreases annually, reflecting expected declines in production. The shareable portion of production corresponds to the additional production resulting from the Partners’ investments in the TAC fields.

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) of oil and gas production is stipulated in each contract and ranges from 26.7857% to 35.7143% for oil and 62.5000% for gas, respectively.

As of December 31, 2018, there are 7 TAC arrangements of PT Pertamina EP for Sumatera and Java working area with contract terms of 20 years. The effective term of those contracts ranges from 2000 until 2022 and the end term of those contracts range from 2020 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.

- Operation cooperation (“OC”) contracts

In an OC contracts, operations are conducted through partnership agreements with PT Pertamina EP. OC contracts are granted for fields which are currently in production, or previously had been in production, in which production has ceased, or for areas with no previous production. The two types of OC contracts are:

- a. OC exploration-production contract
- b. OC production contract

Under an OC exploration-production contract, there is no Non-Shareable Oil (“NSO”) under an OC production contract, the crude oil production is divided into non-shareable and shareable portions.

The NSO 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:

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

- Operation cooperation (“OC”) contracts (continued)

Partner may recover the operating costs in any calendar year if the amount of the Partner's production is greater than the NSO up to a maximum of incremental oil which comprised of:

- 1) Cost recovery for lifting NSO up to a maximum of 80% (eighty percent) from operating costs of NSO;
- 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 operating in such calendar year, then the unrecovered excess will be recovered in the following years.

The Partner's share of equity (profit) of oil and gas production is stipulated in each contract and 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 OC contract. To ensure that these expenditure commitments will be met, the Partners are required to provide PT Pertamina EP with irrevocable and unconditional bank guarantees. The OC Partners are also required to make payments, to PT Pertamina EP before the date of signing of the OC contracts, of the amounts stated in the bid documents.

As of December 31, 2018, there are 27 OC partnership arrangements of PT Pertamina EP for Sumatera, Java, Kalimantan and Papua working area with contract terms of 15-20 years. The effective term of those contracts ranges from 2007 until 2018 and the end term of those contracts ranges 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.

- Unitization agreements

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

As of December 31, 2018, there are 6 Unitization 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 ranges from 1985 until 2013 and the end term of those contracts ranges from 2023 until 2035.

Based on SKK Migas Letter No. SRT-0493/SKKMA0000/2018/S1 dated June 25, 2018, regarding the Stipulation of New Operators in Unitization of Sukowati Customers, CPA Mudi Production Facilities and Cintanatomas FSO, PT Pertamina EP was appointed as the new operator of the Sukowati field (Note 4h).

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

d. PHE's cooperation agreement with other parties

- Gross split contract

On January 13, 2017, the regulation of the 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

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 December 31, 2018, 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

* 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.

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

- Indonesian participation arrangements ("IP") (continued)

As of December 31, 2018, 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%.

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

1. Oil and gas

As of December 31, 2018, there are 18 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 December 31, 2018, there are 14 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 December 31, 2018, there are 2 Unconventional Oil and Gas partnership arrangements for Sumatera working areas with contract term of 30 years. The effective terms 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 December 31, 2018, there are 5 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%.

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

- Pertamina Participating Interests ("PPI")

Through PPI arrangements, PHE owns working interests in contracts similar to JOB-PSC contracts. The remaining working interests are owned by a contractor who acts as an operator. PHE's share of expenses is either funded by PHE on a current basis, or paid in advance by the contractors and repaid by PHE out of their share of crude oil and natural gas production, with a 50% uplift. The crude oil and natural gas production are divided between PHE and the contractors based on their respective percentages of participation in the PSC. The contractors' share of crude oil and natural gas production is determined in the same manner as for a PSC.

As of December 31, 2018, 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 December 31, 2018, 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.

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

- 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.

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 East Java	17/09/2005	31/08/2009	16/09/2035	45%	Oil	30 years

- Unitization agreements

As of December 31, 2018, 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 years

f. PT Pertamina EP Cepu Alas Dara Kemuning ("PEPC ADK") cooperation agreements with SKK Migas

The PSC was entered into by PEPC ADK with SKK Migas action on behalf of the Government on February 26, 2014 for a period of 30 years from February 26, 2014 until February 25, 2044. The period may be extended in accordance with applicable regulations. The Company has a 100% participating interest in the Alas Dara Kemuning Block PSC.

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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 December 31, 2018, 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

- 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.

- Unitization agreements

On December 31, 2018, 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

These consolidated financial statements are originally issued in the Indonesian language

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

As of December 31, 2018, 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% gas	Natural	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
Mnazi Bay Exploration	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	October 2028
	Seplat dan NNPC (Joint Operators)	OML 53	Nigeria	1997	1978	40%	Oil	June 2027
	Seplat and Belema Oil (Joint Operators); NNPC	OML 55	Nigeria	1997	February 2017	n/a*)	Oil	June 2027
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 Belema Oil 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.

- Technical Service Contract ("TSC")

As of December 31, 2018 and 2017, 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 commencement 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 Iraq Ministry of Oil	West Qurna 1 Block	Iraq	25/01/2010	25/01/2010	10%	Oil	35 years

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43. OIL AND GAS CONTRACT ARRANGEMENTS (continued)

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

- Unitisation agreements

As of December 31, 2018, PIEP's unitization agreements are as follows:

1. Algeria

Name of JV	JV partners	Working area	Country	Effective date of contract	Date of commencement of production	Percentage of participation	Production	Contract period
Ei 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

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, PMEPE	Shell	Gumusut Kakap Field	3.2%	20/09/2004	18/11/2012	Oil and natural gas	Not specified
Shell, Conoco Phillips, Carigali, Murphy, PMEPE	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 December 31, 2018, 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%

44. 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.

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44. GEOTHERMAL WORKING AREAS (continued)

Based on the Decree of the Minister of Mines and Energy No. 2067 K/30/MEM/2012, concerning 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 December 31, 2018, 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 Jawa	Exploration
Seulawah Agam	Aceh	Exploration

b. Joint operating contracts ("JOCs")

JOCs include geothermal activities in PGE's working areas that are conducted by third parties. In accordance with the JOCs, PGE is entitled to receive production allowances from the JOC contractors at the rate of 2.66% for the Darajat JOC and 4% for the Salak, Wayang Windu, Sarulla, and Bedugul JOCs of the JOC contractors' annual net operating income as calculated in accordance with the JOCs.

As of December 31, 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.

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.

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45. 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.

46. ADDITIONAL INFORMATION RELATED TO CASH FLOW

a. Activities that do not affect cash flow

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Increase in finance lease assets under fixed assets (Note 13)	19,828	103,022
Capitalization of borrowing costs to fixed assets (Note 13)	31,500	25,611
Capitalization of borrowing costs to oil and gas, and geothermal properties (Note 14)	24,885	32,338
Addition to oil and gas property arising from provision for decommissioning and site restoration (Note 23)	87,035	51,498

b. Reconciliation of liabilities from financing activities

	Non-cash changes					<u>Dec 31, 2018</u>
	<u>Dec 31, 2017</u>	<u>Cash flows</u>	<u>Dividends declared</u>	<u>Foreign exchange</u>	<u>Others</u>	
Short-term loans	452,879	3,905,941	-	(11,785)	-	4,347,035
Dividend payable	-	(585,755)	614,939	(29,184)	-	-
Long-term liabilities	2,475,726	(209,420)	-	(46,045)	5,616	2,225,877
Bonds payable	10,385,873	696,758	-	-	11,465	11,094,096
Total liabilities from financing activities	13,314,478	3,807,524	614,939	(87,014)	17,081	17,667,008

	Non-cash changes					<u>Dec 31, 2017</u>
	<u>Dec 31, 2016</u>	<u>Cash flows</u>	<u>Dividends declared</u>	<u>Foreign exchange</u>	<u>Others</u>	
Short-term loans	230,293	252,810	-	(30,224)	-	452,879
Dividend payable	-	(867,751)	907,383	(39,632)	-	-
Long-term liabilities	3,439,109	(820,834)	-	(148,909)	6,360	2,475,726
Bonds payable	9,772,656	-	-	-	613,217	10,385,873
Total liabilities from financing activities	13,442,058	(1,435,775)	907,383	(218,765)	619,577	13,314,478

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47. 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				Total
	Fair value through profit or loss	Available- for-sale	Loans and receivables	Held to maturity	
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
December 31, 2017					
Cash and cash equivalents	-	-	6,409,827	-	6,409,827
Restricted cash	-	-	119,671	-	119,671
Short-term investments	24,898	208,894	15,490	-	249,282
Other investments - net	-	27,328	-	-	27,328
Long-term investments	-	16,034	1,523	533,309	550,866
Trade receivables	-	-	2,675,643	-	2,675,643
Due from the Government	-	-	2,155,739	-	2,155,739
Other receivables	-	-	875,514	-	875,514
Other non-current assets	-	-	1,292,628	-	1,292,628
Total financial assets	24,898	252,256	13,546,035	533,309	14,356,498

Other financial Liabilities

	December 31, 2018	December 31, 2017
Short-term loans	(4,347,035)	(452,879)
Trade payables	(3,676,558)	(3,949,398)
Due to the Government	(2,002,825)	(1,831,245)
Accrued expenses	(1,902,515)	(1,759,885)
Long-term liabilities	(2,225,877)	(2,475,726)
Other payables	(407,196)	(467,742)
Bonds payables	(11,094,096)	(10,385,873)
Other non-current payables	(149,428)	(69,812)
Total financial liabilities	(25,805,530)	(21,392,560)

The Company

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

Subsidiaries

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

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47. FINANCIAL ASSETS AND LIABILITIES (continued)

b. Offsetting financial assets and liabilities

The following financial instruments are subject to offsetting, enforceable master netting arrangements and similar agreement:

	Gross amount of recognized financial assets	Gross amount of recognized financial assets set off in the statement of financial position	Net amount of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instrument	Cash collateral received	
December 31, 2018						
Financial Assets						
- Trade receivables	3,327,292	(96,186)	3,231,106	-	-	3,231,106
Financial Liabilities						
- Trade payables	3,772,744	(96,186)	3,676,558	-	-	3,676,558
December 31, 2017						
Financial Assets						
- Trade receivables	2,736,501	(60,858)	2,675,643	-	-	2,675,643
Financial liabilities						
- Trade payables	4,010,256	(60,858)	3,949,398	-	-	3,949,398

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.

48. RISK MANAGEMENT POLICY

The Group has various business activities, which expose it to various potential risks. The Group's overall risk management program focuses on minimising potential adverse effects on the financial performance of the Group.

Risk management is carried out by the Group's Board of Directors, specifically the Risk Management Committee ("the Committee"), Risk Management Unit and Risk Taking Unit to identify, assess, mitigate and monitor the risks of the Group. The Committee provides principles for overall risk management, including business risk and financial risk.

a. Business risks

The Group's business activities are exposed to a variety of business risks (upstream and downstream) which are as follows:

- i. The Group is subject to the control of the Government and there is no guarantee that the Government will always act in the Group's best interest. The Group also derives certain benefits from being a state-owned entity, and the Group cannot guarantee that any or all of these benefits will continue.
- ii. The Group is subject to audit by SKK Migas, BPK, DGT and/or the Government. The outcome of the assessment may result in claims against the Group or reduce claims against the Government that have already been recognized by the Group.

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48. RISK MANAGEMENT POLICY (continued)

a. Business risks (continued)

The Group's business activities are exposed to a variety of business risks (upstream and downstream) which are as follows (continued):

- iii. The Group is dependent on joint venture partners and third party independent contractors in connection with exploration and production operations and to implement the Group's development programs.
- iv. The Group's crude oil, natural gas and geothermal reserves estimates are uncertain and may prove to be inaccurate over time or may not accurately reflect actual reserves levels, or even if accurate, technical limitations may prevent the Group from retrieving these reserves.
- v. The Group is dependent on management's ability to develop existing reserves, replace existing reserves and develop additional reserves.
- vi. A substantial part of the Group's revenues is derived from sales of subsidised certain fuel (BBM) products by the Government.

b. Financial risk

Financial risk includes market, credit and liquidity risks.

i. Market risk

Market risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

The market risk factors are as follows:

(i) Foreign exchange risk

Group revenues are determined by the movement of MOPS, which will be paid separately by the public and the Government of Indonesia in the form of subsidised fuel products and LPG products.

Regulations in Indonesia require transactions to be made in Rupiah, while most of the operating costs, particularly for the procurement of crude oil and oil products, are made in US Dollars, which can lead to foreign exchange risks for cash and cash equivalents, trade receivables, due from the Government, trade payables, short-term loans, due to the Government and long-term liabilities.

The Group naturally mitigates foreign exchange risks through the effective management of its cash flows.

Sensitivity analysis

A strengthening (weakening) of the Rupiah against the US Dollar would have increased (decreased) equity and profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances which were considered to be reasonably possible at the reporting date. The analysis assumes that all other variables, in particular interest rates, remain constant and excludes any impact on forecasted sales and purchases.

	Strengthening		Weakening	
	Equity	Profit or loss	Equity	Profit or loss
December 31, 2018				
IDR (3% movement)	364,017	358,908	(342,813)	(338,001)
December 31, 2017				
IDR (3% movement)	272,198	267,015	(256,342)	(251,461)

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48. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

(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.

(iii) Cash flow and fair value interest rate 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.

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48. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

(iii) Cash flow and fair value interest rate risk (continued)

At the reporting date, the Group's financial assets and liabilities with floating rates, fixed rates and those that were non-interest bearing were as follows:

	December 31, 2018					Total
	Floating rate		Fixed rate		Non-interest bearing	
	Maturity less than one year	Maturity more than one year	Maturity less than one year	Maturity more than one year		
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)
	December 31, 2017					
	Floating rate		Fixed rate		Non-interest bearing	Total
	Maturity less than one year	Maturity more than one year	Maturity less than one year	Maturity more than one year		
Assets						
Cash and cash equivalents	2,770,228	-	3,631,425	-	8,174	6,409,827
Restricted cash	75,243	-	44,428	-	-	119,671
Short-term investments	755	-	150,699	-	97,828	249,282
Trade receivables	-	-	-	-	2,675,643	2,675,643
Due from the Government	-	-	-	-	2,155,739	2,155,739
Other receivables	-	-	-	-	875,514	875,514
Other investments	-	-	-	-	27,328	27,328
Long-term investments	-	391,307	-	20,268	139,291	550,866
Other assets	-	-	-	-	1,292,628	1,292,628
Total financial assets	2,846,226	391,307	3,826,552	20,268	7,272,145	14,356,498
Liabilities						
Short-term loans	(452,879)	-	-	-	-	(452,879)
Trade payables	-	-	-	-	(3,949,398)	(3,949,398)
Due to the Government	-	-	(24,680)	(780,626)	(1,025,939)	(1,831,245)
Accrued expenses	-	-	-	-	(1,759,885)	(1,759,885)
Other payables	-	-	-	-	(467,742)	(467,742)
Long-term liabilities	(315,951)	(1,952,671)	(50,008)	(157,096)	-	(2,475,726)
Bonds payable	-	-	-	(10,385,873)	-	(10,385,873)
Other non-current payables	-	(5,083)	-	-	(64,729)	(69,812)
Total financial liabilities	(768,830)	(1,957,754)	(74,688)	(11,323,595)	(7,267,693)	(21,392,560)

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48. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

i. Market risk (continued)

(iii) Cash flow and fair value interest risk (continued)

A change of 30 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	(2,865)	2,865
Cash flows sensitivity - net	(2,865)	2,865

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.

(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 Perneringkat Efek Indonesia (Pefindo) or to historical information about counterparty default risk rates, as follows:

	December 31, 2018	December 31, 2017
Cash and cash equivalents		
Rated		
Rating AAA	7,285,583	5,654,816
Rating AA+	1,139,349	426,347
Rating AA	50,028	26,770
Rating AA-	3,528	2,581
Rating A+	1,381	31,699
Rating A	20,380	147,282
Rating A-	21,472	-
Not rated	590,591	120,332
Total	9,112,312	6,409,827

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48. 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)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Restricted cash		
Rated		
Rating AAA	104,230	107,688
Rating A+	-	5
Rating A	-	224
Rating A-	462	-
Not rated	4,223	11,754
Total	108,915	119,671
Short-term investments		
Rated		
Rating AAA	25,332	19,022
Rating AA+	1,027	1,145
Rating AA	4,109	10,108
Rating AA-	3,129	3,085
Rating A	5,357	3,522
Rating A-	2,330	749
Rating BBB+	-	1,870
Rating BBB	3,887	-
Rating BBB-	41,948	44,149
Not rated	138,080	165,632
Total	225,199	249,282
Long-term investments		
Rated		
Rating AAA	2,597	7,198
Rating AA	5,897	6,320
Rating BBB-	4,950	4,950
Not rated	552	221
Total	13,996	18,689

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48. 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)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trade receivables		
Third parties		
> US\$10,000 - Good credit history	1,335,703	945,008
< US\$10,000	362	726
Related parties	675,922	251,453
Total	2,011,987	1,197,187
Other receivables		
Third parties		
> US\$10,000 – Good credit history	661,979	570,683
< US\$10,000	31	82
Related parties	148,777	253,389
Total	810,787	824,154
Other assets		
Third parties	80,287	152,791
Related parties	54,228	80,349
Total	134,515	233,140

Financial assets that are past due but not impaired

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trade receivables		
- Less than 3 months	431,868	227,439
- 3 - 6 months	61,194	212,778
- 6 - 12 months	21,138	10,231
- 12 - 24 months	11,040	1,201
- > 24 months	11,561	2,194
Total	536,801	453,843

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48. 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)

	December 31, 2018	December 31, 2017
Other receivables		
Third parties		
- Less than 3 months	42,912	31,832
- 3 - 6 months	1,699	642
- 6 - 12 months	872	160
- 12 - 24 months	10,674	524
- > 24 months	5,476	921
Sub-total	61,633	34,079
Related parties		
- Less than 3 months	9	141
- 3-6 months	7	2
- 6 - 12 months	49	1,332
- 12 - 24 months	15	68
- > 24 months	24	11
Sub-total	104	1,554
Total	61,737	35,633
Other assets		
Third parties	-	90,995
Related parties	10,679	-
Total	10,679	90,995

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.

As of December 31, 2018, trade receivables past due between 12-24 months and more than 24 months mainly came from PT Asuransi Jasa Indonesia (Persero) totaling to US\$3,196.

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48. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

(i) Third parties and related parties (continued)

Financial assets that are impaired

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Trade receivables		
- Current	453,510	731,355
- Less than 3 months	182,954	179,382
- 3 - 6 months	70,803	81,009
- 6 - 12 months	10,541	26,250
- 12 - 24 months	45,159	69,412
- > 24 months	180,082	195,558
	<u>943,049</u>	<u>1,282,966</u>
Impairment	(260,731)	(258,353)
Net	<u>682,318</u>	<u>1,024,613</u>
Other receivables		
Related parties		
- Less than 3 months	-	110
- 3 - 6 months	-	31
- 6 - 12 months	297	1
- 12 - 24 months	-	1
- > 24 months	1,426	1,434
	<u>1,723</u>	<u>1,577</u>
Third parties		
- Less than 3 months	6,169	5,651
- 3 - 6 months	673	4,613
- 6 - 12 months	975	6,734
- 12 - 24 months	8,362	4,112
- > 24 months	12,631	13,057
	<u>28,810</u>	<u>34,167</u>
Impairment	30,533 (19,567)	35,744 (20,017)
Net	<u>10,966</u>	<u>15,727</u>

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48. 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)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Other assets		
Related parties		
- > 24 months	18,190	19,394
Third parties		
- 0-12 months	9,165	-
- 12-24 months	-	17,023
	<u>27,355</u>	<u>36,417</u>
Impairment	(27,355)	(36,417)
Net	<u>-</u>	<u>-</u>

Trade receivables

Trade accounts receivable from third parties and related parties as of December 31, 2018 amounting to US\$3,491,837 (2017: US\$2,933,996) has been impaired amounting to US\$260,731 (2017: US\$258,353), with the trade receivables mainly derived from the Government institutions and MoSOE, which is TNI/Kemhan amounting to US\$318,142 (Note 41a).

Other receivables

Other receivables from third parties and related parties as of December 31, 2018 and 2017 amounting to US\$903,057 and US\$895,531 have been impaired by US\$19,567 and US\$20,017, respectively.

ii. Government

Financial assets neither past due nor impaired

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
The Company		
Receivables from recognition of Disparity of Selling Price	2,924,148	-
Receivable from subsidy reimbursements for 3 kg LPG cylinders	1,147,538	1,404,911
Receivable from subsidy reimbursements for certain fuel (BBM) products	175,556	473,928
Receivables from kerosene subsidies reimbursement	16,828	-
Receivables from marketing fees	72,489	49,902
Receivables from kerosene conversion	10,626	-
Other receivables	-	102
Sub-total	<u>4,347,185</u>	<u>1,928,843</u>

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48. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

ii. Credit risk (continued)

ii. Government (continued)

Financial assets neither past due nor impaired (continued)

	December 31, 2018	December 31, 2017
Subsidiaries:		
PEP		
- DMO fees	106,398	90,930
- Underlifting	18,942	-
PHE		
- DMO fees	15,414	25,859
- Underlifting	25,730	46,480
PEPC		
- Underlifting	224,904	174,563
PHI		
- DMO fees	18,780	-
- Underlifting	1,056	-
Sub-total	411,224	337,832
Total	4,758,409	2,266,675

Financial assets that are impaired

The Company:

Provision for impairment	-	(110,936)
Total	4,758,409	2,155,739

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.

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48. RISK MANAGEMENT POLICY (continued)

b. Financial risk (continued)

iii. Liquidity risk (continued)

As of December 31, 2018, and 2017 the Group has cash and cash equivalents in the amount of US\$9,112,312 and US\$6,409,827 respectively (Note 6). 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
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 payables	611,409	5,886,768	14,088,112	20,586,289
Other non-current payables	-	120,591	58,314	178,905
Total	13,462,516	7,800,011	15,021,272	36,283,799
December 31, 2017				
Financial liabilities				
Short-term loans	452,879	-	-	452,879
Trade payables	3,949,398	-	-	3,949,398
Due to the Government	1,138,463	255,460	437,644	1,831,567
Accrued expenses	1,759,885	-	-	1,759,885
Other payables	1,178,119	-	-	1,178,119
Long-term liabilities	394,188	1,293,419	844,763	2,532,370
Bonds payables	575,969	4,625,314	14,773,197	19,974,480
Other non-current payables	-	84,373	-	84,373
Total	9,448,901	6,258,566	16,055,604	31,763,071

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
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48. RISK MANAGEMENT POLICY (continued)

c. Capital management

The Directors' policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, retained earnings, non-controlling interests and other equity components. The Board of Directors ensures the return on capital as well as the level of dividends.

The Group as an entity, whose main business involves oil and gas, monitors capital on the basis of the debt-to-equity ratio. Net debt is calculated as total interest bearing borrowings including short-term and long-term, while total capital is calculated from equity in the statement of consolidated financial position. Weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) for December 31, 2018 and 2017 were 5.17%, and 4.92%, respectively.

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

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Total liabilities (interest bearing)	18,487,337	13,707,878
Total equity attributable to owners of the parent	27,598,721	25,124,718
Debt-to-equity ratio	66.99%	54.56%
Total own capital to total assets ratio*	40.31%	37.85%
Return-on-equity ratio*	10.08%	12.62%

* Based on definition as required in KEP-100/MBU/2002

d. Fair value

The following are the Group's financial assets that were measured at fair value at December 31, 2018:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets				
Short-term investments	177,758	46,764	677	225,199
Other investments - net	-	-	80,171	80,171
Total financial assets	177,758	46,764	80,848	305,370

As of December 31, 2018, there were no transfers of fair value measurement between Level 1, Level 2 and Level 3.

The table below shows the carrying amounts and fair values of long-term financial liabilities as of December 31, 2018 and 2017:

	<u>Carrying amount</u>		<u>Fair value</u>	
	<u>December 31, 2018</u>	<u>December 31, 2017</u>	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Long-term liabilities (Note 20)	2,225,877	2,475,726	2,329,464	2,478,169
Bonds payable (Note 21)	11,094,096	10,385,873	11,101,427	11,504,854
Total financial assets	13,319,973	12,861,599	13,430,891	13,983,023

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 Company. The fair value of bonds payable is determined by reference to market price at the reporting date.

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49. 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 December 31, 2018 has not yet reached 1,500 MMBOE.

On December 31, 2018, 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 10 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 December 31, 2018, the Group's unrealized total outstanding capital expenditure commitments amounting to US\$1,341,378.

c. Operating lease commitments - Group as lessee

Non-cancellable operating lease payments are as follows:

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
Less than one year	493,867	465,882
Between one to five years	559,313	571,611
More than five years	33,284	24,160
Total	<u>1,086,464</u>	<u>1,061,653</u>

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.

On December 31, 2018 and 2017, operational expenses related to leases amounting to US\$343,868 and US\$782,362, respectively (Notes 32, 36, and 37).

d. Gas sale and purchase agreement

As of December 31, 2018, the Company through PT Pertamina EP has commitments to deliver gas amounting to 695,419 MMSCF to various customers. The gas will be periodically delivered from 2017 until 2027.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
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49. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

d. Gas sale and purchase agreement (continued)

As of December 31, 2018, 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 December 31, 2018, the Company, through PHI, has significant gas sale and purchase agreement contracts, with various costumers, with gas volumes of 0.8 TBTU up to 183.13 TBTU. These contracts will expired in 2018 to 2022.

As of December 31, 2018, the Company, through PGN has 37 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 2002 to 2018 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 linked 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 PT Migas Hulu Jabar ONWJ ("MUJ ONWJ") signed a 10% PI transfer agreement at Blok ONWJ PSC from PT PHE ONWJ to PT Migas Hulu Jabar 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.

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49. 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 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.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
As of December 31, 2018 and for the Year Then Ended
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49. SIGNIFICANT AGREEMENTS, COMMITMENTS AND CONTINGENCIES (continued)

g. Legal case (continued)

ii. PT Bakrie Harper Corporation lawsuit (continued)

On June 9, 2017, both parties agreed to settle the case through the Indonesian National Arbitration Board ("BANI"). The amount claimed by Bakrie is US\$15,394 for physical progress work and US\$17,307 for 14 years of interest. Based on BANI decision No. 969/VIII/ARB-BANI/2017 dated February 21, 2018, it is noted that the Pipeline Project Work agreement is already expired, the physical progress of the Pipeline Project Work is 10.6853% and the Company should pay to Bakrie the amount of US\$15,856, which consists of compensation and total interest to Bakrie amounting to US\$15,394 and US\$462, respectively.

On April 16, 2018, the Company appointed the Attorney General's Office of the Republic of Indonesia ("Jamdatun") to provide legal assistance and to propose Legal action related to BANI decision. The Company is willing to settle BANI decision with condition that the payment made by the Company is based on BPK report and should be supported by adequate documents, including land rights with value equal to the payment will be made by the Company. The cancellation claim has been submitted by Jamdatun through the Central Jakarta District Court but was refused. Based on the advice of the State Attorney, in the event that Bakrie submitted an attempt to execute the BANI verdict, the Company has the option to file a lawsuit against the execution.

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.

50. EVENTS AFTER THE REPORTING PERIOD

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

On February 6, 2019, PHE ONWJ and MUJ ONWJ have signed an addendum on the transfer agreement and management of 10% at ONWJ PSC. Where the accumulation of net profit-sharing and liability of a 10% PI transfer MUJ ONWJ from January 19, 2017 to December 31, 2018 is US\$ 16,302,702 (full amount). Settlement of such obligations was completed on February 8, 2019.

Starting from the date of the transfer, payments of MUJ ONWJ's share of the production will be 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.

PT PERTAMINA (PERSERO) AND ITS SUBSIDIARIES
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50. EVENTS AFTER THE BALANCE SHEET DATE (continued)

b. PSC gross split Maratua Block

On February 18, 2019, PHE Lepas Pantai Bunyu signed the Maratua Block Gross Split PSC for a contract period of 30 years, which became effective from the date of the signing of such PSC.

c. Withdrawal of short-term bank loan facilities

On October 31, 2018, PGN with PT Bank Sumitomo Mitsui Indonesia extended the Cash Loan facility agreement of US\$120,000,000 (full amount). This facility will mature on October 31, 2019. On March 4, 2019, PGN has withdrawn this facility in the amount of US\$120,000,000 (full amount) with an interest rate of 3-Month LIBOR plus spread.

d. Changes in the composition of the Board of Commissioners

Based on the decision of the GMS No. SK-86/MBU/04/2019 dated April 30, 2019, Gatot Trihargo has been appointed as the new Commissioner of PT Pertamina (Persero). Based on the same GMS decision, Sahala Lumban Gaol and Ahmad Bambang were honorably dismissed from their respective positions as Pertamina's Board of Commissioners. Thus, the composition of the Board of Commissioners is as follows:

President Commissioner	Tanri Abeng
Vice President Commissioner	Arcandra Tahar
Commissioner	Alexander Lay
Commissioner	Ego Syahrial
Commissioner	Gatot Trihargo
Commissioner	Suahasil Nazara

51. RESTATEMENT AND REISSUANCE OF CONSOLIDATED FINANCIAL STATEMENTS

The Company restated and reissued the consolidated financial statements of the Group as of December 31, 2018 and for the year then ended in connection with updating disclosures and basis for recording recognition of revenue and due from Government for the Company's revenue shortfall from the disparity of selling price of specific fuel type assignment ("JBKP") Premium outside Jawa, Madura, and Bali areas ("Non Jamali") in 2018, which disclosed and confirmed the basis to record such transactions based on: (i) audit results report of the Audit Board of the Republic of Indonesia (BPK RI) No. 31/AUDITAMA VII/PDPT/05/2019 dated May 20, 2019, which was received by the Company on May 23, 2019 ("BPK Audit Results"), and (ii) letter of MoF of the Republic of Indonesia No. S-430/MK.02/2019 dated May 28, 2019, which was received by the Company on May 28, 2019 ("MoF Letter"), as required by Article 10 of Presidential Regulation No. 43 Year 2018 concerning "The Amendment to Presidential Regulation No. 191 Year 2014 concerning Provisioning, Distribution and Retail Price of Oil Fuel" and the Company's related accounting policies based on Indonesian Financial Accounting Standards. Prior to the restatement and reissuance of such consolidated financial statements, the recognition of the revenue and due from Government on the shortfall in revenues originating from the disparity of formula retail selling price and stipulated retail selling price of specific fuel type assignment ("JBKP") Premium Non Jamali was made prior to BPK Audit Results and MoF Letter. Such recognition was made based on: (i) letter of BPK RI No. 126/S/XX/05/2019 concerning the submission of the draft of audit report with specific purposes on the sales and distribution of fuel oil and 3kg LPG cylinder, and subsidized calculation of JBT diesel oil and 3kg LPG cylinder in 2018 to PT Pertamina (Persero), PT AKR Corporindo Tbk, and other related agencies dated May 17, 2019, and (ii) letter of MoSOE of the Republic of Indonesia No. SR-330/MBU/05/2019 dated May 17, 2019 concerning the bookkeeping of the disparity 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 (refer to Note 9a).

SUPPLEMENTARY FINANCIAL INFORMATION

The following information is the separate financial statements of PT Pertamina (Persero), a Parent Entity, which is presented as supplementary information to the consolidated financial statements of PT Pertamina (Persero) and its Subsidiaries as of December 31, 2018 and for the year then ended.

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF FINANCIAL POSITION
As of December 31, 2018**

(Expressed in thousands of United States Dollars, unless otherwise stated)

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	4,567,089	2,612,796
Restricted cash	3,344	12,590
Trade receivables		
Related parties	3,507,946	2,866,739
Third parties	1,474,122	626,361
Due from the Government	1,423,038	1,154,793
Other receivables		
Related parties	3,725	43,436
Third parties	81,805	4,622
Inventories	5,984,287	5,730,428
Prepaid taxes - current portion	386,989	418,255
Prepayments and advances	250,272	159,458
Other investments	80,171	27,328
Total Current Assets	<u>17,762,788</u>	<u>13,656,806</u>
NON-CURRENT ASSETS		
Deferred tax assets	1,166,255	996,527
Long-term investments	19,217,870	16,896,906
Fixed assets	8,494,968	8,183,446
Due from the Government	2,924,148	663,114
Prepaid taxes - net of current portion	117,803	164,266
Other non-current assets	3,085,624	3,540,800
Total Non-current Assets	<u>35,006,668</u>	<u>30,445,059</u>
TOTAL ASSETS	<u><u>52,769,456</u></u>	<u><u>44,101,865</u></u>

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)**

	<u>December 31, 2018</u>	<u>December 31, 2017</u>
LIABILITIES AND EQUITY		
LIABILITIES		
SHORT-TERM LIABILITIES		
Short-term loans	4,247,006	255,268
Trade payables		
Related parties	3,492,122	2,765,645
Third parties	2,545,617	3,102,747
Due to the Government - current portion	1,010,478	965,099
Taxes payable		
Income taxes	19,684	-
Other taxes	148,429	151,877
Accrued expenses	590,664	589,937
Long-term liabilities - current portion	388,426	322,562
Bonds payable		
Other payables		
Related parties	50,382	69,626
Third parties	563,039	349,782
Deferred revenues - current portion	5,545	3,177
Total Short-term Liabilities	13,061,392	8,575,720
LONG-TERM LIABILITIES		
Due to the Government - net of current portion	341,659	304,128
Long-term liabilities - net of current portion	895,214	1,350,300
Bonds payable	9,197,526	8,498,447
Employee benefit liabilities	1,542,931	1,921,710
Deferred revenues - net of current portion	31,044	36,976
Other non-current payables	100,969	94,445
Total Long-term Liabilities	12,109,343	12,206,006
TOTAL LIABILITIES	25,170,735	20,781,726

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF FINANCIAL POSITION (continued)
As of December 31, 2018
(Expressed in thousands of United States Dollars, unless otherwise stated)**

	December 31, 2018	December 31, 2017
EQUITY		
Equity attributable to owners of the parent entity		
Share capital		
Authorized – 600,000,000 (2018) and 200,000,000 (2017) ordinary shares at par value of Rp1,000,000 (full amount) per share;		
Issued and paid-up-capital		
171,227,044 shares (2018),	16,191,204	13,417,047
133,090,697 shares (2017)		
Additional paid-in capital	(924,296)	2,736
Government contributed assets pending final clarification of status	401,120	1,361
Other equity components	607,564	487,699
Retained earnings		
Appropriated -	8,796,357	6,871,101
Unappropriated -	2,526,772	2,540,195
TOTAL EQUITY	27,598,721	23,320,139
TOTAL LIABILITIES AND EQUITY	52,769,456	44,101,865

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the Year Ended
December 31, 2018**

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

	For the years ended December 31,	
	2018	2017
Sales and other operating revenues		
Domestic sales of crude oil, natural gas, geothermal energy and oil products	35,665,976	32,201,911
Subsidy reimbursements from the Government	5,632,468	3,572,084
Export of crude oil, natural gas and oil products	1,673,026	911,370
Marketing fees	15,432	25,474
Revenues from other operating activities	3,211,117	109,283
TOTAL SALES AND OTHER OPERATING REVENUES	46,198,019	36,820,122
Cost of sales and other direct costs		
Cost of goods sold	(44,315,959)	(33,233,974)
Exploration costs	-	(619)
TOTAL COST OF SALES AND OTHER DIRECT COSTS	(44,315,959)	(33,234,593)
GROSS PROFIT	1,882,060	3,585,529
Selling and marketing expenses	(1,794,514)	(1,697,105)
General and administrative expenses	(719,478)	(959,451)
Gain on foreign exchange - net	9,234	40,367
Finance income	149,244	148,704
Finance costs	(433,646)	(341,217)
Share in net profit of associates and joint ventures	3,387,233	2,014,816
Other expenses - net	249,910	(497,780)
	847,983	(1,291,666)
PROFIT BEFORE INCOME TAX	2,730,043	2,293,863

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME (continued)
For the Year Ended December 31, 2018
(Expressed in thousands of US Dollars, unless otherwise stated)**

	For the years ended December 31,	
	2018	2017
PROFIT BEFORE INCOME TAX	2,730,043	2,293,863
Income tax (expense)/benefit		
Current tax	(372,999)	(289,507)
Deferred tax	169,728	535,839
Income tax (expense)/benefit - net	(203,271)	246,332
INCOME FOR THE YEAR	2,526,772	2,540,195
OTHER COMPREHENSIVE INCOME/(LOSS)		
Item not to be reclassified to profit or loss in subsequent periods (net of tax):		
Remeasurement of net defined benefit liability	234,631	(122,732)
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	(59,338)	1,345
Share of other comprehensive income of associates	(69,138)	(55,532)
OTHER COMPREHENSIVE INCOME/(LOSS), NET OF TAX	106,155	(176,919)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	2,632,927	2,363,276

The original financial statements included herein are in the Indonesian language

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO) PARENT ENTITY STATEMENT OF CHANGES IN EQUITY For the Year Ended December 31, 2018 (Expressed in thousands of US Dollars, unless otherwise stated)

	Issued and paid-up capital	Additional paid-in capital	Government contributed assets pending final clarification of status	Other equity components		Retained earnings		Total equity
				Difference arising from translation of financial statements	Other equity	Appropriated	Unappropriated	
Balance as of January 1, 2017/ December 31, 2016 (as restated)	13,417,047	2,736	1,361	(304,201)	968,818	4,631,441	3,147,043	21,864,245
Differences arising from translation of financial statements	-	-	-	1,225	-	-	-	1,225
Other comprehensive income from associate	-	-	-	-	(55,421)	-	-	(55,421)
Remeasurement of net defined benefit liability	-	-	-	-	(122,722)	-	-	(122,722)
Dividends declared	-	-	-	-	-	-	(907,383)	(907,383)
Appropriation of other reserves	-	-	-	-	-	2,239,660	(2,239,660)	-
Profit for the year	-	-	-	-	-	-	2,540,195	2,540,195
Balance as of December 31, 2017 (as restated)	13,417,047	2,736	1,361	(302,976)	790,675	6,871,101	2,540,195	23,320,139

The original financial statements included herein are in the Indonesian language

SUPPLEMENTARY FINANCIAL INFORMATION

PT PERTAMINA (PERSERO) PARENT ENTITY STATEMENT OF CHANGES IN EQUITY For the Year Ended December 31, 2018 (Expressed in thousands of US Dollars, unless otherwise stated)

	Issued and paid-up capital	Additional paid-in capital	Government contributed assets pending final clarification of status	Other equity components		Retained earnings		Total equity
				Difference arising from translation of financial statements	Other equity	Appropriated	Unappropriated	
Balance as of January 1, 2018/ December 31, 2017	13,417,047	2,736	1,361	(302,976)	790,675	6,871,101	2,540,195	23,320,139
Changes in ownership in PT Asuransi Tugu Pratama Indonesia Tbk and PT Pertamina Internasional Eksplorasi dan Produksi	-	-	-	-	13,710	-	-	13,710
Capitalization of advance for share issuance	2,774,157	(927,032)	-	-	-	-	-	1,847,125
Government contributed assets pending final clarification of status	-	-	399,759	-	-	-	-	399,759
Differences arising from translation of financial statements	-	-	-	(59,338)	-	-	-	(59,338)
Other comprehensive income from associate	-	-	-	-	(69,138)	-	-	(69,138)
Remeasurement of net defined benefit liability, net	-	-	-	-	234,631	-	-	234,631
Dividends declared	-	-	-	-	-	-	(614,939)	(614,939)
Appropriation of other reserves	-	-	-	-	-	1,925,256	(1,925,256)	-
Profit for the year	-	-	-	-	-	-	2,526,772	2,526,772
Balance as of December 31, 2018	16,191,204	(924,296)	401,120	(362,314)	969,878	8,796,357	2,526,772	27,598,721

The original financial statements included herein are in the Indonesian language

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2018
(Expressed in thousands of US Dollars, unless otherwise stated)**

	For the years ended December 31,	
	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash receipts from customers	41,733,757	32,578,919
Cash receipts from Government	6,224,744	3,299,858
Cash receipts from tax restitution	154,758	514,062
Payments to suppliers	(37,264,381)	(26,634,755)
Payments to the Government	(10,521,957)	(6,996,514)
Payments of corporate income taxes	(349,514)	(333,439)
Cash paid to employees and management	(594,693)	(757,916)
Placements from restricted cash	(1,735)	(132,512)
Receipts of interest	123,409	126,808
Net cash (used in) provided by operating activities	(495,612)	1,664,511
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from disposal of long-term investments	708,365	15,808
Dividends received from associates	421,950	266,513
Purchases of fixed assets	(594,108)	(151,550)
Placements in long-term investments	(1,171,616)	(1,195,112)
Cash received from other investments	-	275,567
Interest received from investments	-	6,303
Placements in short-term investments	-	(17)
Payments for exploration and evaluation assets	-	(1,455)
Net cash used in investing activities	(635,409)	(783,943)

The original financial statements included herein are in the Indonesian language

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
STATEMENT OF CASH FLOWS (continued)**

For the Year Ended December 31, 2018

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

	For the years ended December 31,	
	2018	2017
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from short-term loans	8,100,439	2,543,456
Proceeds from bonds issuance	734,407	-
Repayments of short-term loan	(4,108,701)	(2,288,188)
Repayments of long-term loan	(585,755)	(867,751)
Dividend payments	(341,349)	(944,502)
Payments of finance costs	(516,893)	(523,146)
Repayments of bonds	(37,649)	-
Proceeds from long-term loans	-	428,403
Net cash provided by (used in) financing activities	3,244,499	(1,651,728)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	2,113,478	(771,160)
Effects of exchange rate changes on cash and cash equivalents	(159,185)	(12,251)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	2,612,796	3,396,207
CASH AND CASH EQUIVALENTS AT END OF THE YEAR	4,567,089	2,612,796

SUPPLEMENTARY FINANCIAL INFORMATION

**PT PERTAMINA (PERSERO)
PARENT ENTITY
NOTES TO THE FINANCIAL STATEMENTS
As of December 31, 2018 and for the Year Then Ended
(Expressed in thousands of US Dollars, unless otherwise stated)**

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of preparation of the separate financial statements of the parent entity

The separate financial statements of the Parent Entity are prepared in accordance with the Statement of Financial Accounting Standards (“SFAS”) No. 4 (Revised 2013), “Separate Financial Statements”.

SFAS No. 4 (Revised 2013) regulates that when an entity elected to present the separate financial statements, such financial statements should be presented as supplementary information to the consolidated financial statements. Separate financial statements are those presented by a Parent Entity, in which the investments in subsidiaries and associates are accounted for at cost or in accordance with SFAS No. 55, “Financial Instruments: Recognition and Measurement”.

Amendment to SFAS No. 4 (2015) allows the use of equity method as a method of recording the investments in subsidiaries, joint ventures and associates in the Separate Financial Statements of the entity.

Accounting policies adopted in the preparation of the parent entity separate financial statements are the same as the accounting policies adopted in the preparation of the consolidated financial statements as disclosed in Note 2 to the consolidated financial statements.

2. RECLASSIFICATION OF ACCOUNTS

Certain accounts in the consolidated financial statements as of December 31, 2017 have been reclassified to conform with the presentation of accounts in the consolidated financial statements as of December 31, 2018. The details of these accounts are as follows:

	<u>Previously reported</u>	<u>Reclassification</u>	<u>Restatement</u>
<u>Separate Statement of Financial Position</u>			
Assets			
Current assets			
Other investments	-	27,328	27,328
Non-current assets			
Long-term investments	16,924,234	(27,328)	16,896,906