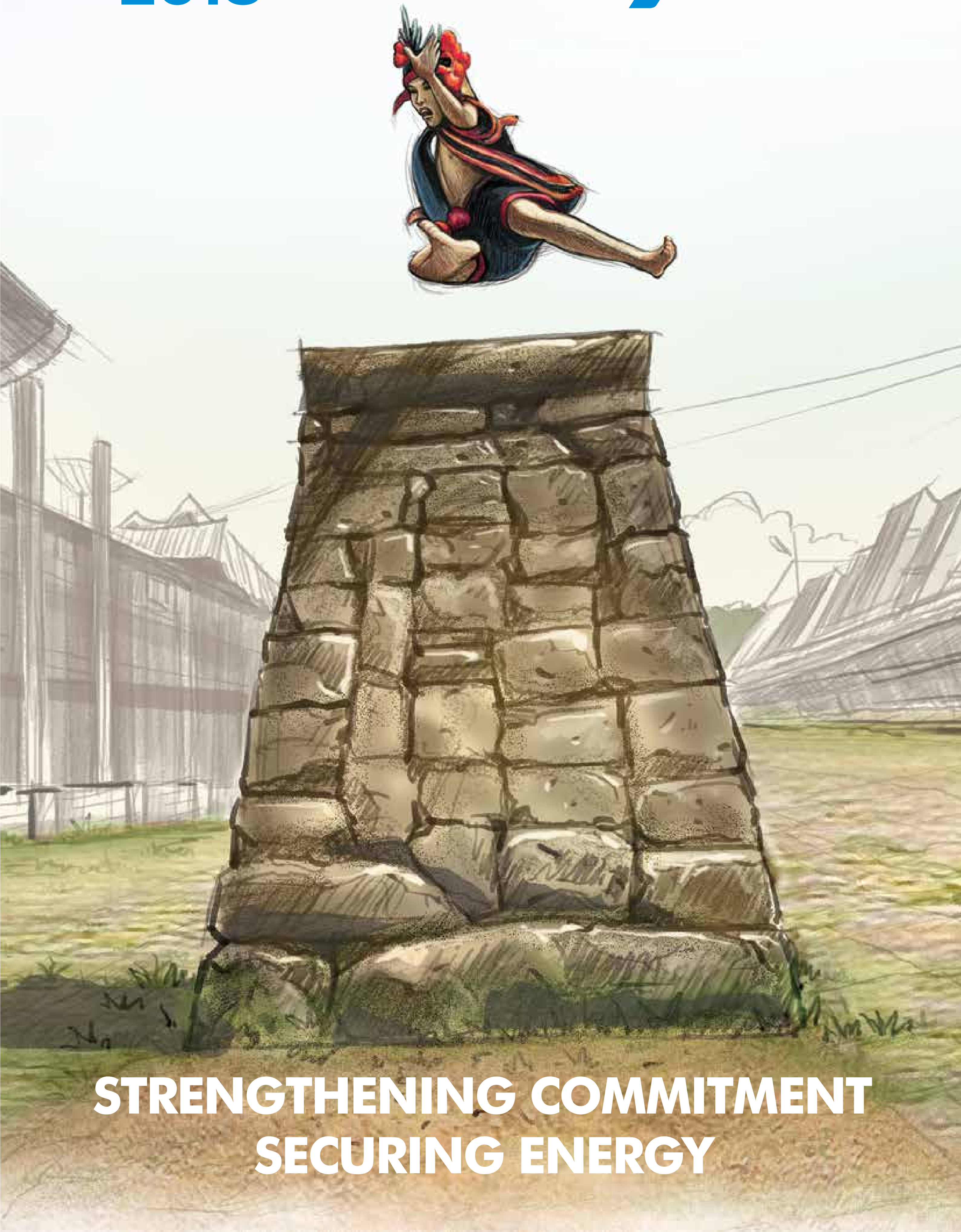
Annual Report
2018

PERTAMINA



STRENGTHENING COMMITMENT
SECURING ENERGY

THEME

STRENGTHENING COMMITMENT, SECURING ENERGY

In line with the massive development in various fields, the Government has taken part to spur growth of energy supply in order to meet the national demand. This is a challenge for Pertamina, which has set a commitment to being at the forefront of supporting the government's aspiration to realize national energy independence.

In 2018, Pertamina firmed up its commitment to secure the supply of energy with a view to balance the growth of population and national economy growth. With its long standing experience and capacity, Pertamina engages all stakeholders in creating synergies in order to contribute to the national interest. Pertamina believes that the natural resources available in Indonesia can be optimized as sources of energy.

The obtaining of operatorship rights for Mahakam Block and Rokan Block as well as the merger of PT Perusahaan Gas Negara Tbk as a subsidiary of Pertamina have further boosted Pertamina's fighting spirit to realize national energy security and independence.

CONTINUITY OF THEMES

2014

2015

INSPIRING INDONESIA TO THE WORLD

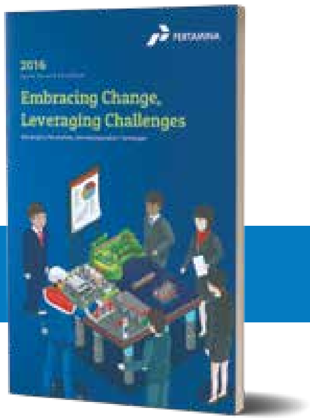
In 2014, Pertamina faced a number of challenges from negative impact due to the decline in the world oil prices to the limited room for growth due to political changes, government policies, and bureaucratic licensing. However, Pertamina as a world-class company managed to address all these challenges and stood strong as the Nation's enterprise providing inspiration for Indonesia.

Pertamina consistently implemented the "aggressive upstream, profitable downstream" growth strategy, with emphasis on efficiency and production optimization as well as the strengthening of GCG. The theme of "Inspiring Indonesia to the World" in Annual Report 2014 was chosen to convey the movin forward of global energy issues and to inspire others as an energy provider. Obviously, this step needs to be supported by all stakeholders to jointly address the challenges, manage opportunities, and share lessons learned on the international energy stage.

REENERGIZING SPIRIT, STRENGTHENING COMMITMENTS

The sharp decline in global crude prices since early 2015 presented considerable challenges to oil and gas companies including Pertamina. To maintain operational stability in those challenging times, Pertamina embarked on the 5 Strategic Priorities program: expansion in upstream, efficiencies at all lines of activity, increasing refinery capacity, development of infrastructure & marketing, and improvement of financial structure.

With breakthrough project initiatives in the 5 Strategic Priorities, Pertamina was able to show satisfactory performance in 2015 in terms of operations, financial and non-financial. The year 2015 was thus a successful proving ground for Pertamina: notwithstanding the crisis situation, our fighting spirit remained undaunted throughout the organization, strengthening our resolve to strive ever harder towards our common commitments in ensuring energy self-sufficiency for the benefit of the people and nation of Indonesia.



2016

2017

EMBRACING CHANGE, LEVERAGING CHALLENGES

The declining world oil price has brought a great change into the global economic and impacted on decelerated performance of the world's corporations. Pertamina interprets each challenge as part of a business dynamic that encourages us to be more resilient, more agile and more efficient in facing those changes. In the upstream sector, the low oil price becomes an opportunity to continue to expand, including acquisition of international oil and gas blocks to secure the supply of crude oil as an effort to support national energy security. In the downstream sector, Pertamina continues to revitalize and to build new refineries to produce quality products at the most efficient production costs. Operational excellence supported by efficiency and increased value added through breakthrough project initiatives, has generated significant performance contribution of both upstream and downstream sectors as well as financial results that exceed our expectations.

With improving financial structure, Pertamina has continued its upstream investment, processing and development of downstream infrastructure to sustain long-term growth. With its competence and experience, Pertamina is confident to move forward to realize the vision to become a world-class national energy company.

MOVING. FURTHER.

Pertamina has demonstrated its constant reliability in addressing the global challenges being faced in the oil and gas industry, where the volatility of world oil prices creates a condition that poses an ongoing challenge for the Company. Pertamina has implemented various accurate strategies in order to confront these tough conditions; subsequently the Company continues to able to move forward by posting a healthy financial performance in 2017.

Furthermore, the overall ability of Pertamina to survive in this strenuous environment has served to enhance the Company's reliability and readiness in addressing any future changes in the global situation.

For Pertamina, 2017 also marks its 60 years of work as an oil & gas mining company that has been able to transform into a leading energy company. With a variety of experiences and capabilities that have been constantly honed over the last six decades, Pertamina will continue to advance through the next decades so as to re-achieve various accomplishments and other significant achievements, in order to be able to help elevate the nation to an even higher level of prosperity.

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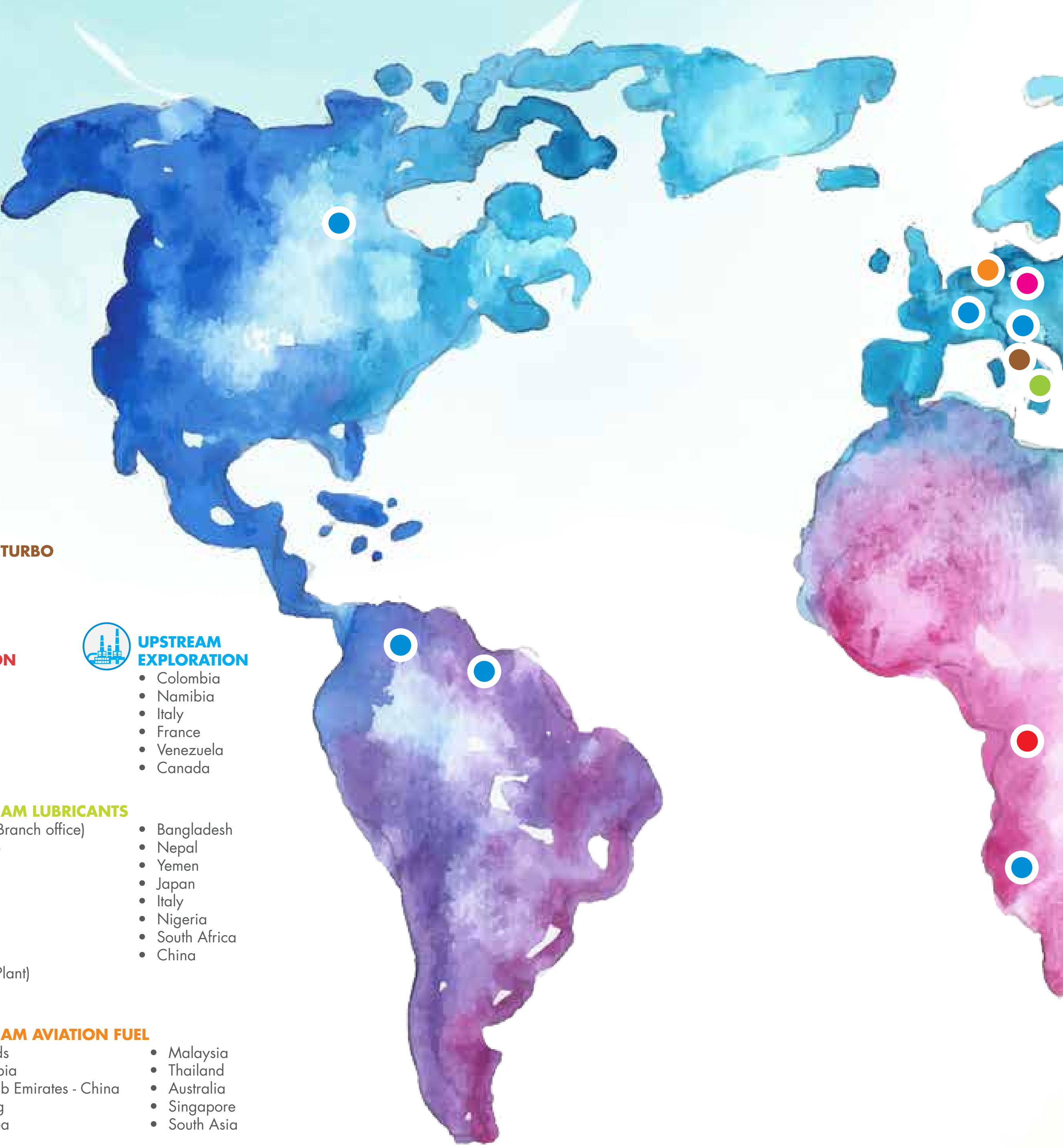


Description:

PERTAMAX TURBO
- Italy

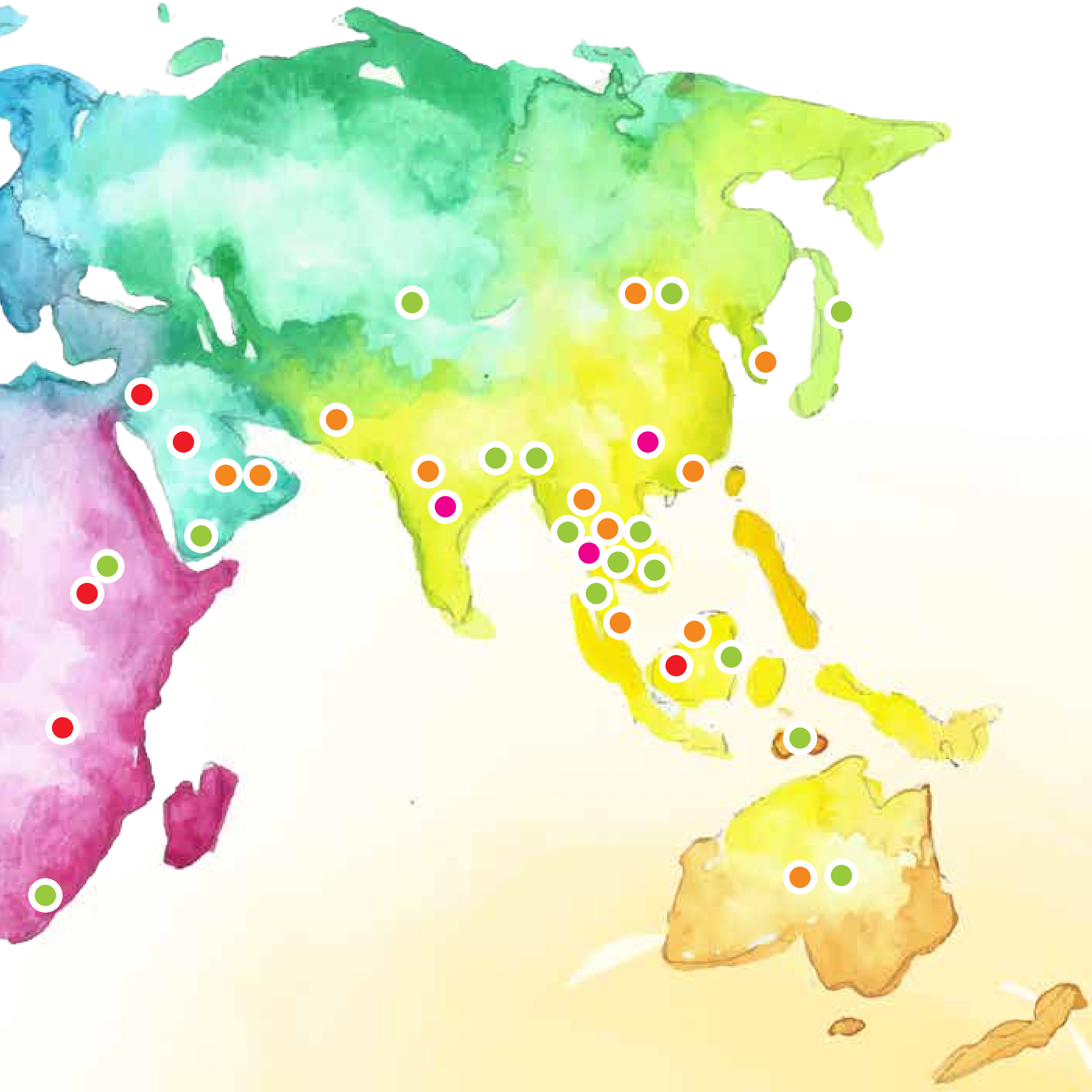
UPSTREAM PRODUCTION
- Malaysia
- Iraq
- Algeria
- Nigeria
- Tanzania
- Gabon

UPSTREAM EXPLORATION
- Colombia
- Namibia
- Italy
- France
- Venezuela
- Canada

DOWNSTREAM LUBRICANTS
- Australia (Branch office)
- Timor Leste
- Singapore
- Philippines
- Malaysia
- Cambodia
- Myanmar
- Vietnam
- Thailand (Plant)
- Bangladesh
- Nepal
- Yemen
- Japan
- Italy
- Nigeria
- South Africa
- China

DOWNSTREAM AVIATION FUEL
- Netherlands
- Saudi Arabia
- United Arab Emirates - China
- Hong Kong
- South Korea
- Cambodia
- Malaysia
- Thailand
- Australia
- Singapore
- South Asia

DOWNSTREAM PETROCHEMICALS
- Malaysia
- Cina
- India
- Europe



FINANCIAL PERFORMANCE HIGHLIGHTS

(in USD million)

Description	2018	2017*	2016*	2015**	2014**
Sales and Other Operating Revenues	57,934	46,001	39,812	41,763	69,996
Cost of Sales and Other Direct Costs	48,714	37,625	30,264	35,790	63,347
Operating Expenses**					
• Selling and Marketing Expenses	1,643	1,590	1,340	990	1,092
• General and Administrative Expenses	1,330	1,599	1,509	1,062	1,119
Operating Income	6,247	5,187	6,699	3,921	4,438
Net Profit Before Effects of Merging Entity's Profit Adjustment	2,636	2,553	3,163	1,442	1,477
EBITDA	9,204	7,256	8,471	5,130	5,728
Total Assets	64,718	57,439	53,976	45,519	50,696
Total Liabilities	35,108	30,426	28,731	26,044	31,881
Total Equity	29,610	27,013	25,245	19,475	18,815

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts
** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

OPERATIONAL PERFOMANCE HIGHLIGHTS

UPSTREAM PERFORMANCE

Description	Unit	2018	2017	2016	2015	2014
Oil Production	MBOPD	393	342	312	278	270
Gas Production	MMSCFD	3,059	2,035	1,961	1,902	1,613
Oil and Gas Production	MBOEPD	921	693	650	607	549
Additional Reserves Proven (P1)	MMBOE	426	314	227	79	282

REFINERY PERFORMANCE AND DEVELOPMENT

Description	Unit	2018	2017	2016	2015	2014
Crude Oil, Gas, and Intermediate Product Refinery	MMBBL	337	324	328	306	314
Fuel Production	MMBBL	279	263	266	241	241
Non-fuel Production	MMBBL	29	29	26	23	22

MARKETING PERFORMANCE

Description	Unit	2018	2017	2016	2015	2014
Fuel Sales	Million Kilo Liter	70	67	65	62	65
Non-Fuel Sales	Million Kilo Liter	16	16	15	14	14
Gas Sales Volume	BBTU	1,122,623*	823,769	708,684	705,729	701,724
Gas Transportation Volume	BSCF	777*	502	522	531	508

*including PGN

BONDS HIGHLIGHTS

Pertamina has issued Global Bonds throughout the years 2011-2014 and 2018 as well as listing the bonds on the Singapore Exchange (Singapore Exchange/SGX). Up to the end of 2018, the principal amount of Pertamina global bonds amounted USD9,262 million. During the years 2015-2018, Pertamina has exercised buy back most of the senior bonds amounting USD238 million.

Description	Pertamina Global Bond 2011 PTM 2021	Pertamina Global Bond 2011 PTM 2041	Pertamina Global Bond 2012 PTM 2022	Pertamina Global Bond 2012 PTM 2042	Pertamina Global Bond 2013 PTM 2023	Pertamina Global Bond 2013 PTM 2043	Pertamina Global Bond 2014 PTM 2044	Pertamina Global Bond 2018 PTM 2048
Issue Date	23 May 2011	27 May 2011	3 May 2012	3 May 2012	20 May 2013	20 May 2013	30 May 2014	07 Nov 2018
Due Date	23 May 2021	27 May 2041	3 May 2022	3 May 2042	20 May 2023	20 May 2043	30 May 2044	07 Nov 2048
Tenor	10 Years	30 Years	10 Years	30 Years	10 Years	30 Years	30 Years	30 Years
Amount of Outstanding Bonds	USD 1.000 Million	USD 500 Million	USD 1.242 Million	USD 1.222 Million	USD 1.615 Million	USD 1.433 Million	USD 1.500 Million	USD 750 Million
Coupon	5.250%	6.500%	4.875%	6.000%	4.300%	5.625%	6.450%	6.500%
Issue Price	98.09%	98.38%	99.41%	98.63%	100%	100%	100%	98.06%
Ratings at Issuance:								
S&P	BB+ (Positive)	BB+ (Positive)	BB+ (Positive)	BB+ (Positive)	BB+ (Positive)	BB+ (Positive)	BB+ (Positive)	BBB- (Stable)
Fitch	BBB+ (Positive)	BBB+ (Positive)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB (Stable)
Moody's	Ba1 (Stable)	Ba1 (Stable)	Baa3 (Stable)	Baa3 (Stable)	Baa3 (Stable)	Baa3 (Stable)	Baa3 (Stable)	Baa2 (Stable)
Most Recent Ratings								
S&P	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)	BBB- (Stable)
Fitch	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Stable)	BBB (Stable)
Moody's	Baa2 (Stable)	Baa2 (Stable)	Baa2 (Stable)	Baa2 (Stable)	Baa2 (Stable)	Baa2 (Stable)	Baa2 (Stable)	Baa2 (Stable)

AWARDS

No	DATE	NAME OF AWARD	RATING AND CATEGORY	AWARDED BY
1	January 17, 2018	Lifetime Achievement Award		Management Institutions of Economic and Business Faculty, University of Indonesia (LM FEB UI).
2	February 24, 2018	Sustainability Reporting Award (SRA)	Winner of Best SR for Oil and Gas Category	National Center Sustainability Reporting (NCSR)
3	March 8, 2018	WOW Brand Festive Day 2018	Gold Champion in the field of resources and energy for the category of Non-Subsidized Fuel - Pertamax brand	MarkPlus.Inc
4	March 29, 2018	Public Relations Indonesian Award (PRIA) 2018	Silver for the Corporate PR Program Category for the corporate communication program of the Tuntong Laut and Javan gibbon Biodiversity Conservation	PR Indonesia
5	April 6, 2018	Award from the Governor of South Sulawesi	For the Category of Contribution to South Sulawesi Development in Environmental Management	The Governor of South Sulawesi
6	March 29, 2018	PR Indonesia Awards 2018	Gold for Sustainability Report Category	PR Indonesia
7	April 26, 2018	WIPO Awards 2018	Intellectual Property (IP) Enterprise Trophy Category	World Intellectual Property Organization (WIPO)
8	April 26, 2018	SOE Award	Most Number of Patents in Indonesia	SOE Ministry
9	May 31, 2018	Brand Finance TOP 100 Most Valuable Indonesian Brands 2018	Most Valuable Indonesian Brands 2018 with USD 2.028 million Brand Values & AA- Brand Rating	SWA in collaboration with Brand Finance
10	June, 29 2018	The Peer Awards	The Asian Regional category for the Environmental Education Program for Children or Program Pendidikan Lingkungan untuk Anak (PELITA titled "Green Education for Children-Nature Based Preschool" in the category of "Corporate Responsibility" sub-category "Educating Community".	Informatology Ltd, Inggris.
11	July, 11 2018	Indonesia Green Company Achievement 2018	3 Best Companies awarded the Indonesia Green Company Achievement 2018	SWA Magazine and Kehati Foundation
12	August 3, 2018	The Best Contact Center Indonesia 2018	Platinum Accurate Team (mens double)	Indonesia Contact Center Association (ICCA)

No	DATE	NAME OF AWARD	RATING AND CATEGORY	AWARDED BY
13	August 10, 2018	Anugerah IPTEK 2018	2nd place in the 2018 Anugerah IPTEK for the category of Abyudaya	Ministry of Research, Technology and Higher Education
14	August 29, 2018	Anugerah Indonesia's Best Corporate Social Initiatives 2018	Indonesia's Best Business Practices Category with Pertamina New and Renewable Energy Program	Mix MarComm Magazine, SWA Media Group
15	August 29, 2018	Anugerah Indonesia's Best Corporate Social Initiatives 2018	Indonesia's Best Corporate Philanthropy Category with CSR Program "Sekolah Tapal Batas Sebatik"	Magazine Mix MarComm SWA Media Group
16	September 28, 2018	Subroto Award 2018	Special Innovation in Industry Category	Ministry of Energy and Mineral Resources (ESDM)
17	October 31, 2018	11th APCCAL Expo 2018	Recognition of Performance Excellence	Asia Pasific Contact Centre Asso ciation Leaders (APCCAL)
18	October 29, 2018	ASEAN Energy award 2018	Winner for the Category of Special Submission Energy Management in Industry	The 36th ASEAN Ministers on Energy Meeting (aMEM)
19	December 6, 2018	Marketeers Editor's Choice Award 2018	The Breaktrough Application Of The Year Category	MECA 2018
20	December 6-9, 2018	Seoul International Invention Fair (SIIF) 2018	Gold Medal	Korea Invention Promotion Association (KIPA) supported by Korea Intellectual Property Organization (KIPO), World Intellectual Property Organization (WIPO), and International Federation of Inventors Association (IFIA).
21	December 6-9, 2018	Seoul International Invention Fair (SIIF) 2018	Special Award	Korea Invention Promotion Association (KIPA) supported by Korea Intellectual Property Organization (KIPO), World Intellectual Property Organization (WIPO), and International Federation of Inventors Association (IFIA).
22	December 14, 2018	Indonesia Most Admired CEO (IMAC) 2018	PT Pertamina (Persero) President Director Nicke Widyawati was named the Most Admired CEO 2018 for the category of Excellent Leadership for Information Communication Technology (ICT) Optimization	

CERTIFICATIONS

Operational Unit/ Business Unit	Area	Certification	Validity Date	Certification Body
Head Office – Marketing Directorate	Shipping Head Office	ISO 9001:2015	03/12/2018	Lloyd's
	Petrochem Head Office	ISO 9001:2015	19/06/2018	BSI
		ISO 14001:2015	19/06/2018	BSI
		ISO 45001:2018	19/06/2018	BSI
Marketing Operation Region I – North Sumatera Region	Fuel Terminal Medan (except Belawan)	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Tj. Uban	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal P. Sambu	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Teluk Kabung	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Dumai	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Sei Siak	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Sibolga	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Lhoksemawe	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Krueng Raya	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Kisaran	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Pematang Siantar	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Meulaboh	ISO 9001:2015	14/09/2018	BSI
	Pangkalan Susu	ISO 14001:2015	27/12/2018	BSI
		ISO 45001:2018	27/12/2018	BSI
Marketing Operation Region II – South Sumatera Region	Panjang	ISO 9001:2015	10/08/2018	BSI
Marketing Operation Region III – West Java Region	Depot LPG Tanjung Priok	ISO 14001:2015	01/09/2018	Llyod's
		ISO 45001:2018	01/09/2018	Llyod's
	Fuel Terminal Cikampek	ISO 14001:2015	14/09/2018	BSI
		ISO 45001:2018	29/11/2018	BSI
		ISO 9001:2015	14/09/2018	BSI
	Depot LPG Balongan	ISO 45001:2018	02/06/2018	AJA
	Fuel Terminal Jakarta Group	ISO 9001:2015	14/09/2018	Llyod's
		ISO 14001:2015	14/09/2018	Llyod's
	Fuel Terminal Tasikmalaya	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal T. T - Tjg. Gerem	ISO 9001:2015	15/09/2018	DNV
	Fuel Terminal Balongan	ISO 9001:2015	14/09/2018	BSI
Marketing Operation Region IV – Central Java Region	Fuel Terminal Cilacap	ISO 14001:2015	14/09/2018	BSI
		ISO 45001:2018	31/08/2018	BSI
		ISO 9001:2015	14/09/2018	BSI

Operational Unit/ Business Unit	Area	Certification	Validity Date	Certification Body
Marketing Operation Region IV – East Java Region	Fuel Terminal Maos	ISO 9001:2015	14/09/2018	BSI
		ISO 14001:2015	14/09/2018	BSI
	Fuel Terminal Pengapon	ISO 9001:2015	14/09/2018	BSI
		ISO 14001:2015	14/09/2018	BSI
		SMP	5/24/2018	Sucofindo dan Dir. Bimas Mabes Polri
	Fuel Terminal Boyolali	ISO 9001:2015	14/09/2018	BSI
		ISO 14001:2015	14/09/2018	BSI
	Fuel Terminal Rewulu	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Tegal	ISO 9001:2015	14/09/2018	BSI
		ISO 14001:2015	14/09/2018	BSI
	Fuel Terminal Lomanis	ISO 14001:2015	14/09/2018	BSI
Marketing Operation Region V – East Java, Bali and Nusa Tenggara	Tj. Perak	ISO 9001:2015	14/09/2018	BSI
		ISO 14001:2015	14/09/2018	BSI
	Manggis	ISO 9001:2015	14/09/2018	BSI
		ISO 14001:2015	14/09/2018	BSI
	Fuel Terminal Surabaya Group	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Tuban	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Tj. Wangi	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Malang	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Madiun	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Camplong	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Manggis	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Sanggaran	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Ampenan	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Badas	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Bima	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Tenau	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Maumere	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Atapupu	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Kalabahi	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Waingapu	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Reo	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Ende	ISO 9001:2015	14/09/2018	BSI
Marketing Operation Region VI – Kalimantan	Depot LPG Balikpapan	ISO 9001:2015	14/09/2018	BSI
	Fuel Terminal Balikpapan	ISO 45001:2018	17/11/2018	BSI
	Fuel Terminal Samarinda	ISO 45001:2018	17/11/2018	BSI
Marketing Operation Region VII – Sulawesi	Depot LPG Makassar	ISO 45001:2018	17/01/2018	BSI
	Fuel Terminal Pare2	ISO 45001:2018	11/11/2018	BSI

Operational Unit/ Business Unit	Area	Certification	Validity Date	Certification Body
Marketing Operation Region VIII – Papua	Fuel Terminal Wayame	ISO 9001:2015	14/09/2018	BSI
		ISO 45001:2018	14/09/2018	BSI
	Fuel Terminal Jayapura	ISO 9001:2015	14/09/2018	BSI
		ISO 45001:2018	14/09/2018	BSI
	Fuel Terminal Sorong	ISO 9001:2015	14/09/2018	BSI
		ISO 45001:2018	14/09/2018	BSI
	Fuel Terminal Biak	ISO 9001:2015	14/09/2018	BSI
		ISO 45001:2018	14/09/2018	BSI
PT PGE	Kamojang	ISO 9001:2015	06/06/2018	TUV Nord
		ISO 14001:2015	06/06/2018	TUV Nord
		ISO 45001:2018	06/06/2018	TUV
	Lahendong	ISO 14001:2015	14/09/2018	BSI
PT PHE	Technical Document Management PHE ONWJ	ISO 9001:2015	14/09/2018	TUV Nord
	PHE ONWJ Project Quality Managemenr Services, Certifications and Permits (QA-QC Dept. Project)	ISO 9001:2015	17/02/2018	TUV Nord
	PHE ONWJ Provision of Fabrication, Installation & Maintenance Services (Dept. E&I)	ISO 9001:2015	17/02/2018	TUV Nord
	Gas Production and Condesate/ Jakarta Office & Field JOB Pertamina Talisman Jambi Merang	ISO 9001:2015	02/09/2018	TUV Nord
		ISO 14001:2015	13/11/2018	TUV Nord
		ISO 45001:2018	13/11/2018	TUV Nord
	Production of Crude Oil & Gas JOB Pertamina Petrochina East Java	ISO 14001:2015	14/09/2018	TUV Nord
PT PEP	EP	IEC 17025:2008	17 Juni 2018	KAN
Refinery Unit II – Dumai	All	ISO 9001:2015	14/09/2018	TUV Nord
		ISO 14001:2015	14/09/2018	TUV Nord
Refinery Unit III – Plaju	All	SMP	25/05/2018	Sucofindo
Refinery Unit IV – Cilacap	All	ISO 9001:2015	14/09/2018	TUV Nord
		ISO 14001:2015	14/09/2018	TUV Nord
Refinery Unit VI – Balongan	All	ISO 45001:2018	26/3/2018	SGS
	All	SMP	10/09/2018	Sucofindo

January 01, 2018

Pertamina Has officially Been Designated to Operate the Mahakam Block

Mahakam Working Area Management has been officially transferred from Total E & P Indonesie (TEPI) to PT Pertamina (Persero). The Mahakam Working Area operatorship handover began with the surrendering of Mahakam Working Area operatorship from TEPI & Inpex to the government represented by SKK Migas Chairman Amien Sunaryadi, to be handed over to Pertamina, represented by Upstream Director Syamsu Alam, on Monday (1/1/2018), in Balikpapan.

Januari 2018

Pertamina Started to Supply LNG to Bangladesh and Pakistan

Cooperation in the energy sector between Indonesia and Bangladesh and Pakistan initiated by the government since September 2017 has started to be followed up. Pertamina has taken on a role through various LNG trading agreements and other cooperation with several energy companies. One of the agreements is to supply Liquified Natural Gas (LNG) to Bangladesh and Pakistan, which Pertamina will carry out in both countries.

February 5, 2018

Pertamina EP Built First 3D Oil and Gas Museum in Indonesia

PT Pertamina EP Asset 2 initiated the 3D development of the Oil and Gas Museum at Pertamina EP Complex Prabumulih. This museum is expected to become one of the education centers so that later the wider community may obtain knowledge of upstream oil and gas comprehensively. The museum, built on an area of 4,000 m2, will become the first 3D oil and gas museum in Indonesia.

March 2018

Pertamina Lubricants Expanded its Wings to the Land of Kangaroos

PT Pertamina Lubricants continuously attempts to expand its business overseas. In early March 2018, the Pertamina subsidiary opened Pertamina Lubricants Representative Office Australia in Sydney, a strategic step for PT Pertamina Lubricants to continue developing the international market, strengthen global market networks while continuing to introduce the nation's world-class lubricant product into the eye of the world.

April 30, 2018

PLTP Karaha Unit 1 Lights Up 33 Thousand Houses in Tasik and Surrounding Areas

Geothermal Power Plant (PLTP) Karaha Unit I owned by PT Pertamina Geothermal Energy (PGE) with a capacity of 30 MW officially commenced its commercial operations on April 6, 2018. The electricity production of PLTP Karaha Unit I will illuminate 33 thousand houses in Tasikmalaya and its surroundings. This achievement is the realization of 35,000 MW program launched by the government, which will increase the reliability of Java-Bali transmission system with an additional electricity supply of 227 gigawatt hours (GWh) per year.

May 20, 2018

Pertamina Has Been Officially Designated to Operate WK Ogan Komering

JAKARTA - Pertamina through its subsidiary, PT Pertamina Hulu Energy (PHE) officially accepted the mandate for Ogan Komering Working Area Operatorship Transfer on Sunday (05/20/2018). This was a follow-up to the signing of a Production Sharing Contract (PSC) between the government and Pertamina affiliates on April 20 which became effective from May 20, 2018.

May 21, 2018

Positive Synergy Marked the Commencement of Sukowati Field Operatorship Transfer

After the contract's expiry on February 28, 2018 and 6-month extension to determine the status of Sukowati Unitization Field operatorship, there was finally a solution. Referring to the Minister of Energy and Mineral Resources Decree No. 2800/13/MEM.M/2018 dated May 17, 2018, starting from May 20, 2018, Sukowati Field which was previously operated by JoB PPEJ will be fully managed by PEP.

July 13, 2018

Pertamina - UNS: Created a Battery with 100 Km Driving Range

JAKARTA - PT Pertamina (Persero) and Sebelas Maret University (UNS) succeeded in producing Lithium Ion Battery (LIB) for economical and inexpensive electric motor drives. With this battery, two-wheeled electric motor vehicles can travel 80-100 kilometers at a cost of only IDR 5,000.

Pertamina Director of Investment Planning and Risk Management Gigih Prakoso said that Pertamina supports the development of new renewable energy in accordance with the Pertamina 2030 Roadmap and in line with the global policiy to reduce emissions through the use of eco-friendly energy such as electric vehicles.

May 31, 2018

PHE was Ready to Operate Working Areas with the Biggest Definite Commitment in History

PT Pertamina Hulu Energi (PHE) signed sharing contract that was already approved by the Ministry of Energy and Mineral Resources (ESDM) for two production sharing contracts using the Gross Split contract system, i.e Jambi Merang working area and Raja/Pendopo working area. The signing was carried out by PHE Operation & Production Director Ekariza and SKK Migas Chairman Amien Sunaryadi, witnessed by ESDM Deputy Minister Arcandra Tahar, at the ESDM Ministry Building, Thursday (05/31/2018).

June 29, 2018

Signing of Conditional Sales Purchase

AThe agreement between PGN and Pertamina marks the integration of PGN with Pertamina and the establishment of SOE Oil and Gas Holding.

July 30, 2018

2021, Pertamina was Ready to Operate the Rokan Block

JAKARTA - PT Pertamina (Persero) welcomed the government's decision through the Ministry of Energy and Mineral Resources (ESDM) which entrusted the operatorship of Rokan Block to this SOE. The decision was purely taken on the basis of business and economic considerations after evaluating Pertamina's proposal that was considered better in managing the block.

July 30, 2018

Pertamina Strengthened Downstream Infrastructure in East Nusa Tenggara

Pertamina continued to strengthen downstream infrastructure in order to distribute fuel and LPG. Pertamina Logistics, Supply Chain and Infrastructure Director Gandhi Sriwidodo inaugurated the groundbreaking development of Maumere Fuel Terminal, in Sikka Regency, East Nusa Tenggara, on Monday (7/30/2018). The Maumere Fuel Terminal development project will increase the capacity of fuel tanks from 20,000 Kiloliters (KL) to more than 85,000 KL and serve as the main supply point in the East Nusa Tenggara region

August 7, 2018

Pertamina Took Over Sanga Sanga Block

PT Pertamina (Persero) officially took over the management of Sanga Sanga Working Area from VICO Indonesia, on Tuesday (07/08/2018). The inauguration process of Sanga Sanga Working Area operatorship handover began with the resignation of Sanga Sanga Working Area operatorshipt from VICO Indonesia to SKK Migas Chairman Amien Sunaryadi, to be subsequently submitted to Pertamina SVP Upstream Strategic Planning & Performance Evaluation Meidawati.

Sanga Sanga Working Area, in Kutai Kertanegara Regency, East Kalimantan, is one of the 8 termination PSCs that have been handed over from the government to Pertamina, on April 20, 2018.

September 6, 2018

Pertamina Operates Southeast Sumatra Working Area

Starting Thursday (6/9/2018), Pertamina through its subsidiary PT Pertamina Hulu Energi (PHE) officially operates 100% of Southeast Sumatra (SES) Working Area from the previous operator CNOOC SES Ltd. Furthermore, SES Working Area is operated by PHE Offshore Southeast Sumatra (PHE OSES) as a new operator.

Oktober 25, 2018

East Kalimantan-Attaka Working Area has been Officially Operated by Pertamina

PT Pertamina (Persero) officially conducted East Kalimantan-Attaka Working Area operatorship transfer from Chevron Indonesia Company (CICo), starting at 00.00 WITA, on Thursday (10/25/2018). The operatorship of the working area will be carried out by PT Pertamina Hulu Kalimantan Timur (PHKT). Symbolically the WK management handover was carried out by PT Chevron Pacific Indonesia President Director Albert Simanjuntak to PT Pertamina Hulu Indonesia President Director Bambang Manumayoso, witnessed by SKK Migas Chairman Amien Sunaryadi.

PHKT is a subsidiary of Pertamina Hulu Indonesia (a subsidiary of PT Pertamina (Persero)) appointed as the operator of East Kalimantan-Attaka Wowrking Area for the contract period October 25, 2018 to October 24, 2038.

November 11, 18

PHSS' Success in the First Gross Split LNG Cargo Lifting in Indonesia

Pertamina Hulu Sanga Sanga (PHSS) successfully carried out the initial lifting of Liquid Natural Gas (LNG) sales, which is the first LNG cargo since the implementation of Oil and Gas Working Area operatorship with the Gross Split scheme in Indonesia, on Sunday (11/11/2018). The initial lifting volume is one ship or cargo. That's equivalent to 146,000 cubic meters (m3).

Oktober 17, 2018

PGE President Director Inaugurates Ulubelu Geothermal Information

In realizing the Company's commitment to always grow with the community, PT Pertamina Geothermal Energy (PGE) develops geothermal education facilities in several areas of its operations, including the Ulubelu Area. Regarding this matter, PGE President Director Ali Mundakir accompanied by General Manager (GM) of Ulubelu Area Dirgo Rahayu inaugurated the Ulubelu Geothermal Information (UGI), which is a geothermal education center for various groups, on (17/10/2018).

Desember 10, 2018

Green Energy Station, Pertamina's Latest Solution at Gas Station (SPBU)

PT Pertamina (Persero) continues to be committed to innovating in the digital age and renewable energy by launching Green Energy Station (GES) at Kuningan gas station, Jakarta (12/10/2018). The inauguration ceremony was attended by ESDM Minister Ignasius Jonan, PT Pertamina (Persero) President Director Nicke Widyawati, and other members of the Board of Directors. Support was also obtained from various sectors starting from the government through the Ministry of Industry, SOEs Synergy with Telkom and PLN, educational institution through the University of Indonesia, electric vehicle businesses such as BMW, Toyota, Mitsubishi, and Gesits, as well as charging station business Bosh

December 10, 2018

Pertamina Inaugurated Two Aviation Fuel Terminals in East Kalimantan

TTo improve service and resilience of Avtur stocks at two new airports in East Kalimantan Province, Pertamina Marketing Operation Region (MOR) VI Kalimantan inaugurated an aviation fuel terminal at Pranoto Aji Pangeran Tumenggung (APT) Airport in Samarinda City and Kalimarau Airport in Berau City.

The inauguration was held in conjunction with Pertamina's 61st anniversary commemoration on Monday (12/10/2018), and constituted a form of Pertamina's support for the SOEs are Present for the Nation" program from the SOEs Ministry

December 19, 2018

Realizing Green Energy, Pertamina Built the Biggest Capacity Combined-Cycle Steam and Gas Power Plant (PLTGU) in Southeast Asia

The construction of an integrated gas infrastructure and Java 1 Combined-Cycle Gas and Steam Power Plant (PLTGU) project officially began on Wednesday (12/19/2018). This was marked by the groundbreaking by the Economic Affairs Coordinating Minister Darmin Nasution and PT Pertamina (Persero) President Director Nicke Widyawati. The first and largest power plant in Southeast Asia combines gas infrastructure (LNG-FSRU) and a power plant with a capacity of 1,760 MW.

Desember 21, 2018

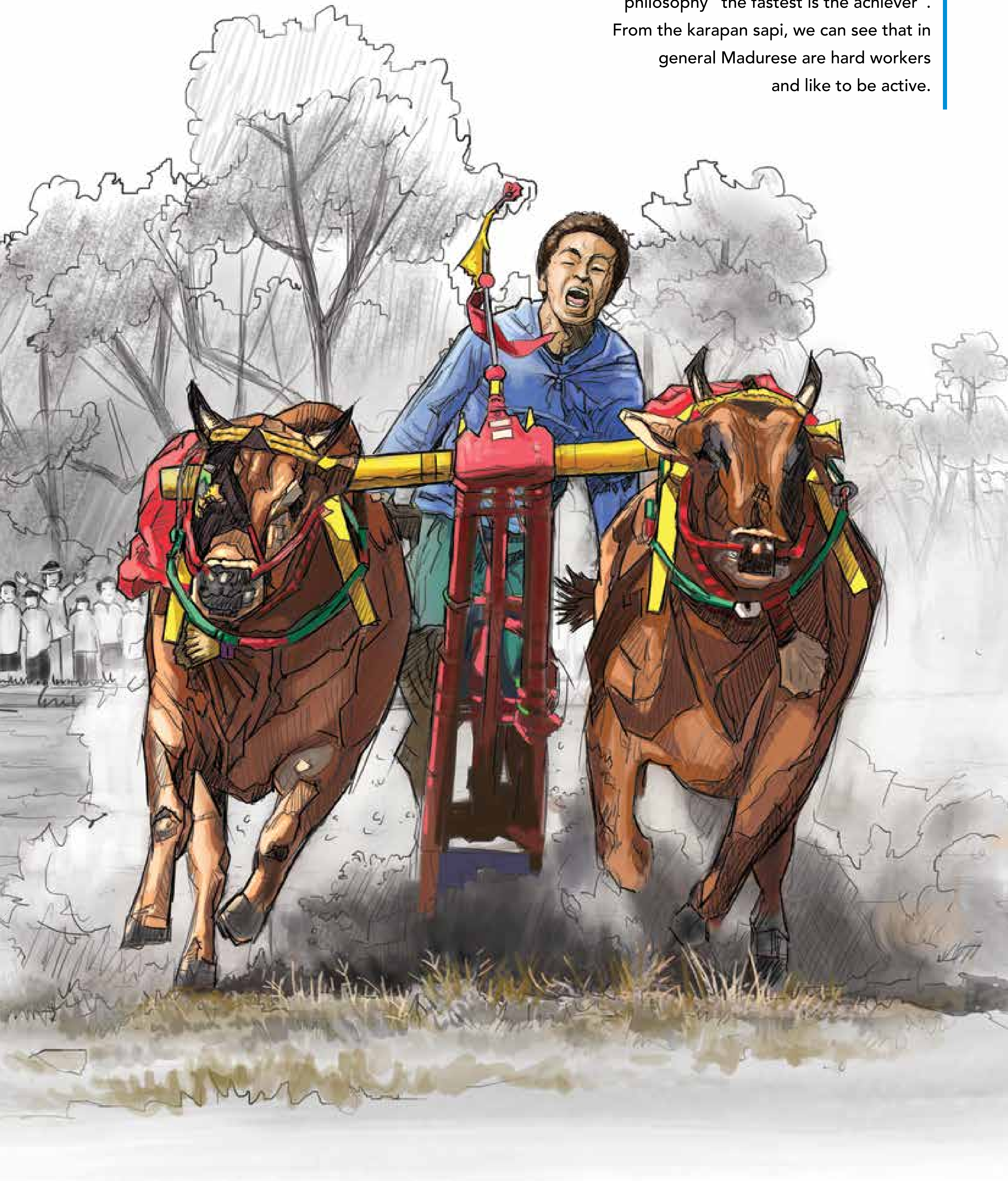
Innovation of Green Gasoline and Green LPG, Saved Foreign Exchange USD 160 Million / year

PT Pertamina (Persero) continues to innovate in encouraging the use of eco-friendly fuels, while encouraging a reduction in imports of crude oil. One of the innovations implemented in the Refinery Unit III Plaju. Since early December, the refinery has been able to process CPO (Crude Palm Oil) into Green Gasoline (eco-friendly gasoline) and Green LPG with co-processing technology. That is to combine natural fuel sources with fossil fuel sources to be processed in refineries to produce eco-friendly fuels.

MANAGEMENT REPORT

"The synergy between the Board of Commissioners and the Board of Directors has taken Pertamina one step closer to realizing the national energy security and independence.

A couple of bulls tied to each other with a bamboo are being ridden by a jockey in a race against other couples of bulls. This activity is called karapan sapi, the traditional race of Madurese people who has the philosophy "the fastest is the achiever". From the karapan sapi, we can see that in general Madurese are hard workers and like to be active.



Alexander Lay
Independent Commissioner

Tanri Abeng
President Commissioner

Archandra Tahar
Vice President Commissioner

Sahala LG
Commissioner

Suahasil N
Commissioner

Ahmad Bambang
Commissioner

Ego Syahrial
Commissioner

Nicke Widyawati
President Director & CEO

Koeshartanto
Human Resources Director

Gandhi Sriwidodo
Logistics, Supply Chain and Infrastructure Director

M. Haryo Yunianto
Asset Management Director

Mas'ud Khamid
Retail Marketing Director

Ignatius Tallulembang
Refinery and Petrochemicals Mega Projects Director

Basuki Trikora Putra
Corporate Marketing Director

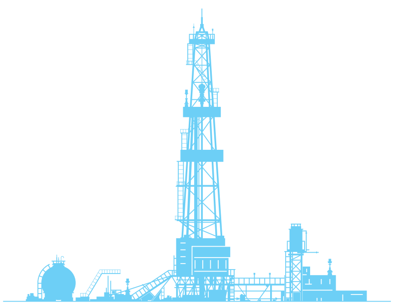
Budi Santoso Syarif
Refinery Director

Dharmawan H. Samsu
Upstream Director

Pahala N. Mansury
Finance Director

Heru Setiawan
Investment Planning and Risk Management Director

Pertamina's performance in 2018 is also a contribution from the supervisory function and strategic decision-making implemented by the Board of Commissioners.



86,72

"Health AA"

Realization of Pertamina's corporate health rating pursuant to the SOE Ministerial Decree No. KEP-100 / MBU / 2002

Dear respected Stakeholders,

Our praises and gratitude be to God the Almighty for all the blessings He has bestowed upon us all, which have enabled Pertamina to optimally perform its duties as a corporate body and an agent of development, despite the difficult conditions in 2018.

EXTERNAL CONDITIONS

Global uncertainties in 2018 affected the global economic demand. Monetary uncertainty in the United States coupled with the United States and China trade war gave rise to dynamics in exchange rates. The Indonesia's economy in 2018 showed a relatively stable economic growth and well-maintained inflation. These all provided a favorable atmosphere for the efforts to strengthen the domestic economic recovery momentum.

The Government of Indonesia stated that there was no change in the price of the PSO fuel and LPG and in the PSO fuel & LPG supply and distribution scheme. This condition caused Pertamina's performance to decline in early 2018. However, the Government then issued Presidential Regulation No 43 of 2018 ("PP 43") providing that Pertamina will receive reimbursement from the Government on the difference between price and formula after being audited by BPK and upon the Minister of Finance's approval after coordinating with the Minister of Energy and Mineral Resources and the Minister of State-Owned Enterprises.

The Government Policy in PP 43 has affected Pertamina's profit and cash flows performance in 2018. Pertamina has acknowledged the difference in defined price and formula price for FY2017 and 2018 sales in the 2018 Financial Statements because all requirements have been fulfilled. This condition affects profit performance. However, Pertamina has not yet received any payment and this has adversely affected the Company's cash flows.

BOARD OF DIRECTORS PERFORMANCE ASSESSMENT

The Board of Commissioners continues to appreciate the Board of Directors for the good performance of duties in facing the challenging year 2018 so that the Company still managed to earn high profit. Pertamina achieved net profit of USD 2.6 billion in 2018.

Such performance achievement continuity is greatly influenced by the consistency of the Board of Directors' policy to continue making efficiency in operational activities. Efforts to cut losses have been consistently carried out through preventive and control efforts. The Board of Directors is expected to continuously prioritize the efforts to cut losses in order to enhance the culture of "Clean".

Pertamina has built up the efforts for investment starting from planning, implementation, monitoring, to evaluation phases. Moreover, future investment planning should be arranged more realistically and with due attention to field conditions.

Pertamina has implemented the right strategy so that the stocks of national oil and gas product are well maintained with due regard to working capital cost Pertamina must bear. This is made evident by, among others, the results of shipping performance that exceeded the target. In addition, the processing sector also recorded a quite good performance in 2018 in terms of Total Yield on Intake and Valuable Yield on Total Intake.

In the marketing sector, Pertamina has managed to generate an increased sales volume across all product lines, although relatively stable in terms of market share. This performance should be appreciated due to the fact that we are tight competition. Pertamina has proven its ability to maintain market share. Pertamina is expected to strengthen coordination with related parties in order to minimize external factors with the potential to disrupt target achievement, for instance, in terms of infrastructure.

The HSSE performance in 2018 was not completely satisfactory due to the fact that there were still cases of work related fatalities, although the frequency was only a few. Pertamina remains consistent in raising awareness of the environmental management surrounding the Company's operations, which has been marked by the increasing number of PROPER achievements garnered over the recent years.

SUPERVISION AND GUIDANCE

Pertamina's performance achievement in 2018 is also a contribution from the supervisory function and strategic decision-making implemented by the Board of Commissioners. The Company's Articles of Association do not grant the Board of Directors full authority regarding all decisions. Rather, certain strategic decisions still require the decisions of the Board of Commissioners and the General Meeting of Shareholders to pass, including investment for equity participation in other companies, acquisition of participating interest, and making changes to the corporate work plan, which are among some of the decisions that are not solely delegated to the Board of Directors.

In discharging its supervisory duties, the Board of Commissioners provides guidance and counsel to the Board of Directors. In fact, the Board of Commissioners also assists in the direction for implementation of every decision granted. Several matters given strategic direction in 2018 include:

1. Budget preparation, the execution and monitoring of investment that require close attention considering the progress of investment has remained below the specified target and many projects are currently experiencing delays. There is urgency needed for increased capacity in project management. In addition, future investment planning should be arranged more realistically and with due attention to field conditions.
2. The Board of Directors is expected to increase efforts to optimize production wells, carry out production equipment repair and maintenance on a regular basis, and coordinate with ISC to optimize lifting.

OVERVIEW OF BUSINESS PROSPECTS

Pertamina acknowledges that its role as a State- Owned Enterprise is not only to pursue profit. Pertamina also plays a role in providing fuel in all regions of the country, managing oil and gas resources and maintaining national energy security. Efficiency in every line of operations and right investment decisions by promoting sound business principles are keys to success in carrying out the role.

Pertamina's ability to continue producing optimal performance in 2018, in the midst of rising oil prices and unfavorable government policies, shows that the Company is able to survive in difficult times. More stringent competition in the downstream sector has encouraged efforts to improve efficiency and service. This is made evidenced by the increase in sales volume and market share in the downstream sector.

Pertamina plans to make a repair and renewal of its distribution infrastructure so as to provide the best service and minimize potential losses. The activity was carried out together with tighter monitoring of losses and changes in work culture, which result in significant efficiency improvements.

IMPLEMENTATION OF CORPORATE GOVERNANCE AND CORPORATE SOCIAL RESPONSIBILITY

The Board of Commissioners believes that the Company has consistently implemented the principles of good corporate governance. This commitment to corporate governance management is demonstrated through the regularity of the Company's GCG assessment in order to provide assurance that all aspects of governance are implemented. The Company seeks to ensure that GCG is applied in every decision taken and to become the foundation for the Company's activities.

Good corporate governance implementation also supports good performance achievement, which has been reflected in the overall Corporate Health Level which combines measurements of financial, operational, and administrative performance. In 2018, the realization of Pertamina's health level pursuant to the SOEs Ministerial Decree No.KEP-100/MBU/2002 reached a total health score of 86.72 (the category of AA (Healthy)). In addition, the Ministry of SOE, as the Company's Shareholder, has also established the management performance contract based on the Assessment Criteria for Excellent Performance or Kriteria Penilaian Kinerja Unggul (KPKU), which achieved a score of 103.67%. This means that Pertamina's management performance in 2018 has improved compared to that in 2017.

The Board of Commissioners also monitors the implementation of corporate social responsibility towards the environment and the community. The Company exercises its social responsibility through Corporate Social Responsibility (CSR) activities and the Partnership and Community Development Programs (PKBL). CSR activities contribute to community in the fields of education, health, infrastructure and living environment. CSR activities are conducted to support Pertamina's operations and achievement of PROPER scoring across several operating units. Community Development activities focus on providing assistance for the purposes of education, natural disasters, development of religious and sports facilities, and public health promotion. The partnership program focuses on business capital support and business counseling as well market expansions for small entrepreneurs.

PERFORMANCE ASSESSMENT OF THE BOARD OF COMMISSIONERS COMMITTEES

Supervisory duty carried out by the Board of Commissioners is performed directly by the Board of Commissioners or indirectly through the Board of Commissioners Committees namely the Audit Committee, the Nomination and Remuneration Committee, and the Risk Management Monitoring Committee. Oversight is carried out on operational and strategic aspects that contribute significantly to the Company's performance.

The Board of Commissioners believes that the supervisory function performed by the Board of Commissioners throughout 2018 has been carried out in accordance with the provisions in the Board Manual and implemented properly. The Board of Commissioners carries out its role to monitor the course of the Company and make decisions in accordance with its authorities stipulated in the Company's Articles of Association. The Board of Commissioners submits reports on the supervisory duty implementation and Board of Commissioners' performance assessment on quarterly and annual basis to the shareholders.

The Board of Commissioners Committees have done well according to the provisions of Good Corporate Governance (GCG). The Committees actively work to analyze and respond to changes in the business environment that affect the Company's performance. The Committee also assists the Board of Commissioners in preparing the Board of Commissioners' letters regarding requests for approval, support, advice and responses from the Board of Directors after conducting an in-depth analysis process.

The Audit Committee monitors the performance of internal audit and independent auditors in conducting financial statements audit, reviews the Company's reports to external parties and the Company's internal control system, and monitors the whistleblowing system. The Audit Committee assists the Board of Commissioners duties of granting approval for assets deletion, monitoring Subsidiaries, monitoring operational performance, and other tasks assigned by the Board of Commissioners. The Risk Management Monitoring Committee (PMR) monitors the performance of the upstream, downstream and investment sectors, and also makes an analysis and recommendations on strategic decisions in the investment sector. The Nomination & Remuneration Committee (NR) assists in ensuring the placement of qualified personnel for key positions in the Company, reviews the formulation of remuneration for Directors & Board of Commissioners, proposals for changes to organizational structure, and proposals for changes to the composition of Board of Directors and Board of Commissioners in Pertamina’s subsidiaries.

The Committees work closely with their Management counterparts in the related business processes. A good and harmonious partnership between Management and the Committee encourages an effective communication and coordination process, which then enables the smooth running of the Board of Commissioners activities in performing its supervisory function.

CHANGES IN THE COMPOSITION OF THE BOARD OF COMMISSIONERS

In 2018 there was a change in the composition of the Board of Commissioners. Based on the Decree No. SK-142/MBU/05/2018 dated May 30, 2018, the GMS has decided to:

1. Respectfully discharge Mr. Edwin Hidayat Abdullah.
2. Appoint Mr. Ahmad Bambang and Mr. Ego Syahrial as Commissioners.
3. Determine Mr. Alexander Lay as Independent Commissioner. Thus, the 20% minimum requirement of Independent Commissioners is already fulfilled.

APPRECIATION

The Board of Commissioners would like to sincerely appreciate all Pertamina stakeholders for their continued support to the Company's journey both in the good and difficult times. We would also like to extend our appreciation and gratitude to the Government of Indonesia for all the assistance provided to Pertamina in its task to secure fuel supply throughout the country. Our highest appreciation also goes to all Pertamina personnel in all work areas, from the Board of Directors down to all levels for always continuing their best capabilities to Pertamina. Our sincere appreciation is also expressed to all of our valued customers, suppliers, and business partners, for the cooperation and mutually beneficial relationships that have continued to endure through the years. We sincerely hope Pertamina will continue to attain even greater successes for the nation and become the pride of Indonesia.

On behalf of the Board of Commissioners,

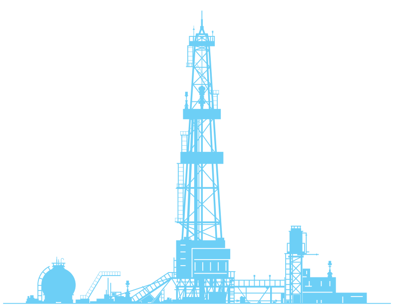
Tanri Abeng
President Commissioner / Independent Commissioner

By Continuously Upholding The Commitment to Delivering The Best

"Pertamina has succeeded to go through the year 2018 with an encouraging performance achievement. The Board of Directors would like to extend heartfelt appreciation for the trust, commitment, and cooperation from all the Stakeholders."

Dear distinguished Shareholders and Stakeholders,

Praises and gratitude be to the presence of God Almighty for all the blessings and grace that He has bestowed upon us all so that PT Pertamina (Persero) was able to go through the challenging 2018 with an encouraging performance achievement. Furthermore, allow us to provide the Board of Directors report for the Company's management duties for the 2018 financial year ending on December 31, 2018.



15%

393 MBOPD

Crude Oil production in 2018 was 393 MBOPD, increased by 15%

ECONOMIC CONDITIONS

The global economy in 2018 is characterized by uncertainty. The trade war between the United States (US) and China and the hike of the Fed's interest rate are suspected to be the leading cause of the global economy's anemic movement. The trade war has resulted in a slowdown of world trade flows. Demand for goods, especially from China, slowed down, and on the flip side, the flow of goods from China to various countries was increasing as a part of the Chinese government's efforts to seek substitution markets after the U.S. government imposed high customs duties on China's products.

Moreover, the hike of the Fed's interest rates has impacted the global financial market conditions, where investment flows are directed towards safe instruments (risk aversion), so that the global stock markets are corrected quite sharply.


PERTAMINA
PERTAMINA

In the midst of these conditions, Indonesia's economy was still able to grow positively. Throughout the year 2018, Indonesia's economy grew 5.17%, higher than the previous year by 5.07%. This quite a good growth was also coupled with inflation rate sustained at a low level of 3.13%.

In an effort to spur national economic growth, the government faced a number of challenges, one of which was the weakening of the Rupiah exchange rate against the USD. In October 2018, the Rupiah exchange rate against the USD once hit the level of Rp 15.200/USD, the lowest since the economic crisis of 1998.

Indonesia's trade balance of 2018 was also closed with a deficit of 8.6 billion USD due to much higher import growth than export growth. To anticipate this, in September 2018 the government issued a policy to enforce the extension of mandatory use of diesel or B20 fuel through Presidential Regulation No. 66 Year 2018, one of the objectives is to suppress imports, especially imports of diesel fuel.

OIL PRICE FLUCTUATION

Oil price movements in the Brent and WTI markets are still a challenge for Pertamina. In the period from January to October 2018 oil price trends tended to increase with a peak of USD 84.1 per barrel (Brent) and USD 75.5 per barrel (WTI) in October 2018. But after that, the world oil prices plunged and hit the lowest level of USD 51.6 per barrel and USD 43.6 per barrel in December 2018 and finally closed with a price of USD 54.6 per barrel and USD 46.5 per barrel by end of the year 2018.

Along with the fluctuation of world oil prices, Indonesian Crude Price (ICP) has also fluctuated. In January, ICP price was at USD 65.6 per barrel, while ICP SLC was at USD 65.8 per barrel. ICP price was at its highest level in October to reach USD 77.6 per barrel and USD 78.1 per barrel for ICP SLC. When the world oil prices dropped, ICP price was also affected down to USD 54.8 and USD 55.6 per barrel for ICP SLC.

Anticipating the development of world oil prices, the Government of Indonesia has issued a range of oil and gas related policies, which have an impact on Pertamina's operations and performance. The policy was made to release pressure on Indonesia's trade balance, especially from oil and gas imports, maintain the state's foreign exchange reserves and sustain people's purchasing power.

REALIZING NATIONAL ENERGY SECURITY AND INDEPENDENCE

As a state-owned enterprise company, Pertamina is at the forefront of the effort to support the Government's program to realize national energy security and independence. Therefore, from time to time, Pertamina continues to strengthen its commitment to developing business in the new and renewable energy business and business diversification.

In order to realize the aspiration, in 2018 Pertamina acquired operatorship rights to 13 ex-terminated working areas with contract periods end in 2018–2021 pursuant to the Energy and Mineral Resources Ministerial Regulation No. 15 Year 2015 on the Operatorship of Oil and Gas
Working Areas with Soon-to-expire Cooperation Contract, which has been amended with the Energy and Mineral Resources Ministerial Regulation No. 30 Year 2016.

Out of the 13 ex-terminated working areas of which the operatorship rights have been acquired, 8 working areas have come into effect in 2018, namely Ogan Komering, Tuban, Sanga-Sanga, South East

Sumatera, North Sumatera Offshore, Tengah (included in Mahakam Working Areas), Attaka and East Kalimantan. While Raja Working Areas and Jambi Merang Working Area will only be effective in 2019 and Kepala Burung Working Areas and Salawati Working Areas will be effective in 2020. Meanwhile for Rokan Working Area, the largest national oil producer, will only be effective in 2021. In addition, on January 1, 2018, Pertamina also commenced the operation of Mahakam Working Area which has been handed over to Pertamina in 2015.

In 2018 Pertamina signed a Contract on Engineering, Procurement, and Construction (EPC) of Refinery Development Master Plan (RDMP) for Balikpapan RU V Refinery. The winner of the EPC auction was a consortium of SK Engineering & Construction Co. Ltd., Hyundai Engineering Co. Ltd., PT Rekayasa Industri, and PT PP (Persero) Tbk. With the appointment of Balikpapan RU V Refinery EPC RDMP winner, Pertamina has shown strong commitment to realizing the refinery development mega projects that aims to support the realization of national energy independence.

With the operatorship rights, Pertamina's oil production will increase, so that Pertamina is closer to realizing the aspiration of national energy security and independence.

ESTABLISHMENT OF STATE-OWNED OIL AND GAS HOLDING

After going through 2-year preparation process, in 2018 the Government appointed PT Pertamina (Persero) as Holding Company of State-Owned Enterprises in Oil and Gas sector involving PT Pertamina (Persero), PT Pertamina Gas (Pertagas) and PT Perusahaan Gas Negara (Persero) Tbk (PGN).

Based on the Energy Sector SOE Roadmap, there is a need for a consolidation of SOE gas business in order to increase the use of domestic natural gas . The business merger of PGN and Pertamina is an initial strategic step to increase effectiveness and strengthen the gas industry value chain integration in Indonesia.

Formation of the Oil and Gas SOE Holding was marked with the signing of the Deed of Transfer of B Series Shares amounting to 56.96% owned by the Government of Republic of Indonesia in PGN to PT Pertamina (Persero) on April 11, 2018. The merger of PGN as a subsidiary of Pertamina will make Pertamina a gas company with the longest gas pipeline network in ASEAN, which is 9,600 km in length.

STRATEGIC INITIATIVES

Pertamina's main focus and strategy in 2018 is to support the efforts to realize national energy security and independence. To answer the challenge, Pertamina invites all stakeholders to create synergies in order to provide solutions for national interests.

To reduce crude imports, in 2018, Pertamina is optimizing domestic crude processing in refineries. It is intended to reduce the processing of crude imports in the refineries, in accordance with the government's directive through the Energy and Mineral Resources Ministerial Regulation No. 42 Year 2018 on Priority to Utilization of Crude Oil for Fulfillment of Domestic Demand. The effort was fruitful, where domestic crude refinery output increased to 62% from 58% in 2017.

The integrated oil and gas business operated by Pertamina makes it possible to build synergies between Pertamina Group, which consists of PT Pertamina (Persero) and its subsidiaries engaging in the businesses of upstream oil and gas, downstream oil and gas, and non-oil and gas. Value Creation from the synergies of Pertamina Group in 2018 managed to achieve USD 1.9 billion.

Since 2018 we have executed "Berkah Energi Pertamina" Program, a reward program from Pertamina for loyal consumers of Pertamina products. The Program combined with MyPertamina application is part of our strategy to get closer to the consumers. "Berkah Energi Pertamina" Program is a form of appreciation to consumers' loyalty in this modern era along with rapid development of digital technology.

"Berkah Energi Pertamina" Program will be executed simultaneously throughout Indonesia from August 9, 2018 to July 31, 2019. Drawing of the prizes in the total amount of billions rupiah will be done in 3 phases of periods. The Phase 1 draw was in December 2018, Phase 2 in April 2019, and Phase 3 will be in August 2019.

OPERATIONAL PERFORMANCE

In the midst of various challenges in 2018, Pertamina has demonstrated quite an encouraging operational performance improvement. From the Upstream Sector, Pertamina was able to record oil and gas production growth of 33% compared to the previous year with a total production of 921 MBOEPD.

Crude oil production in 2018 was 393 MBOPD, a 15% increase compared to the previous year. While gas production was 3,059 MMSCFD, a 50% increase compared to the previous year. In addition, the production of geothermal from own operation area was 4,182 GWh or 7% higher from the previous year.

In addition to successfully elevating production, Pertamina has also successfully increased its proven oil and gas reserves (proven reserves, P1), which in 2018 was recorded at 426.25 MMBOE. This figure was 36% higher than the P1 in 2017. The Reserve Replacement Ratio (RRR) of oil and gas was 137.81%. This 2018 RRR figure was lower than that in 2017 of 143%. The additional oil and gas reserves in 2018 mostly came from inorganic activities through the operatorship of domestic oil and gas Working areas of which the operatorship contracts have expired, such as Mahakam, Sanga-Sanga, Attaka, and East Kalimantan Working Areas. This is testament to PT Pertamina's commitment to maintain the sustainability of national oil and gas production by continuing exploration activities.

The performance of refinery operations in 2018 was also improved in general. The processing of crude oil, gas and intermediate products in 2018 was recorded at 336.54 MMbbl, a 4% increase compared to the previous year. While the production volume of Fuel (10 main products) increased by 6% from 278.86 MMbbl in 2017.

In the downstream sector, Pertamina's marketing performance in 2018 also shows a fairly good improvement. The sales of Fuel products grew to 70 million KL from 67 million KL in the previous year, while the sales of Non-Fuel products were relatively stable with sales volume of 16 million KL. The gas sales increased significantly to 1,222,632 BBTU from 823,769 BBTU in the previous year, a significant addition due to the merger of PGN becoming Pertamina's Subsidiary.

Pertamina has also been successful in executing the Government's assignment to realize One Price Fuel in Indonesia. Until the end of 2018, Pertamina has realized the operation and trial operations on the One Price Fuel dealers at points 125 (55 points in 2017 and 70 points in 2018) point in the 3T (Frontier, Outermost, and Disadvantaged) areas regions. With these gas stations, the general public now can buy Premium Fuel and Diesel Fuel at the same prices as the people in other regions who have enjoyed the prices according to Presidential Regulation No. 191 Year 2014, namely: Premium Rp 6,450/Liter, and Solar products Rp 5,150/ Liter.

FINANCIAL PERFORMANCE

Improved operational performance in 2018 has affected the Company's financial performance. In general, Pertamina's financial performance in 2018 increased compared to the previous year and was above the RKAP target in 2018.

Total sales and other operating revenues in 2018 amounted to USD57,934 million, a 25.94% growth compared to the previous year's sales and other operating revenues of USD 46,000 million and 108.46% above the 2018 RKAP of USD 53,416 million. The Company's operating revenue in 2018 was mainly contributed by domestic sales of crude oil, natural gas, geothermal energy and oil products amounting to USD 44,743 million, a 12.45% increase compared to the previous year's operating revenue of USD 39,789 million.

While the biggest growth of revenue in 2018 was sourced from the operating revenue of other operating activities that in 2018 grew 427.87% to USD 3,906 million from USD 740 million in 2017.

Nevertheless, the increase in production and sales was also followed by the growth of cost of sales and other direct costs that in 2018 increased by 29.47% compared to 2017 to reach USD 48,714 million. The increase in cost of sales and other direct costs was mainly due to rising oil prices and the weakening of Rupiah exchange rate against US dollar throughout 2018. As a result, operating profit recorded by Pertamina in 2018 was corrected to USD 6,246 million and profit for the year was also corrected to USD 2,636 million. EBITDA in 2018 was USD 9,204 million, up 26.86% compared to 2017 amounting to USD 7,256 million.

PROSPECT AND FUTURE PLAN

In 2019, the global economic condition will still be shadowed by the impact of the US-China trade war. In addition, The Fed also has a plan to again raise the benchmark interest rate as part of the efforts to stabilize the U.S. currency and economy.

In the midst of these conditions, the oil and gas industry is also marked with a concern about declining oil production due to the crisis in Venezuela. There is a concern that this will again trigger a hike of crude oil prices in the world market.

With the above background, Pertamina welcome the year 2019 with high optimism. The inclusion of 13 Ex-Terminated Working Areas, 8 of which have been effective in 2018, has increased Pertamina's proven oil and gas reserves (proven reserves, P1). Not only that, Pertamina's oil and gas production will also increase significantly, especially from Rokan Working Area, the Working Area with largest oil production nationwide.

In the oil and gas refinery aspect, the development project of 4 refineries and the construction of 2 new refineries will not only improve the processing capacity of Pertamina refineries up to 2,000 MBSD, but will also improve the quality of Fuel produced, from Euro 2 to Euro 5.

Government policy provided in the Energy and Mineral Resources Ministerial Regulation No. 42 Year 2018 on Priority to Utilization of Crude Oil for Fulfillment of Domestic Demand also provides opportunities for cost saving of imported crude oil transportation Pertamina has been carrying out so far.

In 2014 through Government Regulation No. 79 Year 2014 on National Energy Policy (KEN), the Government set the National Energy Mix target in order to realize national energy security, where the proportion of New and Renewable Energy (NRE) increased in stages, that is 5% in 2015, 23% in 2025, and 31% in 2050. Although the achievement of the national energy mix is still far from the target, Pertamina as a national energy company is supportive and fully committed to the development of NRE. The most significant development of Pertamina's NRE Development is the geothermal energy developed by PT Pertamina Geothermal Energy (PGE).

On the flip side, the Government has a biofuels supply roadmap, where in 2018 Pertamina as one of the Fuel General Commercial Enterprises (BU BBM) has fulfilled the target of supply and distribution of biodiesel (B20) of 20% biofuel type to the retail and industrial market with a total volume of 16 million KL. With the implementation of B20, Pertamina managed to significantly reduce Solar imports up to the end of 2018. In 2019, the Government has a target to implement B30. This aggressive government roadmap has a potential to cut Pertamina's imports even more, while creating opportunities for Pertamina to develop green refineries.

Another effort to develop eco friendly energy is by optimizing gas fuel. Domestic demand for gas as a more eco-friendly fossil energy is projected to continuously increase. The projection is considering that the refinery development mega projects and new refinery construction carried out by Pertamina until the next 5 to 6 years will absorb gas in massive volume. The introgation of PT. Perusahaan Gas Negara Tbk. (PGN) with Pertamina through the SOE oil and gas holding will help speed up gas infrastructure integration while at the same time saving capital and operating costs. This will create opportunities for Pertamina to integrate upstream and downstream gas businesses.

In a liquefied natural gas (LNG) business, Pertamina's competency and experience provide opportunities to expand business overseas. If so far the traditional markets of Pertamina LNG are China, Japan, and Taiwan, now Pertamina is seeking markets for its LNG to South Asia and Africa. The signing of LNG supply agreements with Petrobangla Bangladesh in 2018 initiated by the Government of both countries became the access door for Pertamina to expand the market in the region.

HR QUALITY IMPROVEMENT

For Pertamina, Human Resources (SDM) is one of the most important links of integrated business chains. Therefore, we continuously strive to improve the capacity and quality of human resources by organizing education and training programs according to the Company's needs and plans.

In addition, Pertamina also builds high-performance corporate culture based on the effective working behavior according to the 6C Values (Clean, Competitive, Confident, Customer Focus, Commercial, and Capable) and is supported by a conducive working climate based on employee engagament. The understanding and implementation of the 6C Values will form the cultural behavior as the characteristics distinguishing Pertamina from other companies.

CORPORATE GOVERNANCE

In order to realize national energy security and independent, Pertamina also strengthen the aspects of Good Corporate Governance/GCG. Pertamina believes the implementation of GCG principles is a crucial factor in achieving the aspiration. Therefore, Pertamina strives to improve the quality of its GCG implementation in terms of GCG organs and GCG mechanism.

In 2018, as part of the principles of transparency and accountability, Pertamina is closely collaborating with the Corruption Eradication Commission (KPK) to oversee Pertamina's operations. In addition, at the internal level, Pertamina also strengthens Audit Committee and Internal Audit functions in conducting internal supervision.

Pertamina has also commenced the implementation of ISO 31000:2018 as the quality standard in risk management and the development of the previous ISO 31000:2009 standard. The standard contains risk management principles, framework, and guidelines in accordance with the Company's business character, organization and corporate culture so as to support the achievement of ERM objectives in Pertamina. There are three main foundations of ISO 31000:2018 implemented in Pertamina's risk management, namely: Risk Management Principles, Risk Management Framework, and Risk Management Process.

CHANGES IN BOARD OF DIRECTORS COMPOSITION

In 2018, there was change in the composition of Pertamina Board of Directors pursuant to the State-Owned Enterprises Ministerial Decree No. SK-97/MBU/04/2018 dated April 20, 2018, the State-Owned Enterprises Ministerial Decree No. 242/MBU/09/2018 dated September 13, 2018 as the Company's General Meeting of Shareholders and the State-Owned Enterprises Ministerial Decree No. SK-232/MBU/08/2018 dated August 28, 2018.

Thus, Pertamina Board of Directors composition as of December 31, 2018 is as follows:

President Director & CEO	: Nicke Widyawati
Director of Upstream	: Dharmawan H. Samsu
Director of Refinery	: Budi Santoso Syarif
Director of Corporate Marketing	: Basuki Trikora Putra
Director of Retail marketing	: Mas'ud Khamid
Director of Finance	: Pahala N. Mansury
Director of Logistics, Supply Chain and infrastructure	: Gandhi Sriwidodo
Director of Refinery and Petrochemicals Mega Projects	: Ignatius Tallulembang
Director of Investment Planning and Risk Management	: Heru Setiawan
Director of Human Resources	: Koeshartanto
Director of Asset Management	: M. Haryo Yunianto

APPRECIATION

Pertamina has managed to go through the year 2018 with an encouraging performance. The Board of Directors would like extend our highest appreciation for the trust, commitment and cooperation from all stakeholders, especially the management and all employees who have worked hard in the midst of ever-increasing challenges in the industry.

The Board of Directors would also like to express our gratitude to the Board of Commissioners for the guidance provided to the Board of Directors, which has been very helpful in achieving the encouraging performance of the Company in 2018. Our heartfelt appreciation also goes to the shareholders, customers and partners, for their well-established cooperation and trust. The Company will continuously uphold the commitment to provide the best to all stakeholders and shareholders.

On behalf of the Board of Directors

Nicke Widyawati
President Director & CEO

STATEMENT OF THE BOARD OF DIRECTORS' AND THE BOARD OF COMMISSIONERS' RESPONSIBILITY ON PT PERTAMINA (PERSERO)'S ANNUAL REPORT 2018

To comply with the Good Corporate Governance principles and prevailing laws in Indonesia, PT Pertamina (Persero) has published its Annual Report 2018. PT Pertamina (Persero)'s Annual Report 2018 provides concise information about the Company's performance, Good Corporate Governance, corporate social responsibility initiatives, PT Pertamina (Persero)'s Consolidated Financial Statement for the period of 1 January to 31 December 2018, and other relevant information to the stakeholders.

We, all the members of the Board of Directors and the Board of Commissioners of PT Pertamina (Persero) who have signed below, have stated our responsibility for the validity of the contents of PT Pertamina (Persero)'s Annual Report 2018.

We certify that this Statement is true to the best of our knowledge.

Jakarta, 2019

Board of Commissioners PT Pertamina (Persero)

Tanri Abeng
President Commissioner/
Independent Commissioner

Arcandra Tahar
Vice President Commissioner

Sahala Lumban Gaol
Commissioner

Suahasil Nazara
Commissioner

Alexander Lay
Independent Commissioner

Ego Syahrial
Commissioner

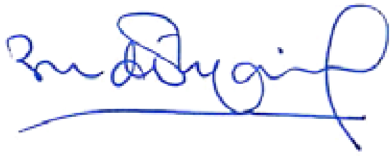
Ahmad Bambang
Commissioner

Edwin Hidayat Abdullah
Commissioner

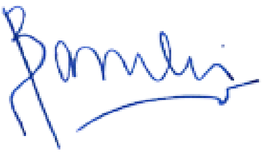
Board of Directors PT Pertamina (Persero)

Nicke Widyawati
President Director & CEO

Dharmawan H. Samsu
Director of Upstream

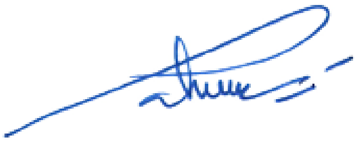


Budi Santoso Syarif
Director of Refinery

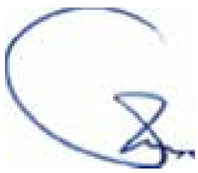


Basuki Trikora Putra
Director of Corporate Marketing

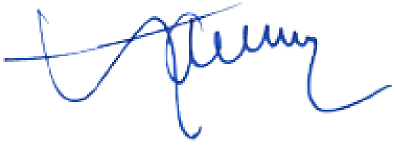
Mas'ud Khamid
Director of Retail marketing



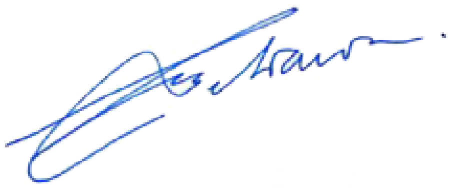
Pahala N. Mansury
Director of Finance



Gandhi Sriwidodo
Director of Logistics, Supply Chain and infrastructure

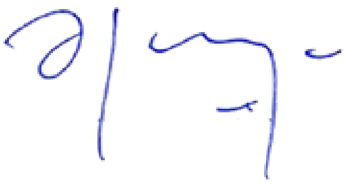


Ignatius Tallulembang
Director of Refinery and Petrochemicals Mega Projects



Heru Setiawan
Director of Investment Planning and Risk Management

Koeshartanto
Director of Human Resources



M. Haryo Yunianto
Director of Asset Management

COMPANY PROFILE

"Pertamina fully supports the efforts to realize national energy security and independence. The organizational improvement and refinement carried out is a real step to achieve this goal.

Two teams are playing sepak takraw, a game sports using a ball made of rattan. The game is played using feet and all body parts except the hands. This is a traditional game of Buginese people, Makassar, South Sulawesi, who have a philosophy of close cooperation in community life.

CORPORATE IDENTITY

Name of Company
PT Pertamina (Persero)

Company Type
Limited Liability Company, State Owned Enterprise

Date of Establishment
- December 10, 1957, named PT Permina
- July 01, 1961, PT Permina became PN Permina
- August 20, 1968, PN Permina and PN Pertamin amalgamated into PN Pertamina
- December 15, 1971, PN Pertamina became a State Owned Oil and Natural Gas Mining Company
- September 17, 2003, the State Owned Oil and Natural Gas Mining Company became PT Pertamina (Persero)

Line of Business
Energy

Paid-Up Capital
USD 16,191,204 thousand

Recent Changes of Notarial Deed
Deed of State-Owned Enterprises Minister as PT Pertamina (Persero) General Meeting of Shareholders No.27 dated December 19, 2016, Notary Lenny Janis Ishak, SH. Based on the Decree of SOEs Minister regarding the Amendment to PT Pertamina (Persero) Articles of Association dated November 24, 2016.

Total Assets
USD 64,718,452 thousand

Authorized Capital

Rp600,000,000,000,000,- (six hundred trillion Rupiah), consisting of 600,000,000 (six hundred million) shares with a nominal value of Rp1,000,000,- (one million Rupiah) per share

Shareholders

100% by the Republic of Indonesian Government

The Company's shares are not to be traded

Notarial Deed of Establishment

- Notarial Deed No.22 dated 10th December 1957, Meester Raden Pranowo Soewandy, Substitute Notary Raden Meester Soewandy
- Government Regulation No.198 of 1961 regarding the Establishment of the State-owned National Oil Mining Company (PN Pertamina)
- Government Regulation No.27 of 1968 regarding the Establishment of the State-owned Oil and Natural Gas Mining Company
- Law No.8 of 1971 regarding the State-owned Oil and Natural Gas Mining Company
- Government Regulation No.31 of 2003 regarding the Change of Status of the State-owned Oil and Natural Gas Mining Company to a Limited Liability Company (Persero)
- Law No. 19 of 2003 regarding State Owned Enterprises
- Notarial Deed No.20, dated 17th September 2003, Notary Lenny Janis Ishak, SH
- State Gazette of the Republic of Indonesian dated 21st November 2003 No. 93 Supplement No. 11620

Legal Basis of Establishment

Government Regulation No.31 of 2003 regarding the Change of Status of the State-owned Oil and Natural Gas Mining Company (Pertamina) into a Limited Liability Company (Persero)

Address

Jl. Medan Merdeka Timur 1A
Jakarta 10110 Indonesian

(62-21) 3815111, 3816111
1 500 000 (PSTN dan Telp seluler)

(62-21) 3633686, 3843882

pcc@pertamina.com

https://www.pertamina.com

@Pertamina

@Pertamina

@Pertamina

COMPANY HISTORY

"In supporting national energy security, Pertamina has projected further business development that is able to optimize natural wealth of Indonesia with the start of a study on Green Refinery development in Indonesia."

Realizing national energy security is one of the ideals promoted by PT Pertamina (Persero). As a state-owned enterprise, Pertamina is in the forefront of supporting efforts that have long been planned by the government. Therefore, from time to time, Pertamina continues to strengthen its commitment to develop business in the field of new and renewable energy and business diversification.

Pertamina's long standing experience and capacity become the main capital to realize these ideals. Pertamina has a long history in the national energy industry. Pertamina's milestones began around the 1950s when the Government of the Republic of Indonesian appointed the Army which later established PT Eksploitasi Tambang Minyak Sumatera Utara to manage oil fields in the Sumatra region. On December 10, 1957, the company changed its name to PT Perusahaan Minyak Nasional, abbreviated as PERMINA.

In 2003, Pertamina's milestone entered a new phase. Based on Government Regulation No.31 of 2003 dated June 18, 2003, Perusahaan Pertambangan Minyak dan Gas Bumi Negara changed its name to PT Pertamina (Persero) which carried out oil and gas business activities in the Upstream to Downstream Sector.

Right at its 50th anniversary celebration, Pertamina's corporate vision was "to become a world-class national oil company" which was later refined "to become a world-class national energy company" in 2011.
In 2018, Pertamina's main focus is to achieve the ideals of national energy resilience and self reliance amid energy needs that also continue to increase. The massive infrastructure development carried out by the government will ultimately encourage an increase in energy needs. This is a special challenge for Pertamina, namely how energy supplies must be secured to be able to keep pace with population, economic, infrastructure and energy demand growth.

To answer this challenge, Pertamina invites all stakeholders to create synergies in order to provide solutions for the national interest. Pertamina believes the assets available in Indonesian's natural resources can be optimized as an energy source.

In 2018, Pertamina obtains the rights to manage the Rokan Block from the Government of Indonesian and will fully become the operator in 2021. With the additional giant block and the Mahakam Block that has been handed over to Pertamina since 2017, Pertamina's production is projected to increase. In 2018, it also marked the development of Pertamina's gas trading by joining PT Perusahaan Gas Negara Tbk. Pertamina is the owner of the longest gas pipeline in Southeast Asia with a total of more than 9,600 km.

In supporting national resilience, Pertamina has projected further business development that is able to optimize Indonesian's natural resources starting with the study of Green Refinery development in Indonesian. The Green Refinery will play a role in processing local vegetation such as oil palm, sugar cane, and other crops into biofuels. This will support the Government of Indonesian's program to reduce fuel imports by increasing B20 production.

VISION, MISSION AND CORPORATE VALUE

Pertamina has vision and mission which has been discussed and approved by Board of Commissioners, Board of Directors, and Shareholders on 14th June 2011 in Extraordinary General Meeting of Shareholders (RUPSLB) to stipulate Company's Long-Term Plan (RJPP) in 2011-2015.

The Company's Vision, Mission and Goals are as follows:

VISION

TO BE WORLD CLASS NATIONAL ENERGY COMPANY

MISSION

To Carry Out Integrated Core Business In Oil, Gas, New And Renewable Energy Based On Strong Commercial Principles

COMPANY'S GOALS

» Implementing and supporting Government's policies and programs in Economic and National Development in general particularly in the Organization of Oil and Gas Business both domestic and overseas as well as other activities which are related to or support business activities in the oil and gas sectors, and;

» Development on the resource optimization owned by the Company to produce high-quality goods and/or services and strong competitive as well as to pursue profit in order to improve Company's value by applying the Limited Liability Company principles.

PERTAMINA CULTURE

Pertamina holds certain values as a foundation to guide the Company towards realizing the vision and mission based on global standards and the implementation of Good Corporate Governance. The values are represented by the 6C's, consisting of Clean, Competitive, Confident, Customer-focused, Commercial and Capable, which must be acknowledged and perceived as behavioural guidelines for all employees in their daily activities.

The understanding and implementation of the 6C Values will shape the behaviors, which then develop as a culture, creating a distinctive feature of Pertamina from among other companies. Each individual worker in Pertamina must ensure that he or she behaves in accordance with the 6C Values.

CLEAN

Professionally managed, avoid conflict of interests, never tolerate bribery, respect trust and integrity based on good corporate governance principles.

COMPETITIVE

Able to compete both regionally and internationally, support growth through investment, build a cost effective and performance oriented culture.

CONFIDENT

Involvement in national economic development, as a pioneer in State-Owned Enterprise reform, and to build national pride.

CUSTOMER FOCUS

Focus on customers and commit to give the best services to customers.

COMMERCIAL

Create added value based on commercial orientation and make decisions based on fair business principles.

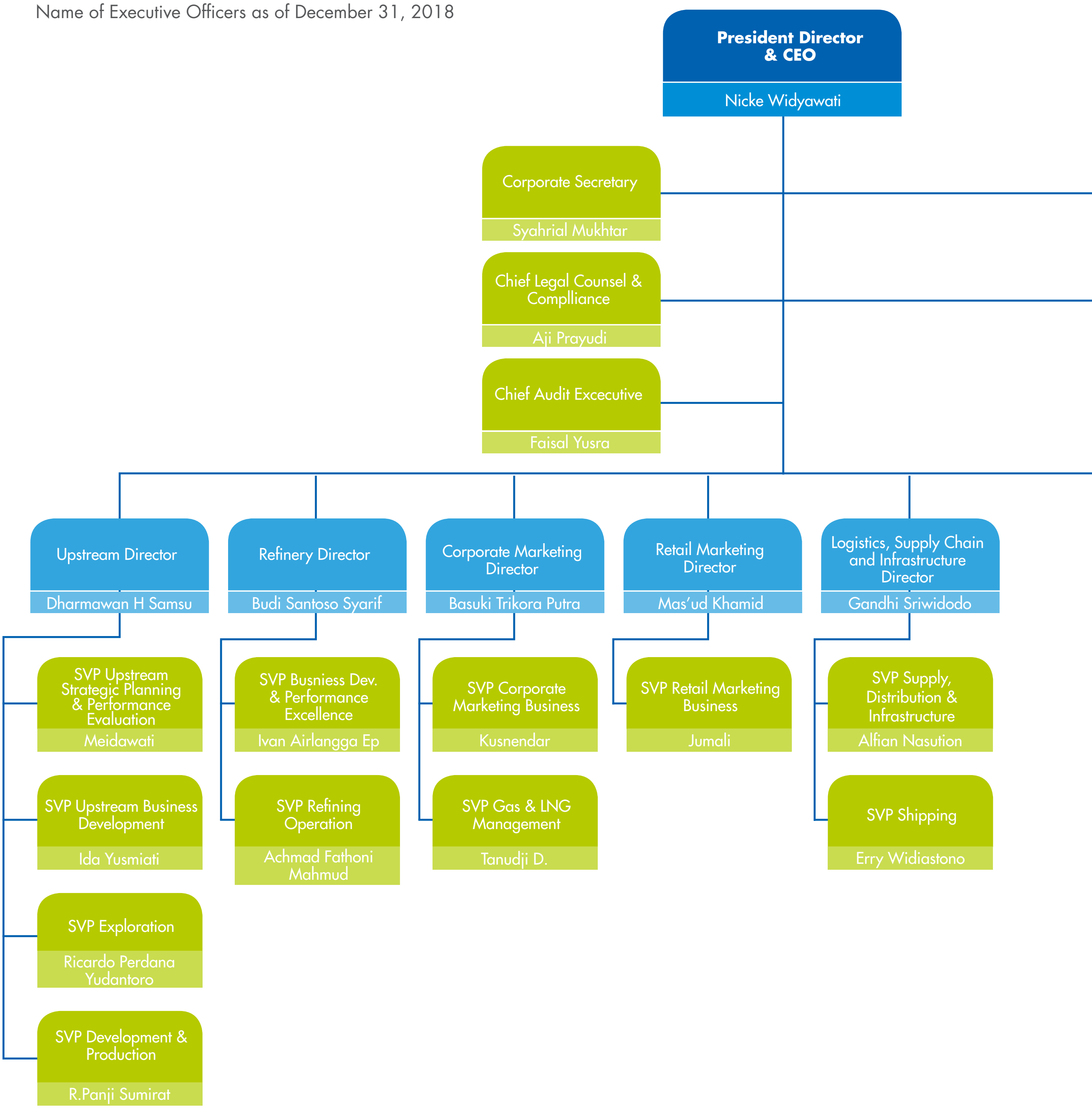
CAPABLE

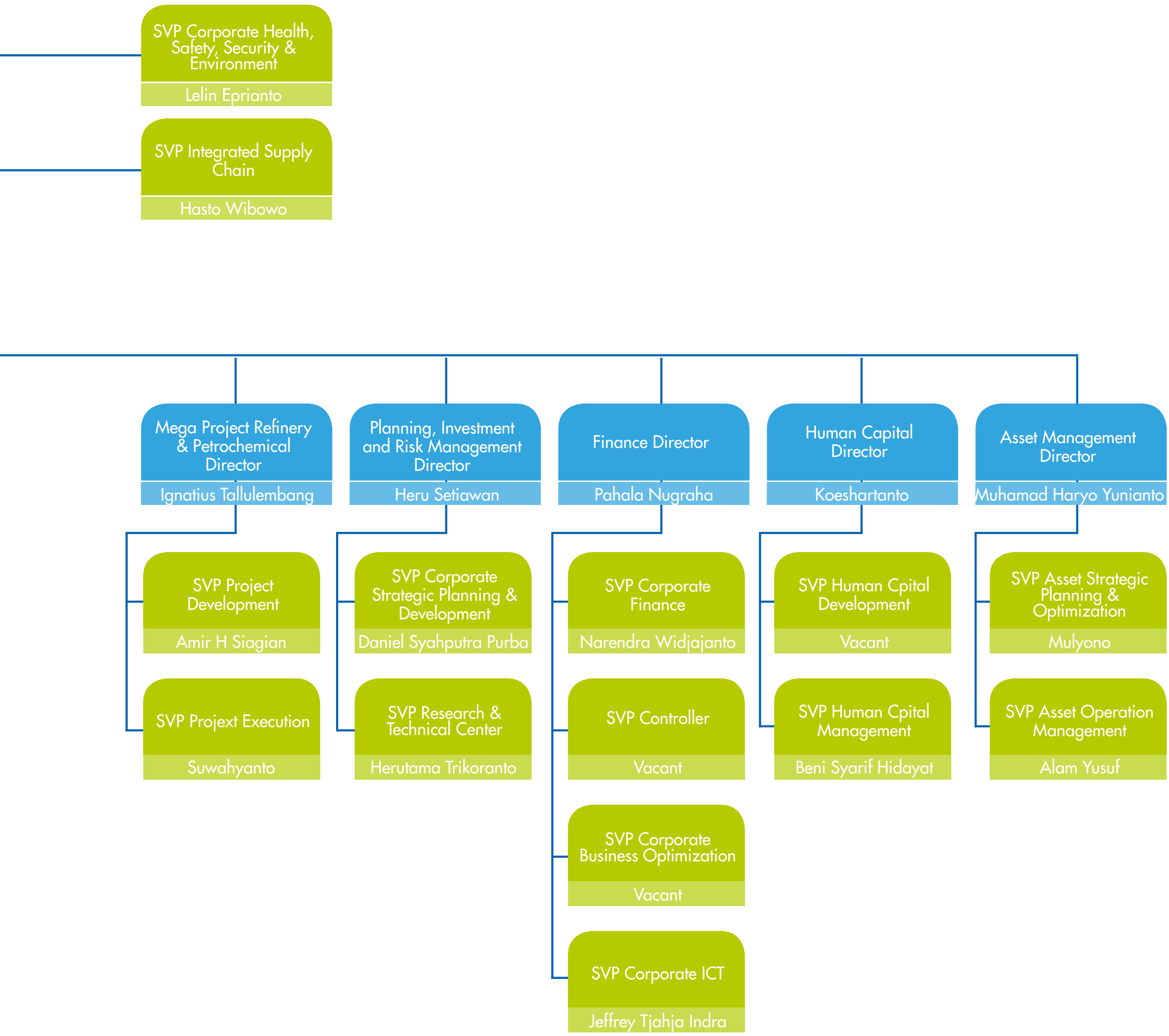
Managed by professional, skilled, and highly qualified leaders and workers, committed to building research and development capabilities.

ORGANIZATION STRUCTURE

Basis:
Board of Directors Decree No. Kpts-20 / C00000 / 2018-S0
dated July 4, 2018

Name of Executive Officers as of December 31, 2018




SVP Corporate Health, Safety, Security & Environment
Lelin Eprianto
SVP Integrated Supply Chain
Hasto Wibowo
Mega Project Refinery & Petrochemical Director
Ignatius Tallulembang
Planning, Investment and Risk Management Director
Heru Setiawan
Finance Director
Pahala Nugraha
Human Capital Director
Koeshartanto
Asset Management Director
Muhamad Haryo Yunianto
SVP Project Development
Amir H Siagian
SVP Projext Execution
Suwahyanto
SVP Corporate Strategic Planning & Development
Daniel Syahputra Purba
SVP Research & Technical Center
Herutama Trikoranto
SVP Corporate Finance
Narendra Widjajanto
SVP Controller
Vacant
SVP Corporate Business Optimization
Vacant
SVP Corporate ICT
Jeffrey Tjahja Indra
SVP Human Cpital Development
Vacant
SVP Human Cpital Management
Beni Syarif Hidayat
SVP Asset Strategic Planning & Optimization
Mulyono
SVP Asset Operation Management
Alam Yusuf

MILESTONES OF PERTAMINA

1957
The Government of Republic of Indonesian on December 10, 1957 established an oil and gas company under the name of PT Permina

1961
PT Permina changed its name to PN Permina.

1968
PN Permina merged with PN Pertamin to become PN Pertamina

1971
Based on Law No. 8 of 1971 PN Pertamina changed to Pertamina which was directly controlled by the state

2001
The enforcement of the Oil and Gas Law No.22 of 2001 changed the governance of the oil and gas industry in Indonesian so that Pertamina was no longer a regulator.

2003
Pertamina was officially became PT Pertamina (Persero) based on PP No.31 Year 2003 dated June 18, 2003 regarding Alienation of the State-owned Oil and Natural Gas Mining Company (Pertamina) to the Limited Liability Company (Persero). Based on Notary Deed No. 20 of 2003 PT Pertamina (Persero) was established on September 17, 2003.

2005
PERTAMINA
On December 10, 2005, PT Pertamina (Persero) changed its logo as part of an effort to prepare for a more competitive business era with a more dynamic, reliable and eco-friendly spirit.

2007
PT Pertamina (Persero) changed its vision to, "To Be a World Class National Oil Company" on December 10, 2007.

2011
PT Pertamina (Persero) set a new vision, "To Be a World Class National Energy Company" on June 14, 2011

2012

The Extraordinary General Meeting of Shareholder (EGMS) dated July 19, 2012, approved Amendment to Pertamina's Articles of Association with regards to the Company's business areas in energy as well as new and renewable energy operations.

2014

PT Pertamina (Persero) implemented the 5 (five) priorities of business strategy towards a better Pertamina, namely "Expansion in Upstream", "Enterprise-Wide Efficiency", "Increased Refinery and Petrochemical Capacity", "Development of Infrastructure & Marketing", and "Prudent Financial".

2015

On December 14, 2015, Minister of SOE as GMS approved the Amendment of the Pertamina's Articles of Association included:

- Addition to the paid up capital from the capitalization of retained earning of amounting to Rp50 trillion;
- Addition to new business activities related to the industry area, asset optimization and new activities for the Company as detailed in Article 3 of Articles Association;
- Organization approval authority which requires Board of Commissioners approval, initially was 2 (two) levels below Board of Directors become 1 (one) level below Board of Directors;
- Loan to Subsidiaries, which initially must obtain Board of Commissioners approval become only to be reported to Board of Commissioners.

2016

- In August 2016, for the first time Pertamina has successfully completed the acquisition process for 24.53% of shares in Establishment Maurel & Prom SA (M&P), a Frenchbased multinational oil and gas company listed on the Paris Stock Exchange (Euronext Paris). M&P has exploration and production assets in Africa, Europe and
- America. The acquisition of M&P's shares has added to Pertamina's investment portfolio of overseas assets, enlarging reserves for national energy security, and drives Pertamina's upstream business development in the global arena.

2017

- In February 2017, Pertamina through its subsidiary, PT Pertamina International Exploration and Production (PIEP), completed the acquisition of Maurel et Prom (M&P), a French oil and gas company with share ownership of 72.65%.
- The subsidiary of PT Pertamina (Persero), PT Pertamina Hulu Indonesian (PHI) officially replaced Total E&P Indonesie (TEPI) as the operator of the Mahakam Block after the TEPI contract expired on December 31, 2017.

2018

- January 1, 2018, Pertamina starts operating the Mahakam Block, the largest gas block in Indonesian
- April 11, 2018, Pertamina officially became the holding company of SOE Oil & Gas (MIGAS) with the signing of the State Owned Series B Shares Transfer Deed of 59.96% in PGN to PT Pertamina (Persero).
- In August 2018, Pertamina obtained operatorship rights over the Rokan Block from the Government of Indonesian. The Rokan Block is the largest oil block in Indonesian. Full operatorship will begin in 2021.
- In 2018 Pertamina began operating the full 8 former termination WKs entrusted by the Government of Indonesian.
- December 2018, the integration of PGN's gas trading with Pertamina with the signing of the Pertagas Sales Purchase Agreement (SPA). After the integration process is complete, Pertamina as the SOE Oil and Gas Holding directs PGN as the Subholding GAs to manage the gas trading in an integrated manner in Indonesian.

LINE OF BUSINESS

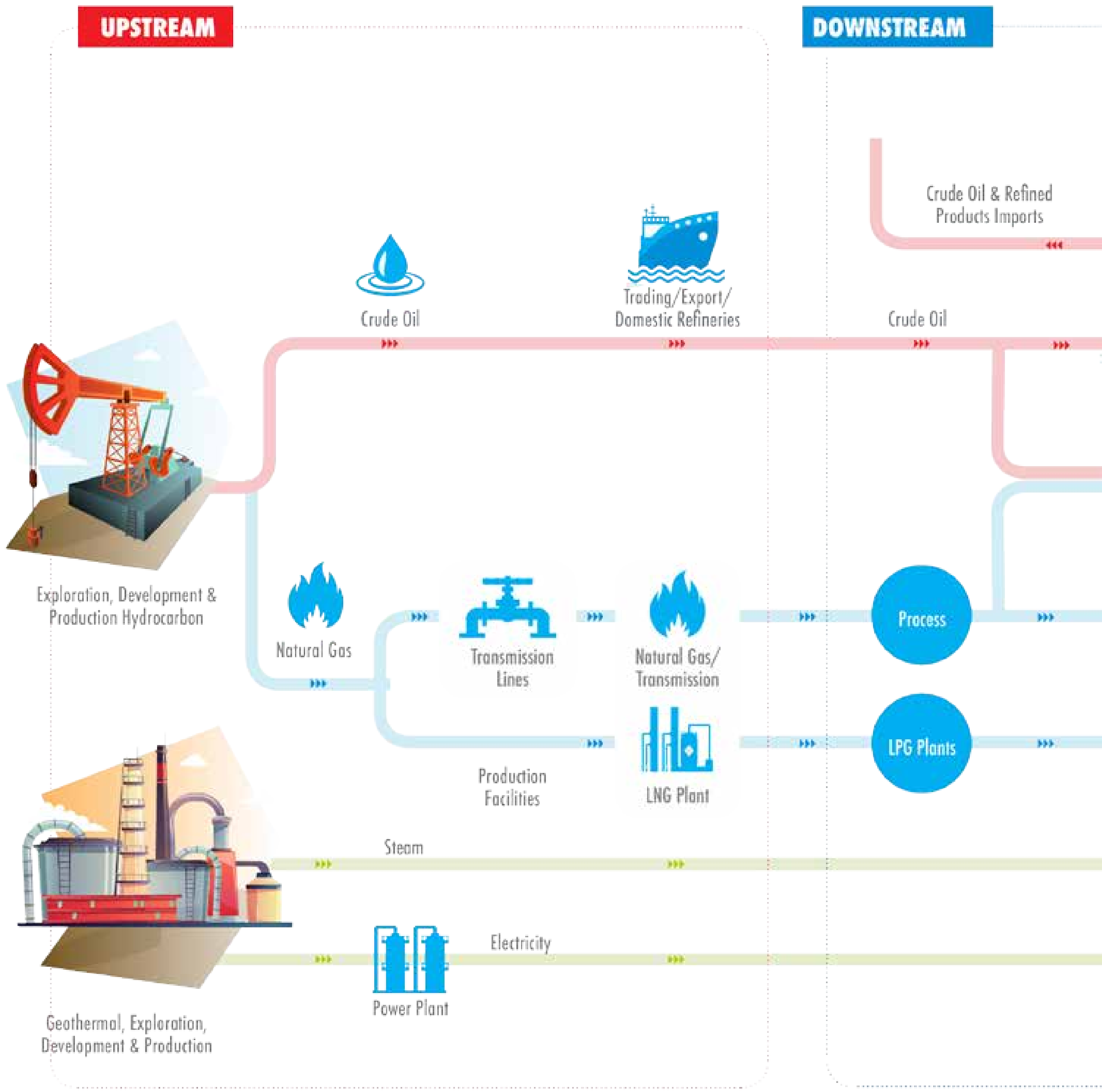
In accordance with Decree of Minister of SOE as GMS dated November 24, 2016 on Changes to the Articles of Association of PT Pertamina (Persero) as stated in Notary Deed No. 27 dated December 19, 2016, the Company's business activities are business activities in the field of energy operation organization, such as oil and gas, new and renewable energy, as well as other activities relevant to or supports business activities in energy sector, such as oil and gas, new and renewable energy optimization on the resources owned by the Company.

Based on the Articles of Association, the Company may carry out main business, among others to carry out:

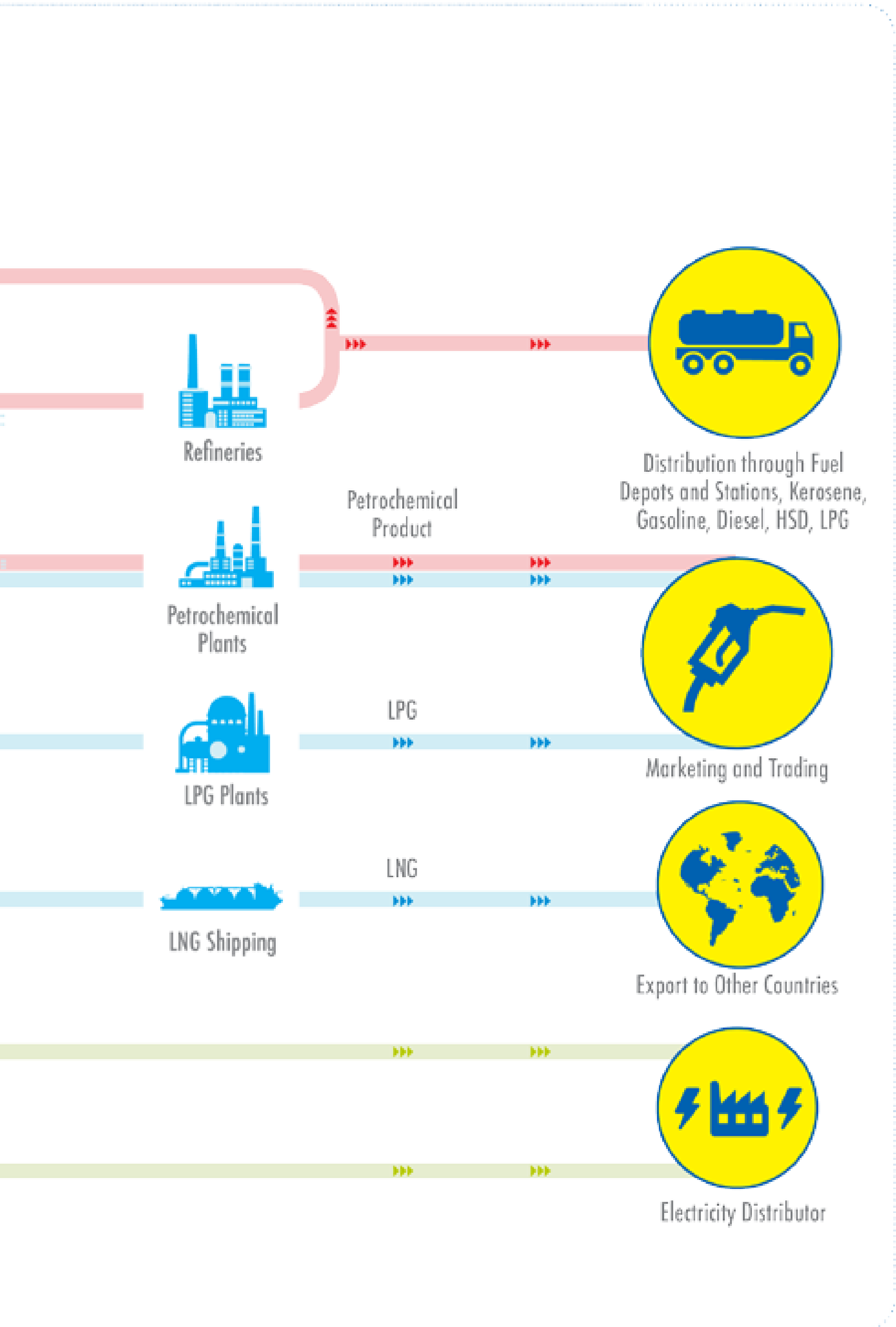
1. Oil and gas exploration;
2. Oil and gas exploitation;
3. Activities in electric energy sector including but not limited to exploration and exploitation of geothermal, geothermal power plan, gas fired power plant and electric energy generated by Company;
4. Refinery activities producing fuel, special fuels, non-fuel, petrochemicals, diesel fuel, liquefied natural gas (LNG), liquefied gas (GTL) and intermediate products;
5. Biofuel material supply, processing, transportation, storage and commercial activities;
6. Transportation activities covering the activities of transporting crude oil, natural gas, fuel, fuel gas, and/or other products for commercial purposes;
7. Storage activities covering the activities of receiving, collecting, and stroring, and releasing of crude oil, fuel, fuel gas, and / or other products for commercial purposes;
8. Commercial activities covering the activities of purchasing, selling, exporting, importing of crude oil, fuel, fuel gas, and / or other products, and distributing natural gas through pipelines including commercial electricity generated by the Company;
9. Activities for developing, exploring, producing and trading new and renewable energy, Coal Bed Methane (CBM), Liquid Coal, Gassified coal, shale gas, shale oil, Vegetable Fuels, solar energy, wind energy, and biomass.

In addition to the main business activities as mentioned here in above, Company can carry out business activities for optimization of the resource utilization owned for:

1. Trading house, real estate, warehousing, tourism, sport and recreation, rest area, hospital, education, research, telecommunication infrastructure, rental service and operation of facilities and infrastructures owned by copany, toll road and mall;
2. Operation of special economic area;
3. Operation of Industrial area;
4. Business activities in order to carry out other business activities which support and related to the main business activities.
   a. Upstream Sector
   Pertamina's upstream sector's activities include exploration, development and production of oil and natural gas. Other business activities in this sector are upstream technology services, drilling services, well maintenance services, development of geothermal energy and coal bed methane (CBM) and shale gas.
   b. Refinery Sector
   In this sector, Pertamina carries out business activities in the country which include refinery and petrochemical refinery management.
   c. Gas and New Renewable Energy Sector
   In Gas and New Renewable Energy Sector (GEBT), Pertamina has conducted a variety of research and approaches related to the renewable energy development for power generation and unconventional bio-fuels, including to conduct feasibility studies for biogas power plants and solar power plants, and the development of bio-fuels in the form of green diesel and bio LNG. The sector is also in charge of gas infrastructure projects such as construction of LNG regasification facilities, gas pipelines, and gas refueling stations.
   d. Marketing Sector
   In marketing sector, Pertamina carries out marketing, trading and distribution of a number of products such as fuel, lubricants, LPG, petrochemical products and other non-fuel products to domestic and overseas markets.
   e. Refinery and Petrochemical Mega Project Sector
   The refinery and petrochemical mega project sector provides support to the refinery business sector through the increase in refinery capabilities and competitiveness.



UPSTREAM
DOWNSTREAM
Crude Oil & Refined Products Imports
Crude Oil
Trading/Export/ Domestic Refineries
Crude Oil
Exploration, Development & Production Hydrocarbon
Natural Gas
Transmission Lines
Natural Gas/ Transmission
Process
LNG Plant
LPG Plants
Production Facilities
Steam
Electricity
Power Plant
Geothermal, Exploration, Development & Production



Key Operating Companies*

UPSTREAM

- PT Pertamina EP
- PT Pertamina EP Cepu
- PT Pertamina Drilling Services Indonesia
- PT Pertamina EP Cepu ADK
- PT Pertamina Hulu Energi
- PT Pertamina Geothermal Energy
- PT Pertamina International Exploration & Production
- PT Pertamina Hulu Indonesia
- PT Elnusa Tbk

Downstream

- PT Pertamina Patra Niaga
- PT Pertamina Trans Kontinental
- PT Pertamina Retail
- PT Pertamina Lubricants
- PT Pertamina International Shipping
- Pertamina International Timor S.A**
- PT Kilang Pertamina Internasional
- PT Perusahaan Gas Negara Tbk.
- PT Pertamina Power Indonesia
- PT Nusantara Regas

PRODUCTS AND SERVICES

Product

Subsidized Fuel Products for Households	• Kerosene
Subsidized/Assignment Automotive Fuel Products	• Solar/Biosolar • Premium
Non-Subsidized Automotive Fuel Products	• Pertalite • Pertamax • Pertamax Turbo • Pertamax Racing • Dexlite • Pertamina Dex
Fuel for Industry	
Fuel for Marine / Ship	
Fuel for Aviation	• Avtur
Non Fuel Products	• Domestic Gas: » LPG 3 Kg (subsidized) » LPG 12 Kg » Bright Gas » Musicool (refrigerant) » Vigas (for motor vehicles) • Petrochemicals • Bitumen • Envogas (for motor vehicles) • Lubricants for motor vehicles • Industrial lubricants

Services

1. Internal Customer Crude, Intermedia, Fuel & Non Fuel Product Sea Transportation Service
2. External Customer Sea Transportation Service (Charter Out)
3. Floating Storage & Offloading Service
4. Vetting Service
5. Marine Services: Underwater Engineering, Docking, Agency and Mooring Master.
6. Offshore Support Vessel, Port and Jetty Services
7. Commerce services, transportation, distribution, processing and other businesses related to natural gas and derivative products,
8. Human capital development services, assessment and management system consultation
9. Hotel / motel services, office and property /hotel rentals
10. Loss insurance services related to oil and gas and marine hull industry operations,
11. Health services and hospitals in Jakarta and surrounding areas, Cirebon, Balikpapan, Tanjung, and Prabumulih
12. Air transportation services, airplane rentals and scheduled flights (regular), organize other businesses related to or supporting the business activities.

Board of Commissioners PROFILE

Tanri Abeng
President Commissioner

Arcandra Tahar
Vice President Commissioner

Nationality	**: Indonesian**
Age	**: 76 years old**
Domicile	**: Jakarta**

Education

- Doctor of Interdisciplinary Sciences from Gadjah Mada University (2010)
- Advanced Management Program, Claremont Graduate School, Los Angeles, USA (1984)
- Master of Business Administration, State University of New York at Buffalo, New York, USA (1968)

Working Experience

- Chairman PT Telkom Indonesian (2004 – 2010)
- Menteri Negara Pendayagunaan BUMN (1998 – 1999)
- CEO di beberapa perusahaan swasta di antaranya Union Carbide Indonesian dan Singapura, PT Multi Bintang Indonesian, dan terakhir PT Bakrie & Brothers (1992 – 1998)

Appointment

President Commissioner of PT Pertamina (Persero) since May 6, 2015 based on

- Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (RUPS) No.SK-60 / MBU / 05/2015 dated May 6, 2015 as President Commissioner of PT Pertamina (Persero)
- Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders No.SK-254 / MBU / 11/2016 dated November 14, 2016 as Independent Commissioner and concurrently President Commissioner.

Nationality	**: Indonesian**
Age	**: 48 years old**
Domicile	**: Jakarta**

Education

- PhD in Ocean Engineering from Texas A & M University Ocean Engineering (2001)
- Master Ocean Engineering from Texas A & M University (1998)
- Bachelor of Mechanical Engineering from Bandung Institute of Technology (1994)

Working Experience

- Deputy Minister of ESDM (2016 - present)
- ESDM Minister of Indonesian (July 2016 - August 2016)
- President of Petroneering, LLC, Houston, Texas (2013-2016))

Appointment

Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders No.SK-254 / MBU / 11/2016 dated November 14, 2016 as Vice President Commissioner of PT Pertamina (Persero).

Sahala Lumban Gaol
Commissioner

Suahasil Nazara
Commissioner

Nationality : Indonesian
Age : 66 years old
Domicile : Jakarta

Education
- Doctor of Philosophy in Economy from IOWA State University (1994)
- Master of Economy from University of Illinois, USA (1988)
- Bachelor of Animal Husbandry from Bogor Agricultural Institute (1977)

Working Experience
- Independent Commissioner of PT BTN Tbk. (2012-2015)
- Special Staff of the SOE Minister (2014 - present)
- Commissioner of PT Tugu Insurance (2009-2012)

Appointment
Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.KEP-58 / MBU / 05/2015 dated May 6, 2015 as Commissioner of PT Pertamina (Persero)

Nationality : Indonesian
Age : 48 years old
Domicile : Jakarta

Education
- Ph.D from University of Illinois, Urbana Champaign USA (2003).
- Master of Science from Cornell University USA (1997)
- Bachelor of Economics from University of Indonesian (1994)

Working Experience
- Head of Fiscal Policy Agency in Finance Ministry of the Republic of Indonesia on October 31, 2016
- Member of National Economic Committee (KEN) (2013-2014)
- Policy Working Group Coordinator of the National Team Secretariat for the Poverty Alleviation Acceleration, Secretariat of the Vice President of the Republic of Indonesia (2010 - 2015)

Appointment
Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-58 / MBU / 05/2015 dated May 6, 2015 as Commissioner of PT Pertamina (Persero)

Alexander Lay
Independent Commissioner

Nationality : Indonesian
Age : 45 years old
Domicile : Jakarta

Education
- Master of Laws from University of Sydney, Australia (2006)
- Bachelor of Law from Atmajaya University, Jakarta (2003)
- Bachelor of Fuel Engineering from Bandung Institute of Technology (ITB), Bandung (1997)

Working Experience
- Commissioner of PT Asuransi Jasa Indonesian (Persero) (September 2016-September 2017)
- Special Staff of RI Cabinet Secretary (January - August 2015)
- Partner of Law Firm Lasut, Lay & Pane (2009-2014

Appointment
Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders No.SK-194 / MBU / 09/2017 dated September 12, 2017 as Commissioner of PT Pertamina (Persero)

Ego Syahrial
Commissioner

Nationality : Indonesian
Age : 56 years old
Domicile : Jakarta

Education
- Post Doctoral (Research Associate) in Fuel Engineering from Imperial College of Science, Technology, and Medicine, University of London, UK (2004)
- PhD in Fuel Engineering from the Imperial College of Science, Technology, and Medicine, University of London, Royal School of Mines, Department of Earth Resources Engineering, London, UK (1997)
- Master of Fuel Engineering from the Imperial College of Science, Technology, and Medicine, University of London, Royal School of Mines, Department of Earth Resources Engineering, London, UK (1993)
- Bachelor of Fuel Engineering from Trisakti University (1988)

Working Experience
- Secretary General of the Ministry of Energy and Mineral Resources (2017 - present)
- Head of Geology, Ministry of Energy and Mineral Resources (2016-2017)
- Head of Planning Bureau, Ministry of Energy and Mineral Resources (2016)

Appointment
Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders No.SK-142 / MBU / 05/2018 dated May 30, 2018 as Commissioner of PT Pertamina (Persero)

Ahmad Bambang
Commissioner

Nationality : **Indonesian**
Age : **56 tahun**
Domicile : **Jakarta**

Education
- Masters in Industrial Management from Queensland University of Technology, Australia (Joint Program) (1999)
- Master of Engineering from University of Indonesian, Jakarta (1999)
- Bachelor of Informatics Engineering from Bandung Institute of Technology (ITB), Bandung (1986)

Working Experience
- Deputy of Construction and Transportation Facilities and Infrastructure of the Ministry of SOEs (2017 - present)
- Commissioner of PT Pertamina (Persero) (2016 - 2017)
- Vice President Director of PT Pertamina (Persero) (2016-2017)

Appointment
Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders No.SK-142 / MBU / 05/2018 dated May 30, 2018 as Commissioner of PT Pertamina (Persero)

Edwin Hidayat Abdullah*
Commissioner

Nationality : **Indonesian**
Age : **47 years old**
Domicile : **Jakarta**

Education
- Bachelor of Economics from Gadjah Mada University (1995)
- Master of Public Management from Lee Kuan Yew School of Public Policy, NUS (in Cooperation with the Kennedy School of Government, Harvard University in Singapore and the United States) (2005),
- IDEAS Fellow, MIT Sloan School of Management (2009).

Working Experience
- Deputy of Energy, Logistics, Regions and Tourism of the Ministry of SOEs (2015 - present)
- Vice President Commissioner of PT Pertamina (Persero) (March - November 2016)
- Independent Commissioner of PT Bumi Serpong Damai Tbk (2004-2015)

Appointment
Decree of the SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders No.SK-68 / MBU / 03/2016 dated March 29, 2016 as Vice President Commissioner of PT Pertamina (Persero)

* Resigned on May 30, 2018 in accordance with Decree of the SOE Minister as PT Pertamina (Persero) GMS No.SK-142 / MBU / 05/2018

BOARD OF DIRECTORS PROFILE

Nicke Widyawati
President Director & CEO

Nationality	**: Indonesian**
Age	**: 51 years old**
Domicile	**: Jakarta**

Education

- Master of Business Law from Padjadjaran University (2009)
- Bachelor of Industrial Engineering from Bandung Institute of Technology (1991)

Working Experience

- PT Pertamina (Persero) - Director of Human Capital/Acting President Director & CEO (2017-2018)
- PT PLN (Persero) – Director of Strategic Sourcing and Renewable Energy (2017)
- PT PLN (Persero) – Director of Corporate Planning and Renewable Energy (2016 - 2017)

Appointment

SOE Ministerial Decree No. SK - 97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Dharmawan H. Samsu
Upstream Director

Nationality : Indonesian
Age : 57 years old
Domicile : Jakarta

Education
- Geophysical Engineering - University of Indonesia (1989)

Working Experience
- Director of Upstream, PT Pertamina (Persero), August 2018 - present,
- Head of Country, BP Indonesia, 2011 - August 2018,
- Exploration & Renewal Manager, BP Indonesia, 2009 - 2011,
- Reservoir & Wells Manager of BP Offshore Northwest Java (ONWJ) and Subsurface & Wells Functional Manager, BP Berau Ltd., 2006 - 2008,
- Subsurface, Wells and PE Manager, BP Kangean Inc., 2003 - 2005,
- Exploration Team Leader, BP North America, 2000 - 2003,
- Assignments in ARCO Indonesia Inc., ARCO Bali North Inc., ARCO Exploration and Production Technology, ARCO Africa and Middle East Exploration, 1990 - 2000.

Appointment
- SOE Ministerial Decree No. SK - 97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Budi Santoso Syarif
Refinery Director

Nationality : Indonesian
Age : 55 years old
Domicile : Jakarta, Indonesian

Education
- Master of Industrial Engineering from University of Indonesia, (1999)
- Graduate Certificate in Industrial Engineering Management from Queensland University of Technology, Australia (1999)
- Chemical Engineering from Gajah Mada University, Yogyakarta (1989

Working Experience
- VP Refining Technology (2014 -2017)
- SVP Business Development & Performance Excellence (May - August 2017)
- PT Pertamina (Persero) SVP Refining Operation (2017 - 2018)

Appointment
SOE Ministerial Decree No. SK-97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Basuki Trikora Putra
Corporate Marketing Director

Nationality : Indonesian
Age : 57 years old
Domicile : Jakarta

Education
- Bachelor of Mechanical Engineering, Trisakti University (1988)

Working Experience
- SVP Non Fuel Marketing of PT Pertamina (Persero) (2017 - 2018)
- President Commissioner of PT Pertamina EP (2018 – present)
- Chairman of Pertamina Pension Fund Supervisory Board (2018 - present)

Appointment
- SOE Ministerial Decree No. SK - 97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Mas'ud Khamid
Retail Marketing Director

Nationality : Indonesian
Age : 54 years old
Domicile : Jakarta

Education
- Executive Education in Harvard Business School (2015)
- Global Leadership Program from Kellogg School Management, Northwester University of Chicago (2009)
- Bachelor of Engineering in Physics from Sepuluh November Institute of Technology (1989)

Working Experience
- Consumer Service Director of PT Telkom (2017 –2018)
- Chief of Commissioner, PT. Telkom Akses (2017 –2018)
- Chief of Commissioner PT. Sigma Citra Caraka (2015 - 2017)

Appointment
SOE Ministerial Decree No. SK - 97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Pahala N. Mansury
Finance Director

Gandhi Sriwidodo
Director of Logistics, Supply Chain and Infrastructure

Nationality : Indonesian
Age : 48 years old
Domicile : Jakarta

Education

- MBA of Finance from New York University Stern School of Business, USA (1999)
- Bachelor of Economics, University of Indonesia (1994)

Working Experience

- President Director of PT Garuda Indonesia (Persero) Tbk (2017 - 2018).
- Managing Director - Treasury & Markets, Chief Financial Officer, Bank Mandiri (2003 - 2017)
- Project Leader at The Boston Consulting Group (2000 - 2003)

Appointment

Decree No. 242 / MBU / 09/2018, September 13, 2018 on Dismissal, Transfer of Assignment and Appointment of Members of PT Pertamina (Persero) Board of Directors

Nationality : Indonesian
Age : 55 years old
Domicile : Jakarta

Education

- Master of Management from University of Hasanudin (2003))
- Bachelor of Chemical Engineering from Diponegoro University (1989)

Working Experience

- President Director of PT Pertamina Patra Niaga (2015 - 2018)
- VP Industrial Fuel Marketing, PT Pertamina (Persero) (2013 - 2015)
- General Manager Fuel Retail Marketing Region 1 – Medan, PT Pertamina (Persero) (2011 - 2013)

Appointment

SOE Ministerial Decree No. SK - 97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Ignatius Tallulembang
Mega Project Refinery and Petrochemical Director

Nationality : Indonesian
Age : 56 years old
Domicile : Jakarta

Education
Bachelor of Chemical Engineering from Gajah Mada University, Yogyakarta (1988)

Working Experience
- Commissioner of PT Pertamina Power Indonesia (2018 - present)
- Commissioner of PT Pertamina Lubricant (2017 - 2018)
- Senior Vice President of Project Execution, Directorate of Mega Project Refinery and Petrochemical 1 (2017 - 2018)

Appointment
SOE Ministerial Decree No. 242 / MBU / 09/2018, September 13, 2018 on Dismissal, Transfer of Assignment and Appointment of PT Pertamina Board of Directors Members.

Heru Setiawan
Director of Investment Planning and Risk Management

Nationality : Indonesian
Age : 55 years old
Domicile : Jakarta

Education
- MBA, Energy Management - Universite de Montreal Canada (2001)
- Mechanical Engineering - Bandung Institute of Technology (1989)

Working Experience
- Mega Project Refinery and Petrochemical Director of PT Pertamina (Persero) (Apr - Sept 2018)
- SVP Corporate Business Optimization (Jan - Apr 2018)

Appointment
SOE Ministerial Decree No. 242 / MBU / 09/2018, September 13, 2018 on Dismissal, Transfer of Assignment and Appointment of PT Pertamina (Persero) Board of Directors Members.

Koeshartanto
Human Capital Director

M. Haryo Yunianto
Asset Management Director

Nationality : Indonesian
Age : 58 years old
Domicile : Jakarta

Education

- MBA from IPMI Business School, (2000)
- Bachelor of Economics, Undip (1985)

Working Experience

- Human Capital & General Affairs Director of PT Jasa Marga (Persero) Tbk (2017 –2018)
- President Director of KTalents Asia (2016 -2017)
- Group Human Resources Director, Agung Podomoro Group (2010-2015)

Appointment

SOE Ministerial Decree No. SK-97/MBU/ 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors

Nationality : Indonesian
Age : 49 years old
Domicile : Jakarta

Education

- Master of Management from Universitas
- Pembangunan Nasional (UPN) Veteran, Jakarta (2001)
- Bachelor of Law from Universitas Islam Indonesia (UII), Yogyakarta (1994)

Working Experience

- President Commissioner of PT Patra Niaga (2018 - present)
- President Director of PT Patra Jasa (2016-2018)
- Director of PT Jaya Ancol (2014-2015)

Appointment

SOE Ministerial Decree No. SK - 97 / MBU / 04/2018, April 20, 2018 on Dismissal and Appointment of Members of PT Pertamina (Persero) Board of Directors


PERTAMINA
PERTAMINA

LIST OF SUBSIDIARIES AND ASSOCIATES

No.	Name of Subsidiaries	Shares in Percentage	Date of Establishment	Operation Status	Line of Business
1	PT Pertamina EP	• PT Pertamina (Persero) (99,99%) • PT Pertamina Pedeve Indonesia (0,01%)	September 13, 2005	Active	Management of upstream oil and gas business which includes exploration, exploitation, and sales of oil and gas produced from the exploitation activities.
2	PT Pertamina Geothermal Energy	• PT Pertamina (Persero) (90,06%) • PT Pertamina Pedeve Indonesia (9,94%)	December 12, 2006	Active	Management and development of geothermal resources which includes exploration and exploitation activities, the production of steam and electricity generation and consulting services, construction, operation and maintenance as well as technology development.
3	PT Pertamina Hulu Energi	• PT Pertamina (Persero) (98,72%) • PT Pertamina Pedeve Indonesia (1,28%)	June 29, 2007	Active	Upstream oil & gas and energy business management both inside and outside the country as well as related and/or supporting business activities in the field of oil and natural gas.
4	PT Pertamina EP Cepu	• PT Pertamina (Persero) (99%) • PT Pertamina Pedeve Indonesia (1%)	September 14, 2005	Active	Exploration, exploitation and production in Cepu.
5	PT Pertamina Drilling Services Indonesia	• PT Pertamina (Persero) (99,89%) • PT Pertamina Pedeve Indonesia (0,11%)	June 13, 2008	Active	Management and development of drilling services including exploration and exploitation of oil and gas or geothermal
6	PT Pertamina EP Cepu Alas Dara & Kemuning	• PT Pertamina (Persero) (99%) • PT Pertamina Pedeve Indonesia (1%)	August 15, 2013	Exploration phase	Exploration, exploitation and production in Block Cepu Alas Dara & Kemuning
7	PT Pertamina Internasional Eksplorasi Dan Produksi	• PT Pertamina (Persero) (99,999998%) • PT Pertamina Pedeve Indonesia (0,000002%)	November 18, 2013	Active	Management of upstream operations in the field of oil, gas and energy
8	PT Pertamina Hulu Indonesia	• PT Pertamina (Persero) 99,93%) • PT PT Pertamina Pedeve Indonesia (0,07%)	December 28, 2015	Active	• Oil, natural gas and energy businesses • Oil and natural gas business including exploration and exploitation • Energy-related business, direct and indirect • Equity participation and participating interest in domestic operations • Services related to oil, natural gas and energy businesses • Other business directly or indirectly related to the businesses described above.
9	PT Pertamina Power Indonesia	• PT Pertamina (Persero) (99,999031%) • PT Pertamina Pedeve Indonesia (0,000969%)	Established on October 26, 2016	Active	Production, repair and trade of equipment for electricity generated from other energy sources such as natural gas, hydro, geothermal, solar, and others.
10	PT Pertamina Gas	• PT Pertamina (Persero) (48,99%) • PT Perusahaan Gas Negara (51,00% • Pertamina Pedeve Indonesia (0,01%)	December 23, 2007	Active	Business management in the fields of commerce, transportation, distribution, processing and other business related to natural gas and its derivatives.
11	PT Perusahaan Gas Negara Tbk	• PT Pertamina (Persero) (56,96%) • Public (43,04%)	May 13, 1965	Active	Transportation and trading of natural gas
12	PT Kilang Pertamina Internasional	• PT Pertamina (Persero) (99,90%) • PT Pertamina Pedeve Indonesia (0,10%)	November 13, 2017	Active	Management of refinery in oil, natural gas and new and renewable energy in domestic and overseas

No.	Name of Subsidiaries	Shares in Percentage	Date of Establishment	Operation Status	Line of Business
13	PT Pertamina Patra Niaga	• PT Pertamina (Persero) (99,912%) • PT Pertamina Trans Kontinental (0,088%)	On January 31, 2012, became PT Pertamina Patra Niaga, previously established on February 27, 1997, under the name of PT Elnusa Harapan.	Active	Technology services, trade services for non-fuel and oil and gas mining industry
14	PT Pertamina Trans Kontinental	• PT Pertamina (Persero) (99,999%) • PT Pertamina Pedeve Indonesia (0,001%)	September 09, 1969	Active	Shipping operation services including supply vessels, tug boats, cargo vessels, agency and management of Kabil jetty in Batam Island
15	PT Pertamina Retail	• PT Pertamina Gas (99,9995%) • PT Pertamina Pedeve Indonesia (0,0005%)	June 17, 1997	Active	Retail gas station business management as well as trade and transportation services for fuel
16	PT Pertamina Lubricants	• PT Pertamina (Persero) (99,95%) • PT Pertamina Pedeve Indonesia (0,05%)	September 23, 2013	Active	Management of production, trading, transportation, distribution, storage activities for lubricant and its derivatives
17	PT Pertamina Internasional Shipping	• PT Pertamina (Persero) (99,95%) • PT Pertamina Pedeve Indonesia (0,05%)	December 23, 2016	Active	Business management in the field of shipping, with main business activity is the shipping of oil and gas commodities, and other supporting activities.
18	PT Pertamina Training & Consulting	• PT Pertamina (Persero) (91%) • PT Pertamina Pedeve Indonesia (9%)	February 25, 2002	Active	Human Capital development services, assessment and consultation on management systems in support of oil and gas and geothermal activities.
19	PT Patra Jasa	• PT Pertamina (Persero) (99,999%) • PT Pertamina Pedeve Indonesia (0,001%)	July 17, 1975	Active	Hotel/motel, office buildings and rental of property/hotels.
20	PT Asuransi Tugu Pratama Indonesia Tbk	• PT Pertamina (Persero) (58,50%) • Siti Taskiyah (10,935%) • Insurance Co., Ltd • (5,294%) • Salvitas Limited (15,75%) • Masyarakat (9,521%)	November 25, 1981	Active	Insurance services related to the operations of Oil and gas industry and marine hull.
21	PT Pertamina Bina Medika	• PT Pertamina (Persero) (99,98%) • PT Pertamina Pedeve Indonesia (0,02%)	October 21, 1997	Active	Health care services and hospitals in Jakarta and surrounding areas, Cirebon, Balikpapan, Tanjung, and Prabumulih.
22	PT Pelita Air Service	• PT Pertamina (Persero) (99,997%) • PT Patra Jasa (0,003%)	January 24, 1970	Active	Air transportation services, aircraft leasing and scheduled flights (regular), organizes other related businesses or support business activities.
23	PT Pertamina Pedeve Indonesia	• PT Pertamina (Persero) (99,93%) • PT Pertamina Patra Niaga (0,07%)	July 25, 2002	Active	Business management in the provision of venture capital
24	PT Elnusa Tbk	• PT Pertamina (Persero) (41,10%) • Dana Pensiun Pertamina (14,90%) • Publik (44,00%)	February 19, 1969	Active	Business activities in the fields of services, trade, mining, development and industry
25	Pertamina International Timor S,A*	• PT Pertamina Patra Niaga (50%) • PT Pertamina Retail (45%) • 4- Consorcio Timor Progresso, Lda (5%)	October 19, 2015	Active	Downstream oil and gas in Timor Leste.
26	PT Pertamina Hulu Rokan	• PT Pertamina (Persero) (100%)	December 20, 2018	Not yet active	Block exploration, exploitation and production

COMPANY'S GROUP STRUCTURE

UPSTREAM

PERTAMINA EP
Pertamina 99,99%
Pertamina Pedeve Indonesia 0,01%

PERTAMINA EP CEPU
Pertamina 99%
Pertamina Pedeve Indonesia 1%

PERTAMINA HULU ENERGI
Pertamina 98,72%
Pertamina Pedeve Indonesia 1,28%

PERTAMINA GEOTHERMAL ENERGY
Pertamina 90,06%
Pertamina Pedeve Indonesia 9,94%

PERTAMINA DRILLING
Pertamina 99,89%
Pertamina Pedeve Indonesia 0,11%

PERTAMINA E&P LIBYA
Pertamina 100%
**

PERTAMINA EAST NATUNA
Pertamina 99,9%
Pertamina Pedeve Indonesia 0,1%
*

PERTAMINA EP CEPU ADK
Pertamina 99%
Pertamina Pedeve Indonesia 1%

PERTAMINA INTERNASIONAL EP
Pertamina 99,999998%
Pertamina Pedeve Indonesia 0,000002%

Conoco Phillips Algeria /Pertamina Algeria
Pertamina 100%

elnusa
Pertamina 41,10%
DP Pertamina14,90%
Public <5% 44,00%

PERTAMINA HULU ENERGI INDONESIA
Pertamina 99,93%
Pertamina Pedeve Indonesia 0,07%

DOWNSTREAM

pgn
Pertamina 56,96%
Public 43,04%

PERTAMINA GAS
Pertamina 48,99%
PGN 51,00%
Pertamina Pedeve Indonesia 0,01%

NUSANTARA REGAS
Pertamina 60%
PT PGN Tbk 40%

PERTAMINA POWER INTERNATIONAL
Pertamina 99,999031%
Pertamina Pedeve Indonesia 0,000969%

PT KILANG INTERNNATIONAL
Pertamina 99,90%
Pertamina Pedeve Indonesia 0,10%

PPT Energy Trading Co Ltd
Pertamina 99,9%
Pertamina Pedeve Indonesia 0,1%

Pertamina 55%
PHE Arun 45%

PT Trans Pacific Petrochemical Indotama
Pertamina 48,59%
PT Tuban Petro 19,16%
Vitol Tuban B.V 8,81%
Polytama Propindo 6,77%
Tuban Petro Ltd 5,15%
Lain-lain ≤5%

Badak LNG
Pertamina 55%, Vico 20%, Jilco 15%, Total EP Ind 10%

- - - - = Association

*) The Company has been established but is not yet operating
**) suspended
***) liquidated

PERTAMINA PATRA NIAGA
Pertamina 99,912%
PT PTK 0,088%

PERTAMINA RETAIL
Pertamina 99,9995%
Pertamina Pedeve Indonesia 0,0005%

PERTAMINA INTERNATIONAL SHIPPING
Pertamina 99,95%
Pertamina Pedeve Indonesia 0.05%

PERTAMINA LUBRICANTS
Pertamina 99,95%
Pertamina Pedeve Indonesia 0,05%

PERTAMINA ENERGY TRADING LIMITED
Pertamina 100%
***

FINANCE & SERVICES

PERTAMINA PEDEVE INDONESIA
Pertamina 99,93%
PT Patra Niaga 0,07%

PERTAMEDIKA
Pertamina 99,98%
Pertamina Pedeve Indonesia 0,02%

PATRAJASA
Pertamina 99,999%
Pertamina Pedeve Indonesia 0,001%

Pelita Air Service
Pertamina 99,997%
Pertamina Pedeve Indonesia 0,003%

PTC
Pertamina 91%
Pertamina Pedeve Indonesia 9%

Insurance tugu
Pertamina 58.50%
Salvitas Limited 15,75%
Siti Tasiyah 10,935%
Insurance Co.,Ld 5,294%
Masyarakat 9,521%i

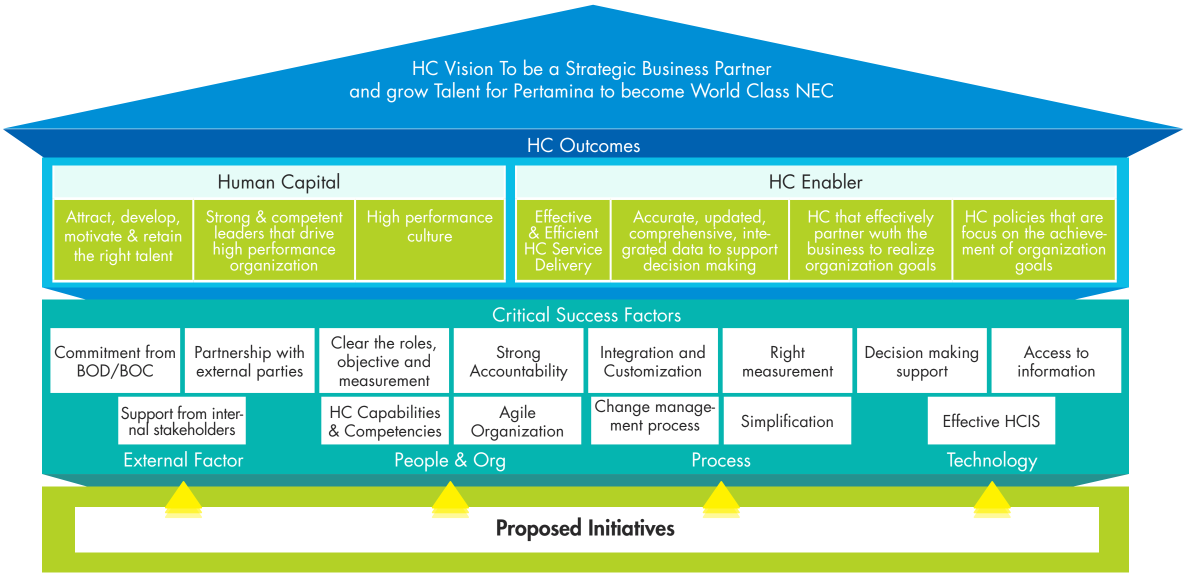
PT Seamless Pipe Indonesia jaya
Pertamina 10,36%
Tenaris Global 77,35%
PT Bakrie & Brother 10%
PT Krakatau Steel 2,91%

SUPPORT FUNCTION

HUMAN CAPITAL

THE ROLE OF HUMAN CAPITAL

For Pertamina, Human Capital (HC) is one of the most important links of an integrated business chain. The performance and contribution of each individual has the potential to determine the rate of business growth in every aspect. Along with Pertamina's vision to become a world-class National Energy Company, it needs to be accompanied by improving the quality of all human capital within the organization. To support the achievement of the Company's Vision, Pertamina compiled the HC Strategy House which reflected the HC vision and strategy that was in line with business needs. Thus, it is expected that human capital management will run in a structured and effective manner so that each individual may provide the best contribution according to their capabilities.



PLANNING AND MANAGEMENT POLICY OF TALENT SOURCING

Pertamina conducts a strategic workforce planning by considering a number of comprehensive aspects including productivity, financial performance, business strategy, organizational change plans, internal movement, and the number of workers who will retire. The results of the strategic workforce planning are translated into 6 (six) job fulfillment strategies, namely:

1. **Buy**, conducting external recruitment according to the Company's needs, both fresh graduates and experienced hire with PWTT and PWT status.
2. **Borrow**, optimizing the resources of the Subsidiaries through a mechanism of assistance to PT Pertamina (Persero).
3. **Transform**, using new methods in completing work through reorganization, use of technology, and digital transformation.
4. **Regroup**, conducting changes in business strategy and business re-engineering processes.
5. **Build**, developing employee capabilities in accordance with the demands of the business to ensure the availability of successors at every level of position.
6. **Bind**, retaining top talent through development programs that may increase added value to the Company.

CORPORATE CULTURE

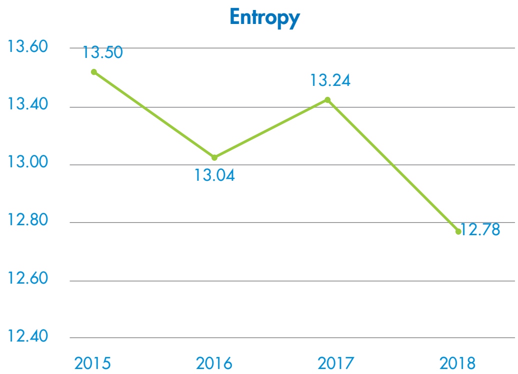
Pertamina has built a Corporate Culture that highly values high performance and effective working behavior, which is in accordance to the values of 6C and supported by a productive working climate in alignment with the employees engagement. The understanding and implementation of the values of 6C is designed to shape the behavior of our people, which will ultimately become the Company Culture and create the identity of the Company. Every individual working at Pertamina is required to act in line with the values of 6C, which consists of: Cleanliness, Competitiveness, Confidence, Customer Focus, Commercial, and Capability. The Company also determines the Characteristic of Values to equalize the perception of each definition.

In order to increase Strong Values and reduce Limited Values, increase Employee Engagement (EE) and consistency in implementing Professional Practices (Practice Pulse Check or PPC) within Pertamina, a Theme-O-Meter Survey is conducted to measure and obtain input from workers and management of the three things mentioned above. In 2018, the Theme O Meter Survey (ToMS) was conducted in December within the environment of PT Pertamina (Persero) and several Subsidiaries.

The number of respondents to the Theme O Meter survey has increased from 9,042 workers in 2017 to 10,395 workers in 2018. The increase in the number of respondents referred to shows the increasing concern of workers towards the health of the Company's culture.

The results of the Theme-O-Meter Survey, in general, showed an increasing trend in recent years with the highest index reached in 2018, with the following details:

a. Employee Engagement (EE): 86.1% and Practice Pulse Check (PPC): 78.7%. Following are the trends in the EE and PPC index.



From the results of the EE and PPC surveys in the last five years, it shows a tendency to decrease the gap between EE and PPC, this reflects an increase in employee engagement and management practices. But for some aspects it still needs to be improved, namely related to Performance Management, Carrier Management, Innovation and Excellent Execution.

The survey results of all EE dimensions have reached 85%, starting from the dimensions of Aspirations, Accountabilities, Collaboration, Recognition, and People Manager Interaction while the results of all dimensions of PPC above 77% are People Performance Management, Employee Engagement, Close Leadership Gap, Sense of Urgency for Change, Motivation with Career / Opportunity and Values, and Execution Excellence.

b. Cultural entropy decreased by 0.46% from 13.24% in 2017 to 12.78% in 2018 (the lower the Cultural Entropy index, the healthier the company). The value of Cultural Entropy in 2018 is getting closer to the Prima / Healthy category. Following is the trend in the movement of Cultural Entropy index.

RESEARCH & TECHNOLOGY

To realize national energy resilience and self reliance, Pertamina must be able to optimize existing resources while continuing to look for new resources. For this reason, Pertamina established a Research and Technology Center (RTC). RTC is a function formed with the aim of supporting Pertamina's aspirations towards world-class energy companies through integrated innovation activities and generally achieving the same standards as other world-class energy companies.

RTC supports Pertamina in 4 (four) aspects of research and development activities, namely:

1. Optimizing current resources and increasing oil and gas production from existing fields;
2. Accessing new resources, including untapped resources from untouched areas;
3. Increasing Pertamina's margins or business profits through developing ideas, providing solutions and spreading the use of new technologies;
4. Supporting Pertamina's business sustainability through diversifying businesses such as the petrochemical, chemical and new renewable energy businesses.

In 2018, RTC has carried out several research and development projects including:

1. Technology research and development activities in the Upstream Research & Technology function which are divided into 5 (five) research fields, namely Exploration Research, Development Research, Drilling and Well Construction Research, Production Research and Geothermal Research. Some of the main projects that have been running on this function during 2018 are as follows:
    a. Improved Development Module Material Selection for Tubing/Pipeline CO2 Environment;
    b. Design of Hg, As and H2S Adsorbents for Geothermal Exploration;
    c. Digital Petrophysics Research;
    d. Development of Stuck Pipe Early Warning System for Drilling Rigs; and

   e. Chemical selection at Pertamina Laboratories to increase production with EOR at Pertamina EP Jirak and Rantau Fields
2. Technology research and development activities in the Downstream Research & Technology function which are divided into 4 (four) fields of research namely Oil and Gas Research, Process Development Research, Materials and Chemicals Research and Petrochemical and Fuel Non Fuel Research. In this function, the activities that become the main project during 2018 are research activities related to the development of Pertamina's Asphalt.
3. Research and technology development activities in the New & Renewable Energy function which are divided into 4 (four) research fields, namely New Energy Development Research, Renewable Energy Development Research, Power Development and Storage Management Research and Carbon Capture and Storage Research. Some of the main projects that run in this function include:
   a. Research and Development of Biobutanol & Bioethanol 2nd Gen;
   b. Development of Electrode Material Components, Formulation Optimization and Production of Lithium Ion Battery (LIB) Prototypes;
   c. CO2 utilization for Value Added Products; and
   d. PyGas Production by Biomass Pyrolisis.

In order to perform optimally, RTC is also supported by the R & T Planning and Commercial function which has three main pillars, namely: the pillar of business processes with the compilation of a governance system (STK) RTC, infrastructure pillars for managing and developing research facilities and human capital assets that will manage and determine the direction of product and / or process development in Pertamina.

Pertamina has registered 134 IPRs, of which RTC participated in 41 patents with 19 patents granted, including the formulation of hydrocarbon refrigerants as substitutes for synthetic R-12 and R-134a (Musicool) refrigerants, the process of making hydro-processing catalysts that are selective in saturating olefins and removal of nitrogen compounds in hydrocarbon feeds and products produced from the process (NHT catalyst), hydrocarbon solvents to clean the metal and its manufacturing process (Solphy -2) and fuel composition with a minimum octane value of 100 (Pertamax Racing).

QUALITY SYSTEM AND KNOWLEDGE MANAGEMENT

Pertamina has established a Quality System and Knowledge Management (QS&KM) function with the objective of improving the overall performance of Pertamina through the creation of continuous culture improvement, increasing the effectiveness in the standardized system of implementation and the knowledge sharing culture, which are all run within the corridors of the business processes in line with Pertamina's Priority of becoming a World-Class Company.

The QS&KM function is designed to guarantee implementation of the quality of business processes of the Company through its four pillars of quality. The four pillars consist of the Continuous Improvement Program (CIP), System & Standard Management (SSM), Knowledge Management (KMS), and Quality Management Assessment (QMA). The four pillars have different roles at each level of the Company in ensuring its business qualities. In 2018, 31 people supported the QSKM function with the appropriate competencies in line with business demand and growth.

In 2018, the QS&KM function completed its duties, work programs, and had achieved its targeted performance in order to support the Company's vision of becoming a National World-Class Company. The QSKM function continues to ensure good quality across all operations units, business units, and the Company's domestic and overseas subsidiaries in line with the Pertamina Management System and the Code of Pertamina. Pertamina continues to implement its policy through the QSKM function so as to ensure an improvement in the culture conducted continuously across all operations/business/regional/units and the Company's subsidiaries through the four primary pillars activities as follows:

1. Continuous Improvement Program (CIP)
   The CIP is a program of activities designed to solve problems and improve work efficiency through the

methods of PDCA and DELTA within Pertamina's work habitat. In 2018, Pertamina succeeded in Value Creation of more than Rp40 trillion as a form of commitment to conduct business efficiently in the form of saving costs, additional revenue and reduction costs. In 2018 sustainability site visits were also carried out in order to ensure the sustainability of Pertamina Quality Assurance CIP results implementation. From this activity, a value creation of Rp525 billion was obtained from 30 CIP results. The value creation that was successfully carried out by Pertamina is a manifestation of the Company's commitment to conduct business efficiently in the form of savings and effectiveness of the process in reaching even beyond the set revenue targets. In 2018, it was recorded that 3169 CIPs were resolved with an increase in CIP from 2017. The increasing number of CIPs resolved meant that Pertamina people began to get used to solving work problems using PDCA and DELTA (Eight Steps Seven Tools)

In 2018, the Asset Management Directorate successfully achieved the following performance achievements:

a. Transfer of Business Support Assets (APU)
   Based on the Board of Directors Minutes of Meeting No.RRD-105 / C00000 / 2018-S0 dated 2 August 2018 concerning Transfer, Data Improvement and Digitization of Business Support Asset Data (APU), the Asset Management Directorate conducts transfer for the following purposes:
   - Management of Business Support Assets (APU) centrally and integrated
   - The cost of maintaining Business Support Assets (APU) does not burden the Technical Directorate
b. Write off assets
   The Asset Management Directorate assists in the process of writing-off the assets of the Technical Directorate in 2018 against 643 fixed assets, materials, resale commodities, scrap by generating additional revenue of Rp. 74.9 M. The Asset Management Directorate is currently proposing an adjustment to the Assets Write-off procedure so that the bureaucratic process can be more effective and efficient.
c. Pertamina is currently resolving the problem of assets by cooperating with functions and agencies related to land acquisition.
d. Pertamina has conducted a land acquisition process to support the company's operational needs.
e. Digital transformation and historical writing
   - The Asset Management Directorate throughout 2018 continued to develop SIMA, i-P2P and e-UPP applications so that it could support business processes within the Asset Management.
   - Writing the history of all Pertamina assets by tracking land documents, chronologically compiling land acquisition, and documentation in order to strengthen Pertamina's land ownership status has been completed for 24 Pertamina assets.
f. Optimization of Business Support Assets (APU)
   - Optimization of Business Support Assets (APU) is carried out through self-management, leasing, loan, business partnership, and divestiture (scrap) schemes.
   - Pertamina conducted a synergy forum for subsidiaries and state-owned enterprises in order to optimize Pertamina's assets.
   - Planning for asset optimization with the scheme of cooperation with Pertamina's subsidiaries as a vehicle.
   - Cooperation on Warukin Airport between National Transportation Agency (Dishub) and Pertamina by assigning PT PAS

- Pertamina develops assets by cooperating with Patra Jasa
- Submission process related to increasing the status / ownership of assets of the Head Office and the Operations Unit for the procurement of goods / services and Amendments
- Achievement of goods / services procurement activities that have been completed during the period of January to December 2018 totaling 10,838 procurement processes of goods / services.

2. Knowledge Management System (KMS)
The KMS has an important role in improving the culture of integrated knowledge sharing and Knowledge Management in the Company. Pertamina is maximizing the implementation of technology in conducting the Knowledge Sharing through webinar and Knowledge Asset Management, which is accessible throughout the Company through portal, which is: KOMET. In addition to that, KMS also manages Intellectual Property Rights resulting from the process of continuous improvement based on the CIP in Pertamina. The Knowledge Sharing activities were held in offline format, online format (i.e.: webinar), and KOMET (portal) management aimed at creating, collecting, reviewing, and distributing Knowledge Assets throughout Pertamina.

3. Quality Management Assessment (QMA)
Pertamina's Excellent Performance Criteria (KKEP), which is based on QMA, is intended to develop and create a culture of Excellence in Performance across all Business Units, Unit Operations and Subsidiaries, so as to facilitate the achievement of Performance Excellence at the corporate level. Through to the end of 2018, QMA was applied in 32 of Pertamina's Business Units, Unit Operations and Subsidiaries with the category of Emerging Company.

Pertamina has set out policies and long-term planning, which is focused on the implementation of Excellence in the Quality of Management Practices. Therefore the QSKM function for collaborating with other SOEs and other companies regarding Excellence in Quality Management as well as increasing the competitiveness of the Company. One part of the format for this collaboration is the assessors' exchange regarding the assessment of KPKU, the Assignment of Standard System Auditors in the Cross Functions of Internal Audit across several companies. It is expected that this collaboration will strengthen Pertamina's resources in improving Quality Assurance in terms of products and services.

In order to ensure more effective operations, the QSKM Function regarding Pertamina's Standardization & Certification manages the implementation of all Standard System Management processes spanning all Operations Units, Business Units and Subsidiaries of the Company in order to meet our customer expectations. The function of the Business System Process as a part of the QSKM continues to strive in the process of managing the Company's documents, process of establishing a Working System and Correspondence Mechanism for the Company, which is dynamically designed in order to support all of the Company's business processes and operations.

In assuring and improving the quality of innovation from Pertamina Quality People, the Quality Management Corporate will strive to conduct a sustainability audit so that the innovation results that have been produced by Pertamina Quality Personnel will continue to run well. In addition, the QMC function also strives for existing innovation results to be replicated in the Operations / Business / Subsidiary Units. As well as to maintain existing knowledge assets, the Knowledge Management function has managed Intellectual Property Rights as a result of a sustainable improvement process at CIP-based Pertamina.

CORPORATE ICT

Information, Communication & Technology (ICT) increasingly plays a role in the business world. At present almost no business can survive without involving the role of ICT. Likewise with Pertamina.

Pertamina implements ICT in accordance with the needs and alignment of strategies and cooperation programs and takes into account the needs of each business unit and supporting unit. Corporate ICT in Pertamina is responsible for providing comprehensive and integrated Information and Communication Technology (ICT) services across all lines of companies both in PT Pertamina (Persero) and Subsidiaries.

In 2018, there was a change in the organization structure of Corporate ICT starting with the change in the name of Corporate Shared Service (CSS) to Corporate ICT (CICT) and the existence of 2 new functions, ITASP (Architecture, Security & Policy) functions and Digital Transformation Functions. The IT ASP function was formed to formulate policy, architecture and information security as a strategy form of Corporate ICT function in facing the threat of cyber crime and the Function of Digital Transformation was formed to guard digital transformation in Pertamina.

PERTAMINA DIGITAL TRANSFORMATION

Considering the increasingly important role of ICT in the business world, digital transformation becomes a necessity to increase competitiveness. Since 2017 Pertamina has carried out a digital transformation marked by Digitizing Marketing. In 2018, the Pertamina Digital Transformation journey entered a new phase which began with the Pertamina Digital Transformation and Pertamina Digital Expo BTP Kick-Off activities.

Pertamina Digital Transformation Philosophy:

1. Focus on the main theme of Digital Transformation
2. Directed based on business needs and implemented in an integrated manner
3. Performed holistically aspects of people, process and technology
4. Flexibility in developing solutions

Pertamina Digital Transformation Team has formulated 16 Main Themes that will be prioritized in Digital Transformation and in 2018 selected 9 main themes namely Digitizing Gas Station, B2B - CLM (Customer Loyalty Management), Logistic Planning System, Integrated SCM Planning, Predictive Maintenance, Integrated GGR (Geology, Geophysics & Reservoir), SSO / SSC (Shared Service Organization / Shared Service Center), Digital HSSE and Corporate Command Center.

Pertamina realizes that digital transformation is not only related to technology and process aspects, but also the aspect of people (culture) is an important part to consider. Therefore, throughout 2018 Pertamina runs a digital culture program, including the Pertamina Digital Community program, Digital Expo, Digital Intelligence, Digital Roadshow, Digital Acceleration Index (DAI) Survey and Digital Culture Benchmarking.

Moreover, activities in 2018 were also carried out by involving workers who were part of digital transformation, such as the 2018 Pertamina Energy Hackathon, e-Sport Competition, Paper Competition, and so on.

STRATEGIC PROGRAM FOR CORPORATE ICT FUNCTIONS IN 2018

In order to support the realization of the company's vision and mission in 2018, Corporate ICT has carried out several strategic programs, including:

1. Tax Data Integration with the Directorate General of Taxes (DGT)
   Corporate ICT supports Pertamina's tax data integration program with DGT on H2H (Host-to-Host). Currently, Pertamina has implemented the E-Faktur and E-Bupot program, and has become the first SOE to implement this program.
2. Upstream Business Management Transfer
   In 2018 Corporate ICT has been actively involved in upstream business management to oversee the management transition on ICT. Some management transfer projects during 2018 such as PHE East Ambalat management, PHE Tuban East Java, PHE Ogan Komering, PHE OSES, Pertamina Hulu East Kalimantan (PHKT) and Pertamina Hulu Sanga Sanga (PHSS)
3. Digital Culture
   Digital Culture activities are needed for changing the way of thinking and working organizations, with the mindset of Agile, Collaborative, Innovative, Customer Centric, Data-Driven, and Engaged to deal with digital disruption. Digital Culture is a contributor to BTP Digital Transformation.
4. Corporate Command Center
   The Project Corporate Command Center aims to build an intensive communication center and Pertamina operational information with a data-time to support Pertamina's vision for 2025 to become a World Class National Energy Company. With the existence of Corporate Command Center, Pertamina will have a real-time end-to-end management and operational information center and become an Executive Gallery and showcase of Pertamina's performance for Pertamina's stakeholders and important guests (VVIP).
5. Development of Big Data Analytics to support Corporate Business Analytics
   Development of big data analytics is done to build a data warehouse that is integrated and reliable, develops data analytics from integrated ERP and non ERP data sources, and provides analytics capabilities to information / data to support business development.
6. Standardization of Data Communication Network Infrastructure in Pertamina (Persero)
   The purpose of standardizing data communication network infrastructure at Pertamina (Persero) is to provide Pertamina communication services by conducting Pertamina Data Network Standardization and implementation of Defined WAN Software (SDWAN) and Video Conference System redesign at Pertamina (Persero).
7. Implementation of One Data Center
   Implementation of Pertamina 1 (One) Data Center, so that all information systems have Pertamina Wide and Support System standardization in Units / Areas to facilitate and ease the flow of information as well as to improve the Information System security.
8. Digital Reporting Service
   Digital Reporting Service is implemented to reduce backlogs, provide reports on user needs on time, reduce human error (automation) on issuing reports, and assist in decision making.
9. Data Quality Control Automation
   Increasing control over the quality of data managed by the Shared Processing Center (SPC) and Automated Data Quality Monitoring.
10. Pertamina World Class IT Governance
    The aim of Pertamina World Class IT Governance is to develop and implement an IT governance framework based on best practice that is in line with Pertamina's business processes. Fixing, building, and implementing standards for the process and integrated STK for Pertamina Wide.
11. Cyber Security Resilience Implementation (CSRI)
    CSRI is an effort to realize the digital Pertamina resilience transformation and sustainability of CSMA (Cyber Security Maturity Assessment) project in 2017.

ASSET MANAGEMENT

In order to maximize the Asset Potencies, Business Network Development, and the Company's Revenue, Pertamina has established the Asset Management Function, which is integrated with the Directorates, Operational Units and the Company's subsidiaries in carrying out its asset management and for product/ service supply in the business process in accordance with business requirements and growth.

The Asset Management Directorate is responsible for managing Pertamina's Business Support Assets (APU) in order to support the Company's core business to be more effective and efficient. Pertamina refines the Organization Structure of Asset Management Directorate for manager level and above based on Decree No.Kpts-58 / C00000 / 2017-S0 dated October 25, 2017 and the Organization Structure of Asset Management Directorate for level below manager based on Decree No.Kpts-01 / K00000 / 2018-S0 dated January 22, 2018. With the improvement of organization, Pertamina is expected to be able to manage Business Support Assets (APU) in order to increase the Company's revenue and support the company's core business to be more effective and efficient.

The Asset Management Directorate has a mission to carry out professional asset management as a strategic partner of Pertamina's business activities and based on commercial principles by prioritizing Good Corporate Governance, through the main pillars of activities, namely:

1. Improving service to Pertamina's customers as the strategic business partner
   Pertamina implements an increase in services to support Pertamina's core business activities, in the form of:
   - Provision of land for company needs
   - Provision of facilities for office & Company House (RDP)
   - Building Management, facilities and infrastructure that are effective and efficient
2. Monetization of Business Support Assets
   In order to increase revenues and reduce the company's operating expenses in managing Business Support Assets, Pertamina conducts:
   - Optimization of Business Support Assets, especially for Free & Clear assets.
   - Increased value of Business Support Assets
   - Synergy between subsidiaries and its affiliates
   - SOE synergy
3. Improving land ownership status
   In order to improve the status of land ownership, Pertamina conducts:
   - Securing assets by working with HSSE functions
   - Discharging assets from residents without rights in collaboration with HSSE functions and related agencies
   - Certification of land
   - Settling land issues
   - Recovery of assets
4. Asset restructuring
   For more effective and efficient asset management, Pertamina conducts asset restructuring in the form of:
   - Divestment of assets
   - Inbreng to subsidiaries
   - Ruistlag or swap to other government institutions / agencies
   - Equity participation in the government
5. Procurement Excellence
   - Centralized procurement of strategic goods & services (Corporate, Directorate, Unit Operations / Business Units)
   - Pertamina Incorporated Synergy (Mapping & Optimizing AP Competencies through Umbrella Contract)
   - Optimization of Inventory & Lean Warehouse
   - Digitizing Procurement (Procurement 4.0)
   - Implementation of ISO 37001: 2016
   - International Certification of Procurement Competence

HEALTH, SAFETY & ENVIRONMENT

The Health Safety Security Environment (HSSE) is a fundamental aspect in Pertamina's operations. Every procedure and working stage in all mining and production activities up to distribution is carried out in accordance with applicable rules and guidelines. All mining entities and Pertamina's operations, from operators in the field to management, as well as third-party contractors involved in Pertamina's activities, must comply with HSSE implementation.

The HSSE aspect is one of the main aspects of Pertamina's business process. Management determined that HSSE & Sustainability is the foundation of the 2019-2026 corporate strategy, with the main mandate of implementing the HSSE Excellence culture well in all operational aspects.

The mandate is then stated in the Company's HSSE policy signed by the President Director in August 2018 with the following commitments:

1. Prioritizing the company's HSSE aspects in the company's business management;
2. Complying with HSSE regulations and use appropriate technology according to national and international standards;
3. Reducing risk as low as possible to prevent incidents in personnel, assets, information and the environment;
4. Conducting intervention on the condition of activities and actions that are considered unsafe;
5. Ensuring understanding and implementation of Corporate Life Saving Rules (CLSR) on workers and work partners;
6. Increasing workers' awareness and competence as well as work partners so that they can carry out their work correctly, safely and eco-friendly;
7. Report all incidents transparently and carry out investigations to prevent the occurrence of similar incidents;
8. Implementing HSSE performance of the Company's personnel, assets, data and information in the assessment and appreciation to all employees.


PERTAMINA

PT. PERTAMINA (PERSERO)

KEBIJAKAN HEALTH, SAFETY, SECURITY AND ENVIRONMENT (HSSE) PERUSAHAAN

PT. Pertamina (Persero) besertaAnak Perusahaannya berkomitmen melaksanakan kegiatan operasi secara aman, nyaman dan berwawasan lingkungan dengan menerapkan standar tinggi terhadap aspek HSSE Perusahaan untuk meminimalkan risiko dengan cara mencegah terjadinya kecelakaan, kebakaran, penyakit akibat kerja, pencemaran lingkungan, dan gangguan keamanan serta dampak lain akibat kegagalan operasi terhadap lingkungan di sekitar kegiatan Pertamina.

Untuk memenuhi hal tersebut, Dewan Direksi dan seluruh Insan Pertamina, berkomitmen:

1. Mengutamakan aspek HSSE Perusahaan dalam pengelolaan bisnis perusahaan;
2. Mematuhi peraturan perundangan HSSE serta menggunakan teknologi tepat guna sesuai standar nasional dan internasional;
3. Mengurangi risiko serendah mungkin untuk mencegah terjadinya insiden pada personil, aset, informasi dan lingkungan;
4. Melakukan intervensi terhadap kondisi maupun tindakan yang dinilai tidak aman;
5. Memastikan pemahaman dan implementasi Corporate Life Saving Rules (CLSR) pada pekerja dan mitra kerja;
6. Meningkatkan kesadaran dan kompetensi pekerja serta mitra kerja agar dapat melaksanakan pekerjaan secara benar, aman dan berwawasan lingkungan;
7. Melaporkan seluruh insiden secara transparan dan melakukan investigasi untuk mencegah terjadinya insiden serupa;
8. Menjadikan kinerja HSSE personil, aset, data dan informasi Perusahaan dalam penilaian dan penghargaan terhadap seluruh pekerja.

Direktur Utama PT. Pertamina (Persero) bertanggung jawab menjamin implementasi Kebijakan ini dan melakukan upaya perbaikan secara berkelanjutan.

Setiap pekerja dan mitra kerja yang berada di bawah pengendalian PT. Pertamina (Persero) dan Anak Perusahaan bertanggung jawab menaati dan melaksanakan Kebijakan ini.

Jakarta, 31 Agustus 2018
Direktur Utama,

Nicke Widyawati

www.pertamina.com

1 500 000

As a step/effort to implement the policy, Management has determined 8 HSSE strategic programs, namely:

1. HSSE Governance
2. Safety Culture
3. Emergency Readiness
4. Safe Work Practices
5. Environment Excellent
6. Security Excellent Level
7. HSE Leading Programs Standardization
8. OH-IH Excellent

1 **Hsse Governance**
Principles, policies, procedures and guidelines, so that HSSE can direct and control the functions and processes

2 **Safety Culture**
Attitudes, beliefs, perceptions & values demonstrated in safety at workplace. Safety culture at the highest level (generative) is that safety has become a "way of life"

3 **Emergency Readiness**
Organization, resource management & responsibility to handle all aspects of emergency situation (readiness, response and recovery)

4 **Safe Work Practies**
Written method that shows how to do tasks with minimal risks to personnel, equipment, materials, environment and processes

5 **Evironment Excellent**
Perform environmental management beyond requirements and useful efforts for the community in the long run

6 **Security Excellent Level**
Physical and non-physical security through big data management to make data analytics with a view to mitigate potential occurrence of security risk.

7 **HSSE Leading Programs Standardization**
Standardization of HSSE leading programs for all directorates / UO / AP, starting fromplanning, execution to monitong. For example, management walkthrough

8 **OH – IH Excellent**
The OH-IH process is in place and has been implemented. Sustainable system, supported by continuous improvement

While the main HSSE programs carried out during 2018 are:

1. Compilation of SUPREME towards one Pertamina HSSE Management System with a risk-based approach, adhering to the principle of sustainable improvement and PDCA and will gradually replace the protocol of ISRS, SMP, Fit to Work
2. Implementation of Reward & Consequences on HSSE performance and enter HSSE weight in fit proper test and fit official interview and blast learning from event (LFE)
3. Implementation of crisis management exercise and emergency drill routinely to train readyness on facing crisis / actual conditions
4. Issuance of 11 Corporate Life Saving Rules combined with Demo Room to increase employee competence, especially outsourcing
5. Implementation of PROPER and audit protocol for Pertamina Environment Regulation Compliance Assurance (PERCA) as the UO / Location / AP environment management baseline that is not included in the PROPER assessment
6. Implementation of cross & internal directorate management walkthrough (MWT) as a leader learning center and direct leader communication forum to the frontliner
7. Integrated HSSE audit implementation in 74 operating unit / field locations, consisting of HSSE audit System management based on ISRS protocol, fit to work audit (FtW), Cultural Security and Survey Management System audit

In 2018, integrated audits/assessments started with the additional number of AP / Operating Units / Fields audited / assessed compared to 2017. As for integrated HSSE audits / assessments including:

1. Audit of HSSE MS ISRS 2018 Protocol
   In 2018 an HSSE MS ISRS Protocol audit was carried out in 74 operating units / fields by internal assessors and external assessors. The number of audit locations increased by 12 APs/ Operating Units/ Field, when compared to the number of assessment locations in 2017 as many as 62 APs/Operating Units / Fields. A total of 41

AP / Operating Units / Fields managed to obtain excellent levels, with 11 APs/Operating Units/ Fields exceeding the target level set.

2. Implementation of Fit to Work (FtW) Audit / Assessment
   In 2018, the Fit to Work audit was started as a data baseline for further work program preparation to realize OH-IH excellent. The FtW audit was carried out at 77 AP / Operation / Field Units. FtW level audits / assessments were assessed with a scale of 0-4.0 and as many as 60 AP / Operating Unit / Field (78% of the total AP / Operation Unit / Field) obtained FtW Level ≥2 , 0.
3. Audit Based Management System Protocol Security (SMP) Audit SP 2018 was conducted in 73 locations, this number increased when compared to 2017 which was carried out in 38 locations. The implementation results of the SMP in 2018 are as many as 42 locations to get Gold / Gold rankings with an average score of all AP / Operating Units / Fields getting Gold Level is 87%. The audit was carried out by Pertamina's internal assessor.
4. *HSE Culture Survey*
   In 2018, measurements of the HSE culture maturity level were carried out to determine the changes that occurred after the implementation of improvement programs in 2018. In general, in 2018 Pertamina (Persero) HSEPT culture score was 3.97 or an increase of 0.25 compared to 2017, with the population of respondents in the Pathological to Calculative culture level reduced by 6.69%.

In addition to this in the environmental aspect, in 2018 PT Pertamina (Persero) succeeded in garnering 82 Gold and Green PROPER with details of 13 Operation / Field Units successfully gaining Gold PROPER and 69 Operating Units / Fields successfully gaining Green PROPER.

INTEGRATED SUPPLY CHAIN

The ISC functions as the responsible party for the Downstream Optimization and procurement/sales of crude oil and refinery products and is mandated to procure crude oil and refinery products efficiently so as to bolster Pertamina's revenue. Thus, the ISC function is to continue, transform and improve its performance. The ISC function transformation roadmap consists of 3 (three) main phases including Phase 1.0 or Quick Win Phase, Phase 2.0 or ISC Class Phase, and Phase 3.0 or Talent Engine Phase. For the Breakthrough Project (BTP) of 2018, ISC contributed to Pertamina's efficiency program in all lines including:

1. BTP Downstream Operational Excellence (DOE)
2. Optimizing FSO Crude of Teluk Semangka
3. Maximizing the Domestic Crude Purchases of PSC contractors

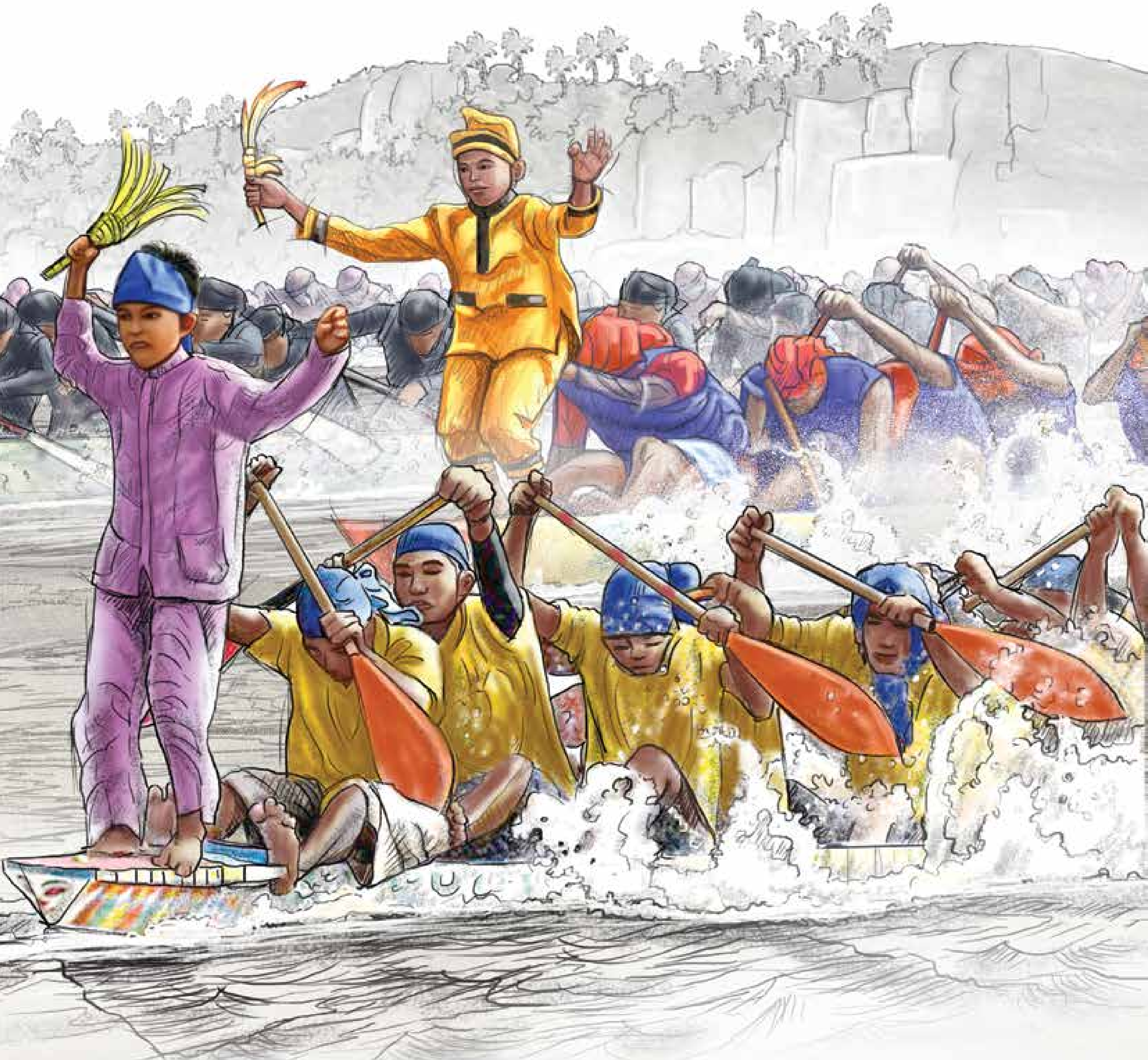
The BTP Downstream Operational Excellence (DOE) program is a collaboration of BTP between 3 Functions namely Processing, Marketing and ISC with a target of decreasing the Integrated Port Time (IPT), optimization of infrastructure use in Processing and Marketing, source optimization for importing crude oil and products, and acceleration infrastructure development in supporting IPT

In order to follow up and implement ESDM Regulation No. 42 Year 2018 concerning the Priority of Fuel Utilization for Fulfilling Domestic Needs, as well as to meet Pertamina's refinery needs, ISC currently obtains crude oil from domestic (GOI, Pertamina Subsidiary and KKKS Purchases) & import purchases. In value, import purchases are relatively higher than domestic Crude Oil because there are additional transportation costs. Meanwhile, currently some domestic crude oil such as KKKS have not yet been fully absorbed due to tax problems. This aims, among other things, to increase the purchase of KKKS Domestic MM portion so that it is expected that the domestic MM portion processed by the Pertamina Refinery will be greater and overall shall increase the Downstream margin.

MANAGEMENT DISCUSSION AND ANALYSIS

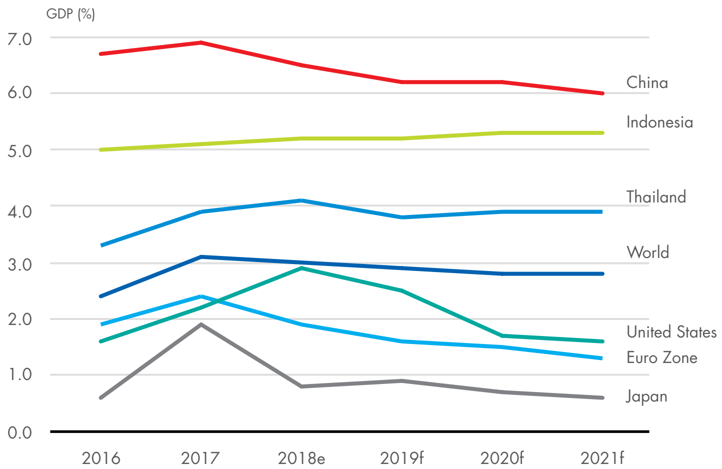
"Production optimization and synergy between business units have given Pertamina the success to achieve positive performance which further firm up its commitment to strengthen the national energy security and independence.

A number of rowing teams wearing traditional clothes are racing on a large river. This boat race is a cultural activity of the Riau people called Pacu Jalur. Pacu Jalur has an in-depth philosophy of the importance of unity in achieving success.



ECONOMIC REVIEW

GLOBAL ECONOMIC



Source: World Bank, Jan 2019

The global economic conditions in 2018 were colored by uncertainties. One of these uncertainties was caused by a trade war between the United States (US) and China. The trade war involving the world's two largest economies significantly impacted flows of the world trade. As a result, the global economy in the second half of 2018 grew slower than that in the first half of 2018.

At the same time, the US Central Bank (The Fed) set a policy to raise interest rates. Throughout 2018, the Fed was recorded to have raised its interest rate for four times to the level of 2.5%. The increase in the Fed's interest rate also had an impact on the global financial market conditions, where investment flows were directed towards risk aversion, so that the global stock markets were corrected sharply.

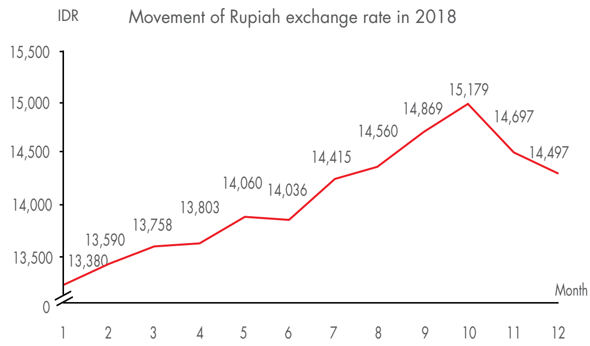
The global economic conditions were getting more uncertained with the strengthening of the USD exchange rate against almost all foreign currencies, including Rupiah.

The global economic slowdown in 2018 was reflected in the slowdown of China's economy with a growth rate of 6.6%, the lowest in the last 28 years. On the flip side, the US economy grew quite strong in 2018 with a growth rate of 2.9%, an increase compared to the previous year's economic growth rate of 2.2%. However, the US economic growth is predicted to slow down again in 2019 due to, among others, the impact of its trade war with China.

INDONESIA'S ECONOMY

Being a part of the global economic ecosystem, the Indonesian economy is also affected by uncertainty in the global economic conditions. This is reflected in Indonesia's trade balance which has a deficit of US $ 8.6 billion in 2018.

To anticipate the impact of global economic uncertainties, the Government and Bank Indonesia have taken a range of policies, one of which by increasing the BI 7 Days Repo Rate in six phases to the level of 6.00%. This measure was also intended to strengthen Rupiah exchange rate against the USD that depreciated for most of the year 2018.



With the right economic policy, the Government was able to suppress Rupiah exchange rate weakening that occurred for most of the year 2018. In fact, Rupiah exchange rate against the USD once touched Rp15,200 per USD, the lowest since the 1998 economic crisis.

With quite strong economic fundamentals, Indonesia's economy was able to surmount economic challenges in 2018 and to record a positive growth. Throughout 2018, Indonesia's economy grew 5.17%, higher than the previous year's growth of 5.07%. Despite still below the government's growth target of 5.40%, this achievement is a very good result. Indonesia is able to maintain a positive trend in economic growth in the past 4 years.

Indonesia's economic growth in 2018 was influenced by an increase in consumption spending on the back of good management of inflation by the Government. Inflation rate in 2018 was 3.13% or lower than that in 2017 of 3.61%. This achievement is in accordance with Bank Indonesia (BI)'s inflation rate target of 3.5% (± 1%).

Indonesia was also able to record the realization of Domestic Investment and Foreign Direct investment. The total investment realization in 2018 reached Rp721.30 trillion or grew 4.11% compared with Rp692.9 trillion in the previous year. This increase is in line with the growth of Domestic Investment to Rp328.6 trillion in 2018, from Rp262.3 trillion in 2017. Meanwhile, FDI fell 8.8% from Rp430.5 trillion in 2017 to Rp392.7 trillion in the following year.

Moreover, consumer confidence index in 2018 strengthened and the banking industry experienced improvement by posting credit growth of 12.45% and increased credit quality indicated by the lower ratios of net and gross non-performing loans of 2.67% and 1.14%, respectively.

Appropriate and effective economic policy has also prompted Moody's Investor Service (Moody's) rating agency to increase the Sovereign Credit Rating (SCR) of the Republic of Indonesia from Baa3 / Positive Outlook to Baa2 / Stable Outlook.

Outlook 2019

The Indonesian Government projects Indonesia's economy to grow 5.3% in 2019, higher than the projected GDP growth of 5.2% in 2018. Well-proven control of inflation sustains a stable inflation at the level of 3.5%. Meanwhile, the Rupiah exchange rate is predicted to remain influenced by the dynamics in the global market, so that the pressure on Rupiah still continues and Rupiah exchange rate against the USD is estimated at 14,400. World oil price is predicted to stay at the level of 70.0 US dollars / barrel in line with continued commodity demand in 2019.

Table of Indonesian Economic Indicators Indicator

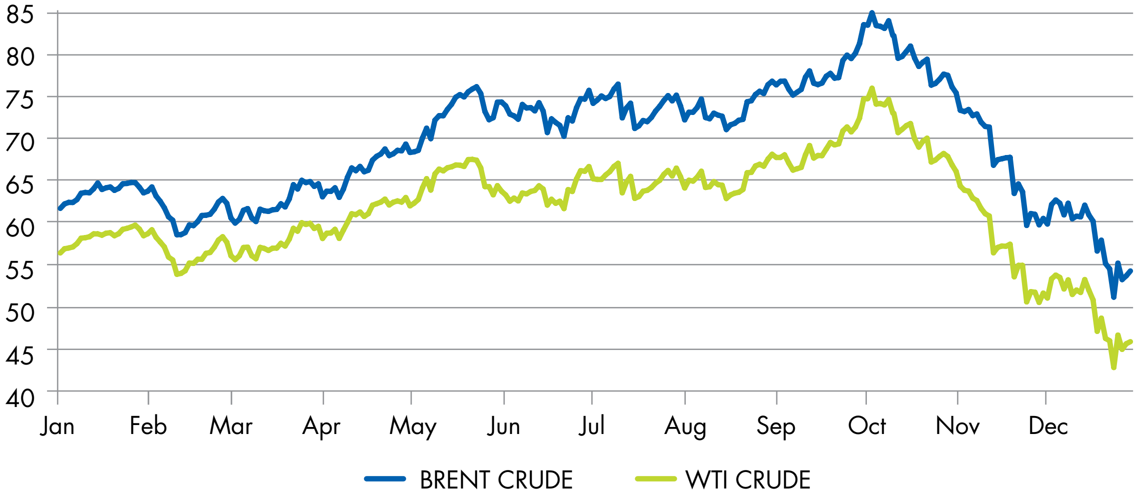
Indicator	Unit	2018	2019
Economic growth	(%, yoy)	5.2	5.3
Inflation	(%)	3.50	3.50
Exchange rate Rupiah	(Rp/USD)	13,973	14,400
3-month Treasury Bills (SPN) interest rate	(%)	5.00	5.30
Oil Price	(USD/*barrel*)	70.0	70.0
Oil Lifting	(thousand barrels/day)	775	750
Gas Lifting	(thousand barrels of oil equivalent / day)	1,116	1,250

Source: Ministry of Finance

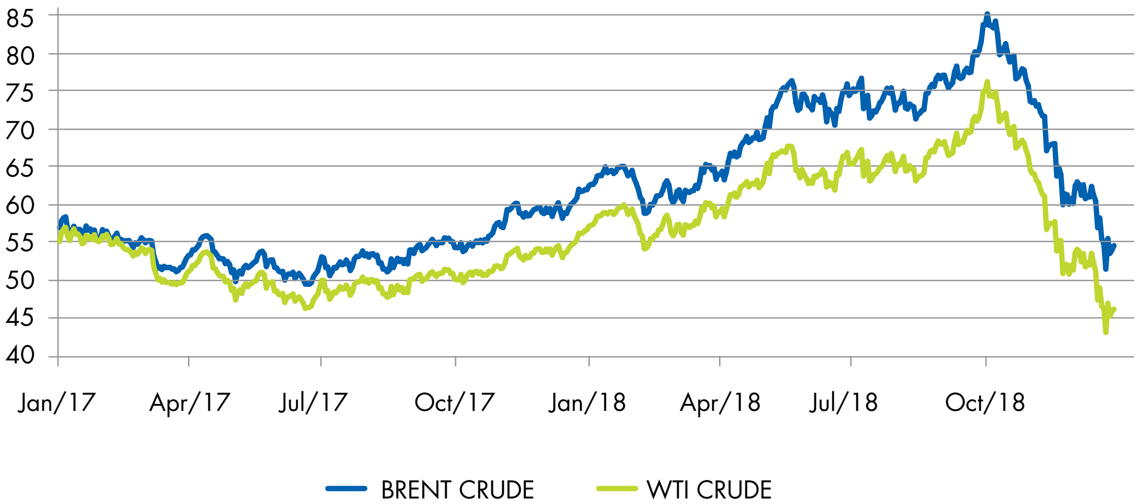
The consumption sector both from households and the government is still the main catalyst for Indonesia's GDP growth in the coming year. Household consumption expenditure is projected to grow 5.1% while government consumption rises slightly to grow 5.4% on the back of continued infrastructure development. The Government allocates infrastructure development budget of Rp402.5 trillion, a 2.4% increase in 2019. In line with this continued infrastructure development, Indonesia's infrastructure quality has improved out of 137 countries (an increase by 9 ranks from 2013-2014) based on the Global Competitiveness Report data (2017 - 2018). In addition, Indonesia's logistics performance was ranked 46th out of 160 countries (an increase by 17 ranks from the previous year) based on the Logistics Performance Index data (2018) where the rank of infrastructure as one of the measurement components also improved from 73 to 54.

INDUSTRY REVIEW

In 2018, crude oil prices in the Brent and WTI markets fluctuated. After touching the highest point in October 2018 at respectively USD 84.1 and USD 75.5 per barrel, Brent and WTI prices slumped bottoming out in 18 months to USD 51.6 and USD 43.6 per barrel respectively in December 2018, and closed at the level of USD 54.6 and USD 46.5 per barrel respectively by end of 2018.



Source: Bloomberg, 2019

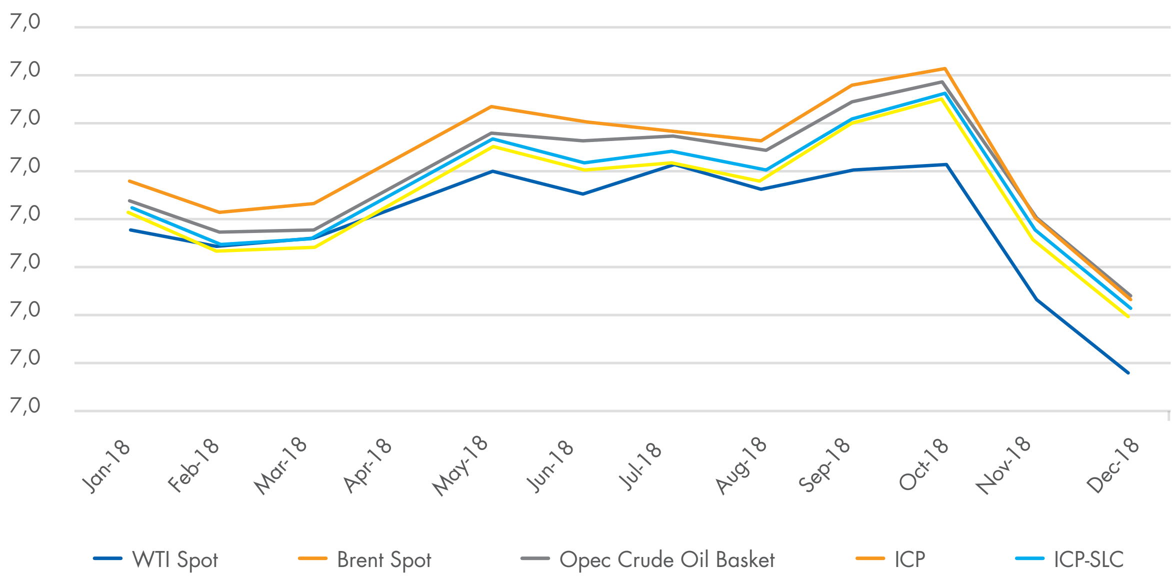


Source: Bloomberg, 2019

Rising oil prices are triggered by fears of reduced oil supplies due to sanctions against Iran and the crisis in Venezuela, while OPEC and other countries are predicted not to increase oil production. All these gave rise to a fear among market players and triggered price increases.

However, when the global economic outlook was revised down, oil prices were affected down. IMF has revised down its global economic forecast for 2018 and 2019 by 0.2% from the previous projection to 3.7%, one of which is attributable to the US and China trade war that is predicted to cause a decline in oil demand.

Along with the fluctuation of world oil prices, Indonesian Crude Price (ICP) has also fluctuated. In January, ICP price was at USD 65.6 per barrel, while ICP SLC was at USD 65.8 per barrel. ICP price was at its highest level in October to reach USD 77.6 per barrel and USD 78.1 per barrel for ICP SLC. When the world oil prices dropped, ICP price was also affected down to USD 54.8 and USD 55.6 per barrel for ICP SLC.



Source: Bloomberg, Ministry of EMR, 2019

Anticipating the development of world oil prices, the Government of Indonesia has issued a range of oil and gas related policies, which have an impact on Pertamina's operations and performance. The policy was made to release pressure on Indonesia's trade balance, especially from oil and gas imports, maintain the state's foreign exchange reserves and sustain people's purchasing power.

The Energy and Mineral Resources Ministerial Regulation No. 41 Year 2018 on the Provision and Use of Biodiesel in the Framework of Financing by the Indonesia Oil Palm Plantation Fund Management Agency is a legal framework that obliges Pertamina as a Fuel Business Entity to distribute fuel with biodiesel content, both for retail and industrial markets.

The Energy and Mineral Resources Ministerial Regulation No. 42 Year 2018 on Priority to Utilization of Crude Oil for Fulfillment of Domestic Demand provides an obligation for the Company to prioritize the absorption of domestic crude oil and condensate to be processed in the Company's refineries; while the contractors are obliged to offer part of their crude oil cargo to the Company before being sold / exported by other parties.

The government also issued Regulation No. 43 Year 2018 which replaced Presidential Regulation No. 191 Year 2014, which allows the Ministry of Energy and Mineral Resources, based on certain conditions, to determine retail selling price of certain fuel products (subsidized fuel and special assignment fuel) different from the formula calculation.

Oil and Gas SOE Holding

To realize national energy security and independence, since 2016 the Government has planned to form a holding company which oversees SOEs in the Oil and Gas Sector. Based on the Energy Sector SOE Roadmap, there is a need for a consolidation of SOE gas business in order to increase the use of domestic natural gas involving PT Pertamina (Persero), PT Pertamina Gas (Pertagas) and PT Perusahaan Gas Negara Persero Tbk (PGN).

After going through a 2-year preparation phase, in 2018 the government appointed PT Pertamina (Persero) as State-Owned Oil and Gas Holding Company. The business merger of PGN and Pertamina is an initial strategic step to increase effectiveness and strengthen the gas industry value chain integration in Indonesia.

Formation of the Oil and Gas SOE Holding was marked with the signing of the Deed of Transfer of B Series Shares amounting to 56.96% owned by the Government of Republic of Indonesia in PGN to PT Pertamina (Persero) on April 11, 2018.

To help speed up the process of establishing the Holding, there is a need to exercise a corporate action in the form of divestment of Pertamina's ownership in Pertagas, a subsidiary of Pertamina, to PGN. The divestment is done with purposes as follows:

1. To promote national energy security through the aspects of availability, accessibility, affordability and acceptability.
2. To strengthen Pertamina's gas business as a whole through integrated management of gas business by PGN.
3. To Increase value creation by increasing efficiency and optimizing gas transmission and distribution infrastructure.
4. To encourage the growth of gas business by increasing investment capacity to expand into potential regions (demand creation).

In connection with the matter, a Deed of Sale and Purchase of Pertamina’s 51% shareholding in Pertagas to PGN was signed at the end of December 2018, making So now PGN has 51% shareholding in Pertagas. The acquisition of Pertagas Group (including its subsidiaries Pertagas Niaga, Perta Arun Gas, Perta-Samtan Gas, and Perta Kalimantan Gas) by PGN will bring some benefits, including:

1. Pertagas can be part of PGN, a public company for which the governance must be held accountable to the public and under the supervision of FSA. In addition, the culture of Good Corporate Governance (GCG) can also increase the trust of customers / business partners.
2. Pertagas can be part of PGN which has flexibility in managing retained earnings for developing the gas business.
3. The business merger may not be too difficult to be done because Pertagas and PGN have the same business lines in terms of transportation and trading of gas.
4. The potential for synergy can be maximized because strategic decision making for the upstream to downstream business lines in the gas sector is carried out in one new management.
5. The creation of end to end operations in which midstream and downstream businesses in the gas sector (CNG, LNG regasification, and LPG processing) will be integrated so that implementation of development strategies will be easier to optimize benefits for the Government and the society.
6. Potential savings in operational and investment costs / CAPEX because there is no overlapping in the development of gas transportation infrastructure.
7. Pertagas acquisition by PGN will avoid competition between the two companies in the market.

The merger of PGN as a subsidiary of Pertamina will make Pertamina a gas company with the longest gas pipeline network in ASEAN, which is 9,600 km in length.

BUSINESS PERFORMANCE OVERVIEW

UPSTREAM SECTOR

Pertamina's upstream business activity is managed by the Upstream Directorate, which include exploration, drilling, development, and production of oil and gas and geothermal, provision of technology services and drilling services both within and outside the country. In order to achieve upstream growth as one of Pertamina's 8 Priority Pillars, the business strategy in the Upstream sector is to increase production and add new oil and gas reserves, both organically through Improved Oil Recovery (IOR) and Enhanced Oil Recovery (EOR) activities on existing assets, as well as inorganically by exercising merger and acquisition (M & A) strategy of oil and gas blocks both at home and outside the country.

The above activities are carried out by the Company through its Upstream Subsidiary Entities (APH) acting as strategic armlength of the Company in the upstream sector, namely:

- PT Pertamina EP (PEP)
- PT Pertamina Hulu Energi (PHE)
- PT Pertamina EP Cepu (PEPC)
- PT Pertamina EP Cepu Alas Dara Kemuning (PEPC ADK)
- PT Pertamina International Explorasi Produksi (PIEP)
- PT Pertamina Geothermal Energy (PGE)
- PT Pertamina Drilling Services Indonesia (PDSI)
- PT Pertamina Hulu Indonesia (PHI)
- PT Elnusa Tbk.

Performance of Upstream Sector in 2018

In 2018 Pertamina's total oil and gas production was 921 MBOEPD, 33% higher than the production in 2017. Oil production in 2018 was 393 MBOPD, a 15% increase compared to the previous year. While gas production was 3,059 MMSCFD, a 50% increase compared to the previous year. The largest contributor to the oil and gas production was PEP, followed by PHI, PHE, PIEP, and PEPC. Production of terminated Working areas as much as 58 MBOEPD or 3% of Pertamina's production was listed in PHE and PHI. When compared with last year, in general, the oil and gas production increased. Overseas Working Areas contributed 16.6% to Pertamina's total production, which comes from the Working Areas in Asia Asset, Middle East Asset, and Africa Asset.

Geothermal is produced by PT Pertamina Geothermal Energy (PGE), which operate a total of 14 geothermal Working areas with a total installed capacity of 1,822 MW, consisting of 617 MW of own-operation working areas and 1,205 MW of joint operation working areas. Own-operation working areas consist of:

1. Kamojang area (235 MW capacity and electricity equivalent production YTD December 2018 of 1,871 GWh),
2. Ulubelu (220 MW capacity and electricity equivalent production YTD December 2018 of 1,410 GWh),
3. Lahendong (120 MW capacity and electricity equivalent production YTD December 2018 of 725 GWh) and Karaha (30 MW capacity and electricity equivalent production YTD December 2018 of 176 GWh).
4. Sibayak (12 MW capacity, currently not producing due to damage to the third party's PLTP)

Total realization of PGE's electricity equivalent production from its own-operation working area in 2018 was 4,182 GWh. This achievement was 7% higher than that in the previous year

Operatorship of Ex-Terminated Working Areas

In order to realize the aspiration, in 2018 Pertamina acquired rights to operate 13 ex-terminated working areas with contract periods end in 2018–2021 pursuant to the Energy and Mineral Resources Ministerial Regulation No. 15 Year 2015 on the Operatorship of Oil and Gas Working Area with Soon-to-expire Cooperation Contract, which has been amended with the Energy and Mineral Resources Ministerial Regulation No. 30 Year 2016.

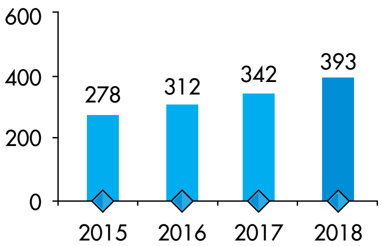
Out of the 13 Ex-Terminated Working Areas with operatorship rights, 8 Working Areas have been effective in 2018, namely Ogan Komering, Tuban, Sanga-Sanga, South East Sumatra, North Sumatra Offshore, Tengah (included in the Mahakam Working Areas), Attaka and East Borneo. Whereas Raja Working Area and Jambi Merang Working Area will only be effective in 2019 and Kepala Burung Working Area and Salawati Working Area will be effective in 2020. Meanwhile, Rokan Working Area, the largest national oil producer, will be effective in 2021. Currently Pertamina and the Government are preparing a cooperation contract with gross split scheme.

In addition, on January 1, 2018, Pertamina has also commenced the operation of Mahakam Working Area, of which the right to operate was granted to Pertamina in 2015.

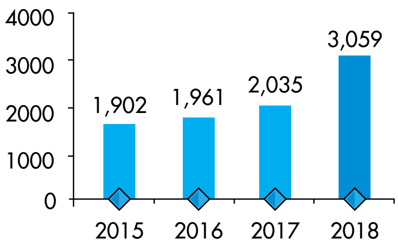
With these rights to operate, Pertamina's oil production will increase, so that Pertamina is closer to realizing the aspiration of national energy security and independence.

Daily Oil and Gas Production

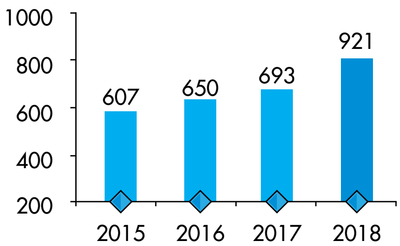
Crude Oil (MBOPD)



Natural Gas (MMSCFD)

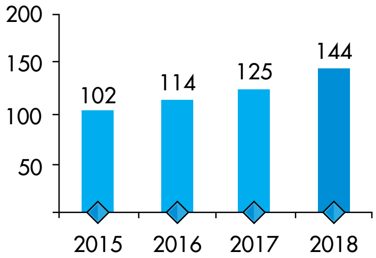


Oil and Gas (MBOEPD

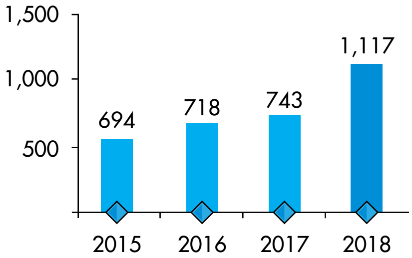


Annual Oil & Gas Production

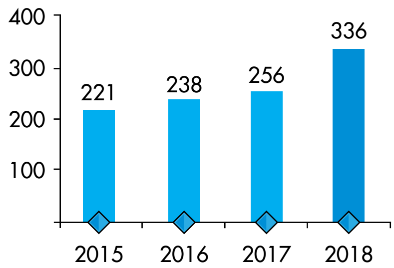
Crude Oil (MMBO)



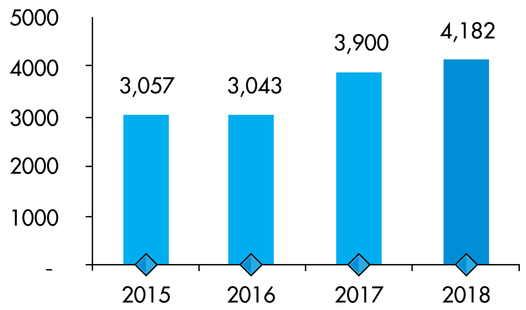
Natural Gas (BSCF)



Oil and Gas (MMBOE)

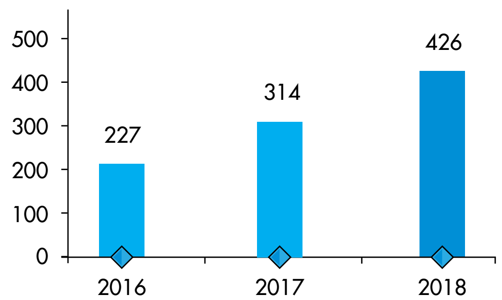


Geothermal Production (GWh)



Additional P1 oil and gas reserves recorded in 2018 was 426.25 MMBOE. This figure was 36% higher than the P1 oil and gas reserves in 2017. Reserve Replacement Ratio (RRR) for oil and gas was 137.81%. This 2018 RRR was lower than the 2017 RRR of 143%. The additional oil and gas reserves in 2018 mostly came from inorganic activities through the operatorship of domestic oil and gas Working areas of which the operatorship contracts have expired, such as Mahakam, Sanga-Sanga, Attaka, and East Kalimantan Working Areas.

Additional Proven (P1) Oil and Gas Reserves (MMBOE)



Pertamina Hulu Mahakam (PHM) in 2018 completed 58 drilling wells, 73 well Workovers, and 6,671 well services. PHM's crude oil production until December 2018 was 35.2 MBOPD and natural gas production was 879 MMSCFD. The acquisition of Mahakam Block contributed additional 2C oil resources of 51.33 MMBO and 2C gas resources of 1265.01 BSCF or a total of 2C oil and gas resources equivalent to 269.67 MMBOE. In addition, it also added P1 oil reserves of 22.77 MMBO & P1 gas reserves of 794.58 BSCF or a total of additional P1 oil and gas reserves equivalent to 159.91 MMBOE. The challenge facing PHM was the highly declining production rate of 57%. This figure was 8% above the Corporate Budget Plan assumption. This was because some existing wells experienced significant water breakthough and pressure declining.

Exploration Activities

Throughout 2018, total realization of exploration drilling was 14 wells consisting of 8 PEP wells, 5 PHE wells, and 1 PGE well. While the total realization of 2D Seismic was 2,490 km consisting of PEP 1,090 km and PHE 1,400 km. The total 3D Seismic realization covering 928 km² consists of PEP 507 km² and PHE 421 km².

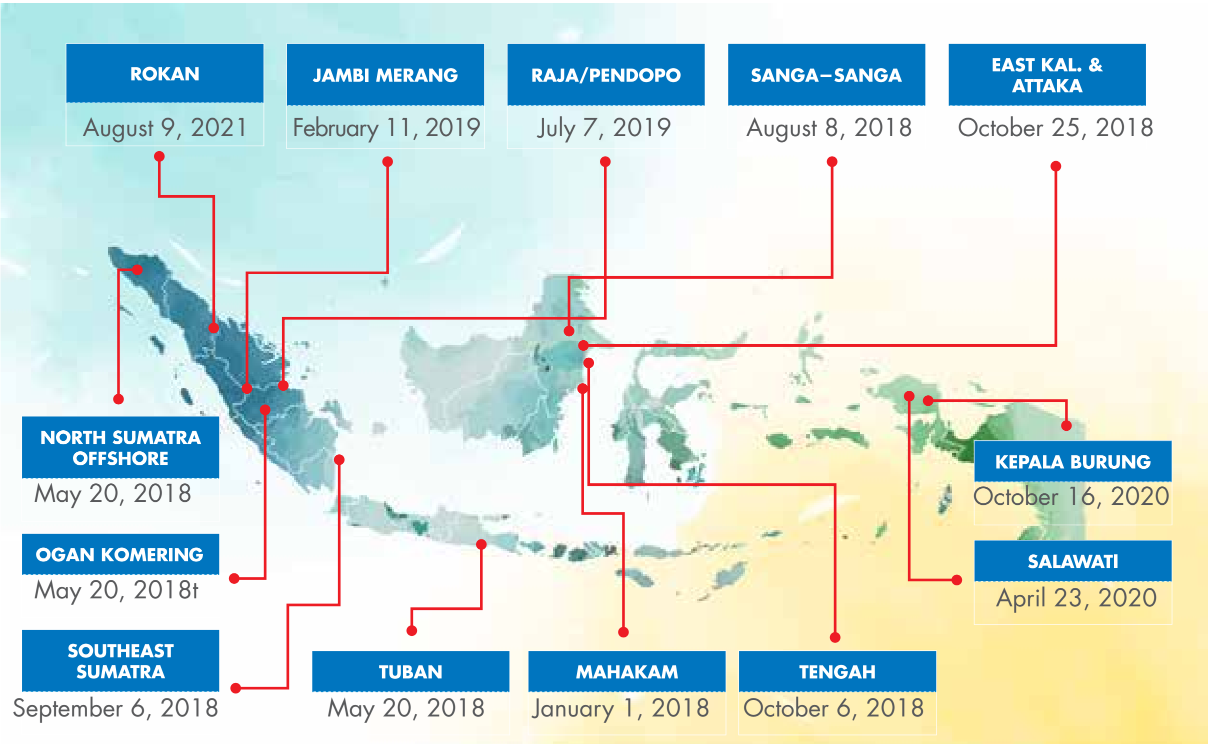
Realization of 2C Resources in 2018 was 794.31 MMBOE consisting of 270.19 MMBO crude oil and 3,036.63 BSCF natural gas. The 2C resources contribution was from PEP 71 MMBOE, PHE 195 MMBOE, and PHI 529 MMBO.

In August 2018, PT Pertamina EP through exploration activities in Sumur Akasia Maju (AMJ)-001 well succeeded in finding a new hydrocarbon resource of 11.45 MMBOE. This success was also obtained from other drilling activities executed by PT Pertamina EP, including Titanum (TTN) -001 well, Pinus Harum (PHR)-001 well, and Wolai (WOL)-001 well. While PT PHE also succeeded in finding hydrocarbon resources from the drilling activities in N-7, SES-1, Kumis-2 and KKX-1 wells. The drilling of the wells also aims to prove the new prospects of exploration activities which will eventually be able to help increase PT Pertamina's production. This is testament to PT Pertamina's commitment to maintaining national oil and gas production sustainability by continuously carrying out exploration activities while other oil and gas companies operating in Indonesia have halted their exploration activities due to declining world oil prices.

With a view to support sustainable exploration activities, in addition to drilling activities, studies were also conducted to find and or finalize a new play concept, especially in the frontier areas. The studies were conducted by involving all personnel in Pertamina's Upstream Subsidiaries, including a study aimed at seeing the development opportunity of the Pre-Tertiary Play in Salawati Basin Papua, and Delta Study in East-North Kalimantan Basin to seek exploration opportunity using Mahakam delta analogues.

Upstream Business Development

Pertamina seeks to increase the growth of oil and gas and geothermal reserves, production and lifting in order to maintain national energy security by conducting aggressive, selective and proactive expansion activities through inorganic business development activities throughout 2018. The contracts of several Working Areas in Indonesia are expired in 2018, 2019 and 2021, and this provides a good opportunity for Pertamina to develop its portfolio and increase oil and gas production and reserves, especially in Indonesia.



Transfer of Working Area Operatorship for 2018-2021 period to Pertamina

In 2018 Pertamina has succeeded in securing 13 Ex-Terminated Working Areas expired in 2018-2021. The number of Working Areas effectively managed by Pertamina in 2018 was 8 consisting of Ogan Komering, Tuban, Sanga-Sanga, South East Sumatra, North Sumatra Offshore, Tengah (included in Mahakam Working Area), Attaka and East Kalimantan. There are 2 Working Areas that will be effective in 2019, namely Raja Working Area and Jambi Merang Working Area. Two Working Areas will be effective in 2020, namely Kepala Burung Working Area and Salawati Working Area. There is 1 Working Area to be effective in 2021, namely Rokan Working Area, the largest national oil producer where currently Pertamina and the Government are preparing a cooperation contract under gross split scheme. On January 1, 2018 Pertamina has commenced the operation of Mahakam Working Area, of which the right to operate was handed over to Pertamina in 2015.

The Indonesian Government has also appointed Pertamina as the winner in the bid of Oil and Gas Exploration in Maratua Working Area.

Prospects for the Upstream Sector

The future challenge in the upstream oil and gas sector in general is the effort to contribute to reducing dependence on crude oil imports. The need for domestic fuel oil continues to increase by around 13% per year. This means that the need for oil supply is also increasing, which indicates that the upstream oil and gas business is still very attractive. However, it should be noted that the recent oil and gas prices tend to fluctuate and are low, which somewhat hampers the interest in upstream sector investment.

The increasing comsumption need for domestic oil and gas still cannot be met with the current increase in domestic production. As a result, Indonesia is getting more dependent on oil imports. For this reason, elevating domestic oil and gas production is an absolute requirement to be continued, either through the discovery of new giant oil fields or by optimizing the production of existing mature fields by enhancing the realibility of production equipment and facilities, IOR, EOR, and the application of appropriate reservoir management.

It can be said that the overseas blocks where Pertamina has operational and equity participation through PIEP, on the one hand, have the potential to increase revenue and crude oil supply sources to domestic refineries. However, on the other hand, there is a challenge about how far Pertamina can play a more active role and become more involved in the operational activities of the overseas oil and gas fields. The purpose is to further improve operating performance comprising efficiency, reliability, and project execution capability.

Oil and gas blocks of which the contracts are already expired and the rights to operate are already transferred by the Government to Pertamina certainly have the potential for additional oil and gas reserves and production. However, this also has a challenge related to the natural decline of oil and gas production from old fields. There is a necessity to continue the efforts to boost production of old wells, or at least to maintain the old wells' production rate or minimize the old wells' natural declining process. Exploration activities to find new sources of giant oil and gas reserves need to be improved by utilizing the latest technology with a high degree of accuracy.

Some issues that need to be taken into consideration with regard to future development of the upstream oil and gas business include some interrelated global issues. The 4.0 industrial revolution is marked by the increasingly widespread use of digital technology that encourages automation in all walks of life as well as rapid data exchange in business activities. This also affects changes rapdly, or known as disruption to the consumption patterns of the millennials who were born and have grown up in the digital age. The future trends of energy use will also be influenced by the comsumption trends of this generation. Another thing that affects the trend of energy consumption is the effort to reduce carbon emissions through increased utilization of renewable energy and use of non-carbon based energy equipment or vehicles.

The growth of the use of electric vehicles in the world should also be taken into account. This has the potential to reduce the use of fuel oil in the future. As we know, the transportation sector is the largest consumer of fuel oil in Indonesia.

However, so far Pertamina has been quite consistent in preparing for all the possibilities that will occur in the future trends of energy use. The consistent production of eco-friendly energy from geothermal energy through PT PGE is a good stepping stone and at the same time a preparation for Pertamina to enter into the eco-friendly energy business.

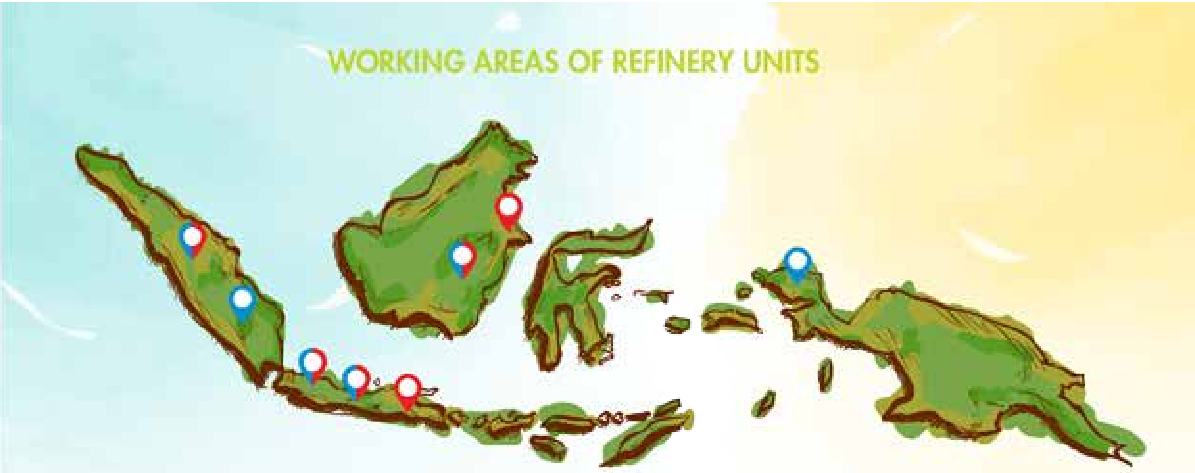
REFINERY SECTOR AND REFINERY DEVELOPMENT

Performance and Refinery Highlight

At present Pertamina owns 6 Refinery units consisting of Refinery Unit (RU) II Dumai, RU III Plaju, RU IV Cilacap, RU V Balikpapan, RU VI Balongan, and RU VII Kasim with total installed refinery capacity of 1,031 MBOPD, or approximately 90% of the existing refinery capacity in Indonesia.

The operations of these refineries are as follows:

1. Operation of Fuel Refinery, consisting of the Refinery RU II R to RU VII, which produces Fuel, Non-Fuel, and other products.
2. Petrochemical Refinery Operation, consisting of the Paraxylene Refinery at RU IV Cilacap producing Paraxylene and Benzene and other products, the Polypropylene Refinery in RU III Plaju producing Polytam (Polypropylene Pertamina), and the OCU (Olefien Convertion Unit) in RU VI Balongan producing Propylene
3. Operation of the Lube Base Refinery in RU IV Cilacap producing Lube Base HVI-60, HVI-95, HVI-160, HVI650, Paraffinic, Slack Wax, Minarex and Asphalt.



SPECIFICATION OF PERTAMINA REFINERY UNITS

Specification	RU II Dumai	RU III Plaju	RU IV Cilacap	RU V Balikpapan	RU VI Balongan	RU VII Kasim		
Capacity	170 MBOPD	118 MBOPD	348 MBOPD	260 MBOPD	125 MBOPD	10 MBOPD		
NCI	7.5	3.1	6	3.3	11.9	2.4		

PERTAMINA'S REFINERY DEVELOPMENT PROJECT

Specification	RDMP RU II Dumai		RDMP RU IV Cilacap	RDMP RU V Balikpapan	RDMP RU VI Balongan		NGRR Tuban	NGRR Bontang
Capacity	300 MBOPD		400 MBOPD	360 MBOPD	269 MBOPD		300 MBOPD	300 MBOPD
NCI	9		9	9	11.9		9	9

In line with the aspiration of realizing national energy security, Pertamina is obliged to secure the supply and fulfill the demand for domestic fuel. To realize this aspiration, Pertamina has taken a number of strategic efforts, including optimizing the Residual Fluid Catalytic Cracking (RFCC) units in RU IV Cilacap and optimizing the Residue Catalytic Cracking (RCC) units in RUVI Balongan. Pertamina has also operated the Trans Pacific Petrochemical Indotama (TPPI) refinery in Tuban. Another effort to improve performance is by revamping and upgrading the existing RU and continuously seeking new refineries in line with the Company's plans.

In 2018, Pertamina launched a strategic work plan called the 8 Pillars of Pertamina's Strategic Priorities program with one of the focuses is towards the world class refinery through 5 aspects, namely Safety & Environmental, Reliability, Profitability, Quality and Sustainability. This work program is a reference for all Refinery Units in carrying out their business processes.

OPTIMIZATION AND PERFORMANCE EFFICIENCY

To fulfill the demand for domestic fuel, Pertamina must be able to ensure that its refinery units' production can run optimally. For this reason, Pertamina has made a range of refinery optimization efforts while continuing to prioritize the refinery performance efficiency on an ongoing basis in oder to improve Pertamina's refinery performance. The efforts taken by Pertamina include:

Refining optimization for PSC contractor's Domestic Crude

In 2018, Pertamina conducted domestic crude refining optimization. This was intended to reduce the processing of imported crude at refineries, in accordance with government directives through the Energy and Mineral Resources Ministerial Regulation No. 42 Year 2018 on Priority to Utilization of Crude Oil for Fulfillment of Domestic Demand. This effort was fruitful with an increase in domestic crude processing to 62% while in 2017 was 58%.

Refinery Material Upgrade for Crude Refinery Flexibility

To overcome limited availability of imported super heavy crude at refineries due to high sulfur content (the sour crude oil type), the Company has upgraded refinery materials to increase the sour crude processing flexibility. The refinery material upgrade is executed in stages, started in 2018 at RU VI Balongan and then continued in 2019 at RU V Balikpapan and RU IV Cilacap.

Integration of PLN Power with RU IV Cilacap Power

So far, most of Fuel Oil and Fuel Gas Refineries consumes fuel gas and fuel oil resulted from crude processing at the refineries. As part of the efficiency in the use of the refinery fuel oil and fuel gas, Pertamina has been collaborating with PT PLN to outsource electric power of 30 MW from PLN to RU IV Cilacap. It is expected that the integration can be utilized in mid-2019.

Inter-Refinery Optimization of Intermediate Products

Intermediate Products are products that might require further processing and have a low selling value. To increase refinery margin and minimize these products, inter-refinery optimization is carried out by reprocessing them to become products with higher selling value (valuable products).

INVESTMENT AND DEVELOPMENT

In 2018, a number of investment and development projects in the refinery sector were started or being prepared, to name a few:

1. JV Calciner (Dumai)
   The project for the construction of calciner and bending coke facility in Dumai through a strategic partnership to process 300 KTA Green Fuel Coke (GFC) in Dumai with an addition of 100 KTA imported GPC to become 300 KTA Anode Grade Calcined Fuel Coke (CFC) using Shaft Kiln technology. Currently, the project is in the phase of engineering study and licensing.

2. RU III Plaju Open Access
   The project aims to increase refinery flexibility in processing crude. Crude supply through pipelines to RU III Plaju continues to decline, while crude supply transported by ship is constrained by silted points along the Musi river shipping channel. With this open access, Refinery RU III Plaju can optimize its production capacity to help fulfill the fuel supply in the Western Indonesia region.

2018 PERFORMANCE

In 2018, realization of the consolidated processing (total intake) was 3.8% or higher than realization in the same period of 2017.

Table: Realization of Refinery Operations in 2018 compared to the 2018 Target and 2016-2017 Realization

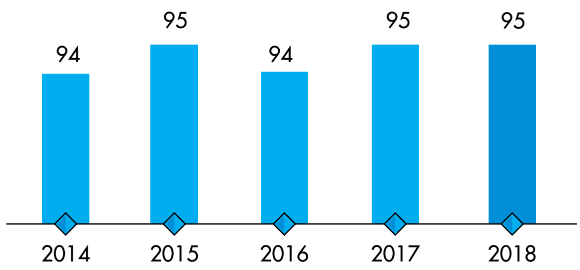
Refinery Processing	Unit	2018	2017	2016
Crude Oil, Gas & Intermedia Processing	MMbbl	337	324	328
Fuel Production Volume (10 Main Products)	MMbbl	279	263	255
Non-Fuel Production Volume (Pet-rochemical, Solvent and NBBM)	MMbbl	29	29	20

Yield of refinery output (the ratio of total refinery output to total intake) in 2018 decreased compared to the previous year, from 94.69% in 2017 to 94.44% in 2018. The decrease was due to adjustments to downstream optimization and some operating unit constraints.

Data on the percentage of comparison between refinery inputs and outputs in the last 5 years is presented in the following diagram:

Table & Chart: Percentage of Refinery Output - Input

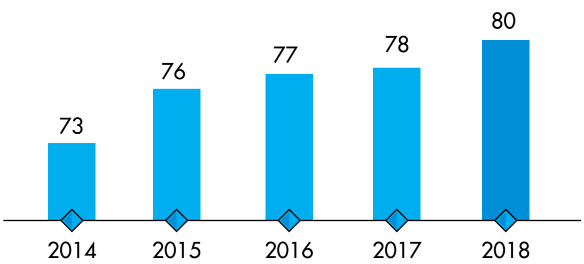
Million bbl	2018	2017	2016	2015	2014
% Yield Total	95	95	94	95	94



Meanwhile, yield of valuable products in 2018 was 79.57% or higher than that in 2017 as much as 78.13%. Valuable Products consist of Premium, Pertalite, Pertamax, Pertamax Plus / Pertamax Turbo, Kerosene, Avtur, Solar, Dexlite, Pertadex, Paraxylene and Benzene.

Tables & Charts: Percentage of Valuable Product - Refinery Input

Million bbl	2018	2017	2016	2015	2014
% Yield Valuable Product*	80	78	77	76	73



HIGHLIGHTS OF REFINERY DEVELOPMENT

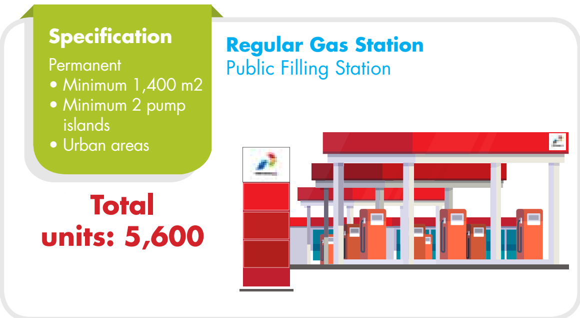
Pertamina currently manages projects of massive scale in the refinery sector with a view to increase refinery capacity while supporting business development in the Pertamina petrochemical business. In October 2016, Pertamina formed the Directorate of Refinery and Petrochemicals Mega Projects (MP2) focusing on addressing the mega projects which consist of the revitalization program of existing refineries (Residual Fuel Catalytic Cracking/RFCC Cilacap projects, Project Blue Sky Cilacap/PLBC, and Project Refinery Development Master Plan/RDMP at Balikpapan, Cilacap, Dumai and Balongan refineries, and the construction of new refinery (Grass Root Refinery/ GRR).

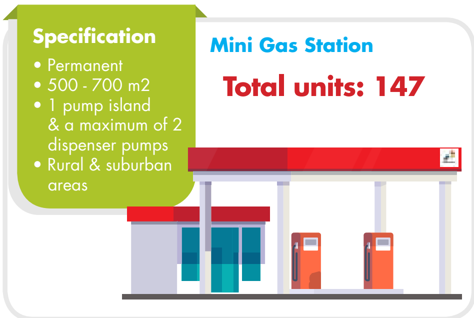
Based on the roadmap of increasing the capacity of Pertamina refineries, the fuel production target after the completion of RFCC, PLBC, RDMP and New GRR projects will be 2 million bpd by 2025. The realization of this project will mean the liberation of Indonesia from a dependence on fuel imports and produce significant revenues and contribution to the state in the form of foreign currencies. In addition, the construction of a new oil refinery also has the potential to expand the Indonesian economy through the creation of added value in the downstream sector by integrating oil refineries with petrochemicals.

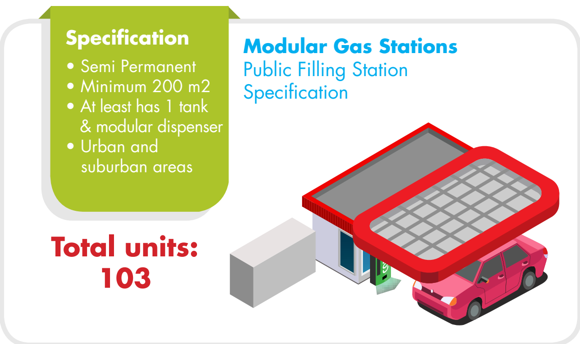
MARKETING SECTOR

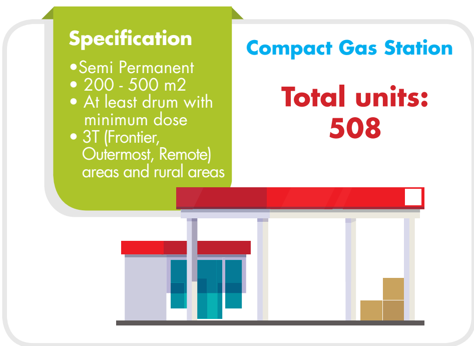
Pertamina runs its business in two segments that have very different characteristics, namely the retail segment and the corporate segment. Therefore, Pertamina products are marketed through two main functions, namely Retail Marketing and Corporate Marketing. Retail Marketing sells fuel products in the transportation sector, lubricant and LPG for households and non-households, both subsidized products and non-subsidized products. Meanwhile, Corporate Marketing sells fuel products in various industrial sectors, aviation, and shipping, and other non-fuel products such as asphalt and petrochemicals for the industrial sector. The two main functions are supported by reliable infrastructure ranging from Fuel tank trucks, skid tanks, depots, ports and ships. Thus, energy is distributed throughout Indonesia smoothly.

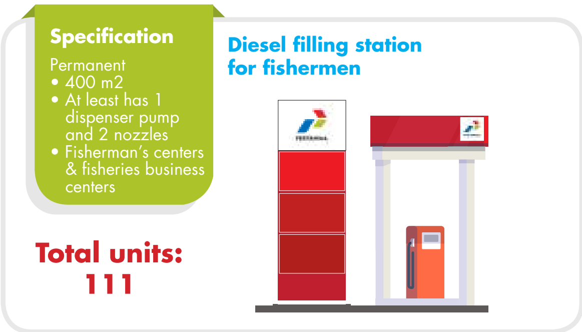
Retail marketing activities are carried out directly or through dealers (dealership system). Pertamina markets retail fuel for the transportation sector, households and fishermen through Gas Station spread throughout Indonesia. Until 2019, the number of Pertamina channeling institutions was 7,146 spread throughout Indonesia, both Regular SPBU, mini gas stations, modular, and gas station for Fishermen.

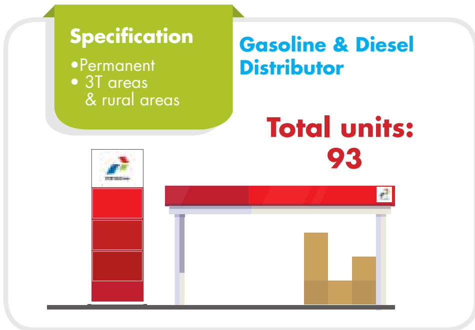


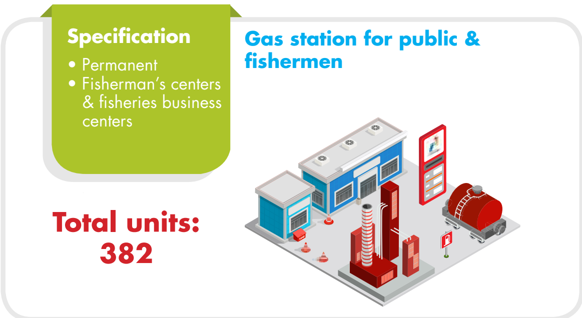


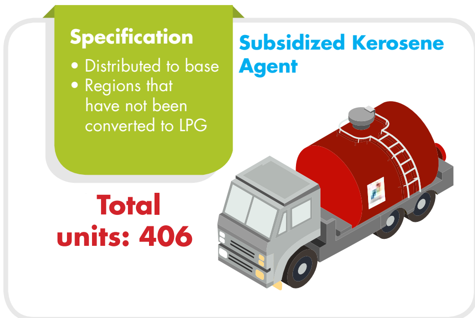












To maintain service standards at Pertamina gas stations, Pertamina through "Pertamina Way" program has developed "SPBU Pasti Pas" program through Audit assessment in the form of trained staff, Facilities and Equipment, Products and Additional Services, Physical Formats, and Quality-Quantities.

Then, in 2016, Pertamina started to develop an excellent service program in the form of "Pasti Prima" program. The development of "Pasti Prima" program consists of 5 (five) main pillars, namely "Energi Terintegrasi" (Integrated Energy, other product of Pertamina), a convenient and complete Non Fuel Retail business line, efficient and friendly service, modern Marketing (digital and loyalty), and well-managed public facilities. With Pasti Prima Program, consumers will get new experiences, especially digital services, which are adjusted to the current lifestyle that is implemented in the gas station areas.

In 2018, fuel products distributed retail included Certain Types of Oil-based Fuels (Specific Types of Fuel) in the form of Kerosene and Solar (Diesel) products. Premium gasoline is distributed as Types of Fuels for Special Assignment (Fuel Type Specific Special Assignment). While Pertalite (Mogas RON 90), Pertamax (Mogas RON 92), Pertamax Turbo (Mogas RON 98), Dexlite (CN 51), Pertamina Dex (CN 53) are marketed as General Types of Oil-based Fuels (Types of General Fuel). In addition to fuel products, Pertamina also markets domestic gas products. Since 1968, Pertamina has committed to serving all Indonesian people by providing LPG and Gas Products as raw materials and fuels for household, transportation, commercial and industrial purposes. LPG is increasingly recognized by the public with the Government's conversion program of Kerosene to LPG which is more economical, efficient and eco- friendly.

Going further, Pertamina continues to develop domestic gas product variants to improve services and meet the demand of today's society. Pertamina's domestic gas products currently include LPG products for household cooking needs, namely ELPIJI 12 kg, Bright Gas 5.5 kg, Bright Gas 12 kg, LPG products for commercial include ELPIJI 50 kg, and ELPIJI Bulk, other LPG derivative gas products including Bright Gas Can (canned LPG packaging), HAP (Hydrocarbon Aerosol Propellant) products, Musicool (refrigerant), and Vi-Gas LPG fuel for vehicles.

ONE PRICE POLICY

Pertamina gets an assignment from the Government to realize One Price Policy in Indonesia. Until the end of 2018, nationwide Pertamina has realized the One Price Policy operation and operation trial in One Price Policy Distribution Agencies at 125 points (55 points in 2017 and 70 points in 2018) in the 3T (Frontier, Outermost and Remote) areas. With the existence of these gas stations, now the people in these areas can buy Premium and Solar at the same price as people in other regions who have enjoyed prices according to Presidential Regulation No. 191 Year 2014, where Premium is Rp 6,450/liter, and Solar isRp5,150/ liter.

KALIMANTAN ISLAND

East Kalimantan Province
- Desa Tabalar, Berau
- Desa Sekaduyun Taka, Nunukan Regency
- Desa Lempakke, Berau

North Kalimantan Province
- Sungai Boh, Malinau
- Lumbis Sub District, Nunukan
- Desa Long layu, Nunukan
- Desa Long Ampung, Kayan Selatan Sub District, Malinau

West Kalimantan Province
- Pintas Keladan, Sintang
- Nanga Sokan, Melawi
- Nyayum, Landak

Central Kalimantan Province
- Selantikan Raya, Lamandau
- Kamipang Sub District, Katingan
- Katingan Kuala Sub District, Katingan
- Gunung Purei Sub District, Barito Utara
- Teweh Timur Sub District, Barito Utara

South Kalimantan Province
- Desa Bajayau Kecamatan Daha Barat, Hulu Sungai Selatan
- Desa Malinau Kecamatan Loksado, Hulu Sungai Selatan

SULAWESI ISLAND

Southeast Sulawesi Province
- Desa Waelumu, Wakatobi Regency
- Kelurahan Matahora, Wakatobi
- Jl. poros Langara Lampeapi, Konawe Islands

Central Sulawesi Province
- Jalan Poros desa Wakai, Tojo una2
- Desa Liang, Bangkep
- Desa Timbong Mominit, Banggai Tengah, Banggai Laut

Gorontalo Province
- Desa Tolite Jaya, Gorontalo Utara

North Sulawesi Province
- Desa Melonguane Timur Melonguane Sub District, Talaud Regency
- Desa Kordakel, Kabaruan Sub District, Talaud Islands
- Kampung Barangka Pehe Pulau Tagulandang, Sitaro Islands
- Miangas Sub District Pangkalan An. Yopie Lupa, Talaud Islands
- Jl. Trans Essang - Gemeh Pulau Karakelang, Talaud Islands
- Desa Marampit, - Pangkalan An. Yoshua Batiman, Talaud Islands

PAPUA ISLAND

Papua Province
- Wamena, Jayawijaya
- Yasabor, Asmat
- Bolakme, Jayawijaya Regency, Jayawijaya
- Abenaho, Yalimo
- Kampung Yukase, Maybrat

West Papua Province
- Manimeri, Teluk Bintuni
- Kumurkek, Maybrat Regency, Maybrat
- Waigama Misool District, Raja Ampat

PRIME SERVICES IN FESTIVE DAYS

To ensure safe distribution of fuel during the festive days of Eid Al-Fitr, the Christmas and New Year, in 2018 Pertamina conducted Satgas RAFI (Ramadhan Eid Al-Fitr) and Satgas Naru (Natal Tahun Baru) which provided additional services for the people celebrating Eid Al-Fitr, Christmas and New Year in the form of Kiosk Pertamax, Serambi Pertamax, and Motor Kemasan with sales realization of 2.147 KL Pertamax - 183 KL Dexlite (during RAFI) and 973 KL Pertamax –114 KL Dexlite (during NARU 2018).

SERVICES IN DIGITAL ERA

To increase consumer loyalty in the digital era which is predicted to be full of challenges in future, Pertamina has MyPertamina program. MyPertamina is Pertamina's cashless payment and also one stop digital service launched on December 20, 2017. In 2018, MyPertamina continues to be developed, and it currently not only can be used at gas stations, but also in Bright Stores and Bright Oli Marts.

NON RETAIL MARKETING

Avtur

Rapid development of the aviation industry both in Indonesia and in the world is an opportunity for Pertamina. With its capacity, Pertamina is able to provide services and meet the demand of airlines. Pertamina has aviation fuel products, both Jet A-1 and aviation gasoline.

Pertamina uses the brand "Avtur" for its A-1 jet products sold to domestic and foreign airlines at domestic airports. Avtur filling in the country is carried out through the Aviation Fuel Filling Terminal (DPPU) spread in 8 Marketing Operation Regions (MOR). Whilefilling of A-1 jets at airports abroad is done by making reseller agreements with local partners.

Pertamina continues to expand its flight fueling network both at home and abroad. In 2018, Pertamina added one DPPU at a new airport in the country. While the additional Avtur filling services abroad are mostly in China.

Until the end of 2018, Pertamina's aircraft refueling network has penetrated Europe, Australia, East Asia, Southeast Asia, South Asia and the Middle East. The majority of consumers served at these locations are scheduled airlines. In addition to scheduled airline customers, Pertamina also serves non-regular/ad-hoc flights including presidential aircraft, VVIP, charter flights and new aircraft delivery flight in various locations around the world.

On the commercial side, throughout 2018 Pertamina actively participated in biddings for the provision of fuel for filling in various airports in the world as well as working with local fuel suppliers through reseller agreements. For fueling infrastructure, Pertamina continues to modernize the reliability of aircraft refueling means and facilities, improve stock reliability, and integrate information system and operation service customization.

Petrochemicals

One of the non-Fuel products marketed by Pertamina is Petrochemicals. The Petrochemicals products marketed include Bitumen, Paraxylene, Benzene, Propylene & Polypropylene, and other non-fuel products such as Sulfur, Solvent, Rubber Processing Oil, Smooth Fluids, Fuel Coke, and Agricultural Chemicals.

In 2018, realization of Petrochemical products sales was relatively stable compared to sales in 2017, with a sales growth of around 4% in the last three years.

Market demand for petrochemical products still has the potential to increase. Therefore, in its marketing activities, Pertamina not only conduct marketing of its refinery products, but also trading activities to meet the market demand in Indonesia, in particular for Bitumen, Benzene, Paraxylene and Sulfur products which contribute to sales volume of 550 thousand MT or about 22% of the total sales of petrochemical products.

In 2018, Pertamina developed the market by penetrating the export markets, among others: Malaysia, China, India, and Europe. The main product sold to the export markets was Green Coke Slack Wax, EXDO-4 with sales volume of 275 thousand MT. Additionally, Pertamina was also focused on planning the development of supply point infrastructure for Bitumen products, and the market penetration of Smooth Fluid and non-carcinogenic EXDO-4 products, which are more eco-friendly to the domestic market.

Industry & Marine Fuel

In addition to marketing retail petroluem, Pertamina also markets fuel to the industrial and marine sectors on a large scale. Until now, Pertamina has more than 100,000 consumers throughout Indonesia. Some of Pertamina consumers are PLN, TNI/POLRI, cooperation contractors, mining industry, paper industry, steel industry, plantations, manufacturing and various other industries.

At present, the largest market segment is the electricity segment/PLN. However, fuel demand from PLN tends to decrease due to the policy of reducing the use of fuel by converting the energy to gas, coal and other renewable energy (water, geothermal, etc).

In the Marine sector, Pertamina markets fuel by focusing on developing a network of fuel sales services in all vital ports within Indonesia. Fuel marketing in the marine sector is carried out through BUMN synergy and cooperation with the private sector. In addition, Pertamina also has enormous potential to expand overseas, especially due to the support from Government's policy granting exemption from VAT in Indonesia for ocean going ships. In addition, Pertamina can also utilize shipping lines that pass through Indonesian waters (such as Australia-Japan/Korea/China) to become a significant potential to increase the volume of the bunker sector.

In marketing fuel to the industrial and marine sectors, Pertamina has various advantages. Pertamina guarantees the availability of fuel supplies supported by seven domestic refineries, more than 115 fuel terminals, complete land and sea transportation facilities spread throughout Indonesia. The quality and quantity of Pertamina fuel is guaranteed by the Director General of Oil and Gas and international standards.

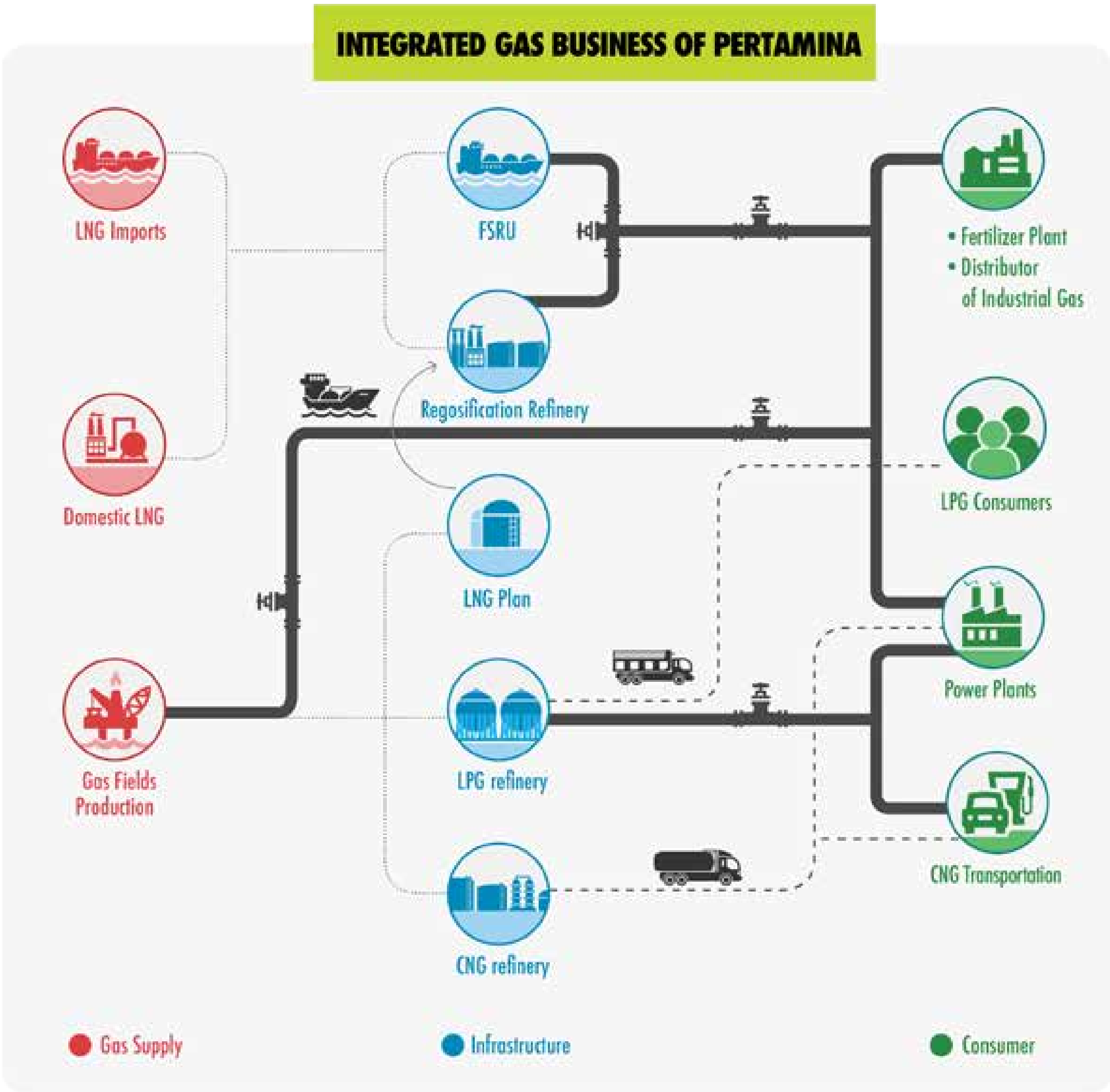
The key to Pertamina's success in the globalization era competition lies in a long-term partnership dedicated to meeting consumer needs, which is realized through, among other things, after sales services in the form of Vendor Held Stock services as well as reliable Technical Support & Safety Advisor with a view to provide total solution energy to customers by carrying "We Bring Energy Solution" tagline. To complement its product portfolio to fulfill consumer demand for energy, Industrial Fuel Marketing has been implementing integrated primary and secondary energy marketing in the form of Fuel, Gas to the provision of secondary energy in the form of electricity through a synergy with subsidiaries.

Customer demands are increasingly high with the tendency to procure fuel through a tender system and multi-supplier policies to ensure fair competition in the supply of logistics needed by consumers. Pertamina answers the challenge by providing competitive prices, reliable supply availability, credit services/term of payment (TOP) with competitive time periods, and high Domestic Component Index (TKDN). In 2018 Pertamina still has a strong position in the domestic market with a market share of over 70% for the industrial and marine fuel sectors. Pertamina's customer satisfaction, measured annually through surveys to find out the Customer Satisfaction Index (CSI) and Customer Loyalty Index (CLI), in 2018 the survey results showed a value of 4.0 in the Likert scale.

Gas Operation Performance

In the downstream segment of gas, Pertamina's business includes gas sales (pipeline), gas transportation, regasification and CNG transportation sales. In addition, Pertamina also acts as a seller of pipeline gas and LNG. For gas pipelines, Pertamina serves both industrial customers, power plants (PLN) and households (city gas). With the joining of PT PGN Tbk. (PGN) to Pertamina, PGN and Pertagas infrastructure are integrated, and PGN will manage the domestic downstream gas business.

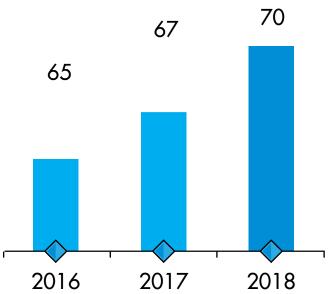
In the downstream gas business, gas sales volume in 2018 rose by 36% compared to the previous year. While gas transportation volume rose by 55% compared to the previous year. Significant increases in both gas sales and transportation volumes were mainly due to PT Perusahaan Gas Negara Tbk. (PGN) has integrated with Pertamina.


INTEGRATED GAS BUSINESS OF PERTAMINA
LNG Imports
Domestic LNG
Gas Fields Production
FSRU
Regosification Refinery
LNG Plan
LPG refinery
CNG refinery
• Fertilizer Plant
• Distributor of Industrial Gas
LPG Consumers
Power Plants
CNG Transportation
Gas Supply
Infrastructure
Consumer

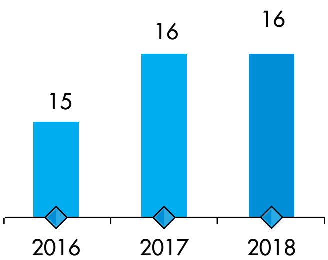
MARKETING PERFORMANCE

In 2018, the sales of Fuel and Non-Fuel products grew by 5% and 1% respectively compared to the previous year. This increase was contributed by sales of Pertalite, Solar, Avtur and LPG products. While the downstream gas business performance increased significantly with the joining of PGN. The gas business in the future will focus on meeting Pertamina's refinery needs as well as assigning sales of gas to both state gas pipelines and LNG.

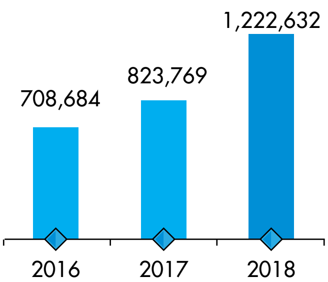
Sales of Fuel Products (Million KL)



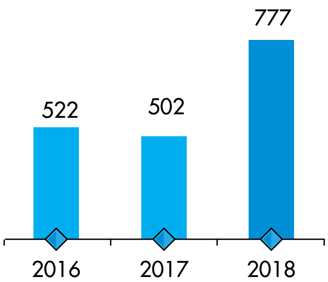
Non-Fuel Product Sales (Million KL)



Gas Sales (BBTU)



Gas Transportation (BSCF)



INFRASTRUCTURE SECTOR AND SUPPLY CHAIN OF MARKETING

In meeting the needs of energy, especially Fuel, Pertamina manages and operates infrastructure throughout Indonesia.

Picture 1 - Fuel Distribution Pattern

- ± 500 LPG Bulk Filling Stations
- ± 60 Aviation Fuel Filling Terminals (DPPU)
- ± 20 LPG Terminals
- > 1 Lube Oil Blending Plant (LOBP)
- > 100 Fuel Terminals
- Managing of > 60 units of Owned Tanker and> 100 units of Chartered Tanker
- > 5,500 Gas Stations
- > 100 Pier
- > 10 SPM (Single Point Mooring)
- > 5 STS locations (Ship to Ship)
- ± 10 CBM (Conventional Buoy Mooring)
- > 100 Light Ships
- ± 2 Bitumen Plant
- ± 2 Chemical Storage Plants
- > 30 Gas Filling Stations (SPBGs)

Marketing Infrastructure Development

Breakthrough Project (BTP) of The Marketing Infrastructure Development Master Plan that has been prepared for the period of 2020, 2025 and 2030 which is integrated with all long-term planning in the Directorate of Marketing, Processing, Gas, and Finance as well as ISC Functions covering strategic projects and master plans of the infrastructure development as follows:

1. Construction and development of Fuel Terminals in 5 locations (Region I, III, and V)
2. Replacement of Cikampek-Plumpang pipeline which is targeted for completion in 2019-2020 and the development of CB II of Lomanis Tasikmalaya and CB II of Lomanis-Rewulu pipelines.
3. Relocation of Sultan Hasanudin DPPU in Makassar, Sultan Thaha in Jambi, Sepinggan in Balikpapan, DEO in Sorong, Supadio in Pontianak, Ahmad Yani in Semarang and Mutiara in Palu (under construction) and the construction of DPPU Kertajati in Majalengka.

4. Construction and Development of LPG terminals:
   a. Construction of Pressurized LPG Tank in LPG Terminal of Region I.
   b. Construction of Pressurized LPG Tank in LPG Terminal of Region III.
   c. Construction of Pressurized LPG Tank in LPG Terminal of Region IV.
   d. Construction of LPG Terminal of Pressurized LPG Tank in Region I.

5. Construction and Development of LPG Terminals in Eastern Indonesia:
   Based on Decree of Energy and Mineral Resources Minister No. 2157 K / 10 / MEM / 2017 dated May 31, 2017 concerning Assignment to PT Pertamina (Persero) in the Construction and Operation of the Fuel and LPG Storage Tank, with the location specified in Annex I of the ESDM Minister Decree covering 14 locations in NTB, NTT, South Sulawesi, Maluku, North Maluku and Papua, Pertamina has gradually begun development in Nusa Tenggara and Papua.
6. Current projects:
   a. Development of DPPU in Region III to serve aviation refuelling at West Java International Airport (BIJB).
   b. Construction of Refrigerated LPG Tank in LPG Terminal of West Java to replace / land STS.
   c. Construction of LPG Pressurized Tank in Region V.
   d. Construction of Pressurized LPG Tank in LPG Terminal of Region I.
   e. Construction of Pressurized LPG Tank in LPG Terminal of Region II.
   f. Development of fuel terminal in Region IV.

Shipping Business

Until the end of 2018, Pertamina managed 67 of its own fleets with the entry of a new fleet namely MT Pasaman on April 27, 2018 and 200 charter ships to transport internal cargo. Pertamina's shipping's fleet will add 4 new ships which are currently in the process of development where the addition of the new fleet is to strengthen the distribution of domestic White Oil.

Table 1 - Number of Pertamina-Owned Ships

Ship Type	DWT	Unit
Bulk Lighter	1.642	1
Small I	38.762	11
Small II	85.812	13
General Purpose	189.176	11
Medium Range	450.878	13
Large Range	822.997	9
Small LPG	14.138	5
Midsize LPG	34.800	2
Very Large Gas Carrier	109.254	2
Total	1.747.459	67

In line with the government's commitment since 2017, Pertamina has an active role in the SOE synergy with the signing of a cooperation agreement between Pertamina and NSHI (National Shipbuilding & Heavy Industries). Pertamina also contributes to advancing the national maritime sector consistently and maintaining compliance with the cabotage principle by requiring its fleet operating in Indonesia to use the Indonesian flag and empower Indonesian crew.

In addition to ensuring cargo transportation to all corners of Indonesia, the distribution needs to be supported by the marine services in each port visited. Currently there are 107 ports managed by Pertamina, which consist of 46 Special Terminals (Tersus) and 61 Terminals for Self-interest (TUKS) of Pertamina. Marine also manages 169 docks, 13 Single Point Mooring (SPM), 7 locations for ship to ship (STS) transfers, 11 Central Buoy Mooring (CBM) / Multiple Buoy Mooring (MBM), and 2 Island Berth.

In line with the launching of 8 Priority Pillars of Pertamina's Strategy to support its vision as a "World-Class Energy Company". Pertamina has 8 shipping strategic priorities, namely safety operations, environmental compliance, ships & port reliability, shipping costs, ship performance, ship ownership, service excellence, and manpower.

Pertamina implemented operational excellence for its property and terminal with the implementation of TMSA (Tanker Management & Self-Assessment) which currently has a score of 2.81 and the achievement of SIRE (Ship Inspection Report) of 23 units of owned ships. This implementation is needed for ships that will trade as a prerequisite for anchoring in international oil ports. Followed by the implementation of the MTMSA (Marine Management Self-Assessment) which is currently being implemented to 2 terminal units, namely Bau-Bau Terminal and Cilacap Terminal. The same thing is also done by Vetting Inspection, with the passing/initial grading changes for medium risk from 2017 by 60% to 65% in 2018.

In 2018, Shipping also succeeded in renewing the ISO 9001: 2015 certificate, achieving ISM Compliance at 100%, complying with MARPOL, and the scale of low risk owned ships increased from 25 to 30 ships.

PT Pertamina International Shipping (PT PIS)

PT Pertamina International Shipping (PT PIS) was established based on Deed No. 37 dated December 23, 2016 made before Notary Lenny Janis Ishak, SH in Jakarta with equity participation of USD 10 Million, plus 4 (four) MR ship units and 1 (one) unit Floating Storage Offloading (FSO), namely MT Fastron, MT Sungai Gerong, MT Sambu, MT Sei Pakning and FSO Pertamina Abherka through a spin-off mechanism in 2017.

As a first step in an effort to realize PT PIS's vision "To be the Choice of a World Class Company", PT PIS focuses on FOB cargo transportation activities, charter out 4 (four) MR ship units and 1 (one) FSO unit and optimization of internal cargo, among others, fulfilling the critical organizational needs of the company, supporting Pertamina shipping activities, managing import transportation and ISC third party trading, managing sea transportation and floating storage, hiring qualified ship management and exploring the expansion of the LNG ship market. With the contract on the volume of product import cargo transportation with ISC Pertamina, it provides space to grow in terms of assets and profitability.

Until the end of 2018, with the inclusion of one new PT PIS fleet, namely MT PIS Pioneer on March 30, 2018, the fleet managed by PT PIS became 6 owned ships and it required approximately 38 chartered ships to transport ISC imported cargo. PT PIS fleet will add 2 new ships in 2020 which are currently in the process of development at Japan Marine United Corporation (JMUC), where the new fleet is added to strengthen PT PIS's crude oil transportation portfolio.

In 2018, PT PIS has been running the business of product import cargo transportation services and developing the company's business by adding crude import cargo transportation services as well as penetration of third party cargo transportation services.

PT PIS has established a subsidiary in Singapore under the name Pertamina International Shipping Pte. Ltd. The company is a shipping arm of PT PIS which will be engaged in supporting Pertamina's import transportation and penetrating the international third-party cargo market by starting operations in Singapore as one of the largest hubs in the world. PIS Pte Ltd will also be a place for laying ship assets through Special Purpose Vehicle (SPV) as an effort to mitigate risks in accordance with best international shipping practices and efforts to gain investment funding.

FINANCIAL PERFORMANCE REVIEW

STATEMENT OF INCOME

Sales and Other Operating Revenues

Sales and other operating revenues are derived from domestic sales of crude oil, natural gas, geothermal energy and fuel products, reimbursement of subsidy costs from the Government, export sales of crude oil, natural gas and fuel products, remuneration of marketing services and operating revenues from other operating activities.

In 2018, sales and other operating revenues amounted to USD 57,934 million or 25.94% higher as compared to that of 2017 amounting to USD 46,000 million. The 2018 achievements were contributed by:

1. Domestic sales of crude oil, natural gas, geothermal energy and oil products totalling USD 44,743 million or 77.23% of total sales and other operating revenues
2. Reimbursement of subsidy costs from the Government totalling USD 5,632 million or 9.72% of total sales and other operating revenues
3. The export sales of crude oil, natural gas and oil products totalling USD 3,637 million or 6.28% of total sales and other operating revenues
4. Marketing services remuneration totalling USD 15 million or 0.03% of total sales and other operating revenues
5. Operating revenues from other operating activities totalling USD 3,906 million or 6.74% of total sales and other operating revenues.

Table: Sales and Other Operating Income (In million USD)

Description	Achievement of Corporate Budget Plan (%)	YoY 2018 %	2018 Plan	2018	2017*	2016*	2015**	2014**
Domestic sales of crude oil, natural gas, geothermal energy and oil products	107.17	12.45	41,748	44,743	39,789	35,842	36,560	44,587
Reimbursement of subsidy costs from the Government	106.08	57.67	5,309	5,632	3,572	2,569	3,187	17,857
Export sales of crude oil, natural gas and oil products	98.48	94.08	3,693	3,637	1,874	968	1,270	6,707
Marketing services remuneration	136.36	-40.00	11	15	25	(257)	23	99
Operating revenues from other operating activities	147.12	427.83	2,655	3,906	740	690	723	746
Total Sales and Other Operating Income	108.46	25.94	53,416	57,934	46,001	39,812	41,763	69,996

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts
** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

The upsurge in sales and other operating income in 2018 were mainly influenced by the increase in domestic sales of crude oil, natural gas, geothermal energy and oil products. Domestic sales of crude oil, natural gas, geothermal energy and oil products, totalling USD 44,743 million, up 12.45% over the 2017 acheivement of USD 36,789 million. The driving factor causing this increase was a higher than average selling price due to higher selling prices of products affected ICP actual price and higher sales quantity in 2018 as compared to 2017. The average price of the ICP in 2018 achieved USD 67.47/barrel while in 2017 it was USD 51.17/barrel. The average price of MOPS PSA in 2018 was USD 81.71/barrel while in 2017 it was USD 64,78/barrel.

Another factor causing the increase in domestic sales of crude oil, natural gas, geothermal energy, and oil products in 2018 was the increase in sales volume. The sales volume of oil products in 2018 achieved 88.72 million KL while in 2017 it was 85.74 million KL. There was a significant increase in the sales volume of General Fuel products, which achieved 17.75 million KL, or up 122% from 2016 at 5.86 million KL with the increase in sales volume of 3.24 million KL.

In 2018, the reimbursement of subsidy costs from the Government amounted to USD 5,632 million, up 57.67% as compared to 2017 amounting to USD 3,572 million.

The increase was influenced by:

- A hike in CP Aramco's average price to USD 540/MT in 2017 compared to 2017 at USD 487/MT. Along with the hike in CP Aramco's price, the sales volume of the LPG 3 kg Refill PSO also increased. The sales volume of LPG 3 kg Refill in 2018 was 6.55 million MT or up 4% compared to the 2017 sales volume of 6.31 million MT.
- Diesel/Biodiesel PSO sales volume in 2018 was 15.36 million KL or rose 7.2% from 14.33 million KL in 2017.

The export sales of crude oil, natural gas and fuel products in 2018 amounted to USD 3,637 million or increased by 94.08% compared to 2017 which amounting to USD 1,874 million. The increase was influenced by an increase in the realization of average ICP and MOPS in 2018.

Marketing services remuneration was USD 15 million, a significant decrease as compared to the achievement in 2017 of USD 25 million. Marketing services remuneration is a sales commission obtained by Pertamina in marketing the Government's crude oil, natural gas and LNG.

Operating revenues from other operating activities amounted to USD 3,906 million, a significant increase as compared to 2017 amounting to USD 740 million. Main factor causing the increase was the enforcement of Presidential Regulation No 43 Year 2018 leading to the adjustment of retail selling prices of particular type of fuel oil and special assignment fuel.

Expenses

In 2018, the cost of goods sold and other direct expenses was USD 48,714 million or up 29.47% as compared to 2017, which amounted to USD 37,625 million. These expenses consist of cost of goods sold, upstream production expenses and lifting, exploration expenses and expenses from operational activities. The largest contribution came from the increase in cost of goods sold.

Table: Expenses

In million USD

Description	Achievement of Corporate Budget Plan (%)	YoY 2018 %	2018 Plan	2018	2017*	2016*	2015**	2014**
Cost of Goods Sold	107.34	28.97	39,863	42,788	33,176	26,181	31,911	59,585
Upstream production and lifting expenses	91.57	28.24	4,791	4,387	3,421	3,270	3,072	2,842
Exploration expenses	93.06	62.42	288	268	165	109	158	198
Expenses from other operating activities	97.77	47.39	1,301	1,272	863	703	648	722
TOTAL COST OF SALES AND OTHER DIRECT EXPENSES	105.34	29.47	46,243	48,714	37,625	30,263	35,790	63,347
Selling and Marketing Expenses	112.46	3.33	1,461	1,643	1,590	1,340	990	1,092
General and Administrative Expense	57.06	-16.82	2,331	1,330	1,599	1,509	1,061	1,119

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts
** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

The cost of goods sold in 2018 was USD 42,788 million or up 28.97% as compared to 2017, which amounted to USD 33,176 million. The increase was mainly attributable to the increasing prices of raw material and imports of products that are affected by a rise in the ICP and published oil prices for 2018 as compared with the previous year.

In 2018, the actual upstream and lifting production expenses achieved at USD 4,387 million or up 28.24% from realization in 2016 which totaled USD 3,421 million. The highest contribution was derived from depreciation and depletion expenses, which increased by USD 162 million compared to 2017.

The increase in depreciation and depletion expenses was mainly due to the existence of new entities PT Perusahaan Gas Negara (PGN) and PT Pertamina Hulu Indonesia (PHI). On the other hand, contract charges also increased, amounting to USD 361 million compared to 2017.

The contract charges were mainly from the entity PT Pertamina Hulu Indonesia (PHI), which in 2018 managed four new subsidiaries, namely PT Pertamina Hulu Mahakam (PHM), Pertamina Hulu Attaka (PHA), Pertamina Hulu Sangasanga (PHSS) and Pertamina Hulu Kalimantan Timur (PHKT).

Exploration costs in 2018 amounted to USD 268 million or increased by 62.23% from 2017 at USD 165 million. The rise in exploration costs was due to Pertamina's efforts in pursuing new oil and gas reserves along with the increase in lifting in 2018 amounting to 34,379 MBO while in 2017 amounted to 33,574 MBO.

Expenses from other operating activities increased by 47.39% or amounted to USD 1,272 million compared to the previous year amounting to USD863 million. The increase was mainly attributable to Pertamina's new subsidiary operations in 2018 engaging in the shipping sector, PT Pertamina International Shipping. While the development of PIS business operations comprises the transportation services of Lube Base Oil and Additive owned by Pertamina Lubricants, the transportation services of Asphalt owned by Petrokimia Pertamina, and STS operations.

Operating expenses consist of selling and marketing expenses and also general & administrative expenses.

In 2018, selling & marketing expenses and general & administrative expenses decreased by 6.73% from USD 3,189 million in 2017 to USD 2,973 million. This was mainly due to a decrease in general and administrative expenses amounting to USD 1,330 million or a decrease by 16.82% from USD 1,599 million in 2017 due to the low realization of maintenance costs and other general cost components along with efforts in implementing company efficiency.

Profit for The Year

The high growth percentage of total sales and other operating income of 25.94% compared to the previous year resulted in a 20.42% increase in operating income to USD 6,246 million in 2018 from USD 5,187 million in 2017. The increase was derived from the downstream segment of Pertamina impacted by the enforcement of Presidential Regulation No 43 Year 2018 leading to the adjustment of retail selling prices of particular type of fuel oil and special assignment fuel.

While cost of goods sold and other direct expenses increased by 29.47% from the previous year, which was mainly attributable to a hike in cost of goods sold in 2018 as an impact of the rise in the ICP in 2018 as compared to 2017. The decrease in profit after income tax coupled with increasing income tax expense, and higher price of crude oil compared to the previous year making profit for the year decreased compared to the previous year. Profit for the year is operating income net of operating expenses of the Company. The Company's profit for the year in 2018 was USD 2.636 million, up 3.25% from 2017 amounting to USD 2.553 million.

Table: Profit (Loss)

In million USD

Description	Achievement of Corporate Budget Plan (%)	YoY 2018 %	2018 Plan	2018	2017*	2016*	2015**	2014**
Operating Income	184.77	20.42	3,381	6,246	5,187	6,699	3,921	4,438
Net Profit Before Effects of Merging Entity's Profit Adjustment	588.39	3.25	448	2,636	2,553	3,163	1,442	1,477

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts
** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

Operating income in 2018 was USD 6,246 million, up 20.42% from 2017 amounting to USD 5,187 million. The increase was mainly due to the increase in sales and other operating revenues, most of which came from domestic sales of crude oil, gas, geothermal energy and oil products and other operating revenues. Domestic sales of crude oil, gas, geothermal energy and oil products amounted to USD 44,742.51 million or 112.5% of the 2017 realization of USD 39,788.78 million.

This is mainly due to the increasing quantity of sales of Pertalite, Solar, Premium, Mixed LPG and non-subsidized Fuel.

EBITDA

EBITDA for 2018 amounted to USD 9,204 million, up 26.85% from 2017 amounting to USD 7,256 million, due to an increase in domestic sales of crude oil, gas, geothermal energy, and oil products. On the other hand, there is an increase in the realization of ICP and the published oil prices in 2018 compared to the previous year which affected the cost of goods sold and other direct expenses. The increase in the realization of ICP caused a 158.2% increase in tax expense of the upstream sector in 2018, while current tax in 2018 was USD 2,627 million and deferred tax was USD 386 million.

STATEMENT OF FINANCIAL POSITION

ASSETS

At the end of 2018, Pertamina's total assets were recorded at USD 64,718 million consisting of 35.78% current assets and 64.22% non-current assets. The total assets increased by 12.67% compared to 2017 amounting to USD 57,439 million.

Table: Total Assets

In million USD

Description	(%)	2018	2017*	2016*	2015**	2014**
Current Assets	20.87	23,154	19,156	18,434	14,330	20,493
Non-Current Assets	8.57	41,564	38,283	35,542	31,189	30,203
Total Assets	12.67	64,718	57,439	53,976	45,519	50,696

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts

** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

Current Assets

Current assets are assets that are expected to provide economic benefits in less than one year or less than one operating cycle. Current assets in 2018 reached USD 23,154 million, up 20.87% from total current assets in 2017 of USD 19,156 million.This was mainly due to increases in cash and cash equivalents, trade receivables, due to from government, and inventories. On the other hand there is a decrease in restricted cash and short-term investments.

Non-Current Assets

Non-current assets are assets that are expected to provide economic benefits in more than one year. The realization of total non-current assets in 2018 reached USD 41,564 million, up 8.57% from 2017 amounting to USD 38,283 million. This was mainly due to an increase in fixed assets, oil & gas and geothermal properties, and due from the government. On the other hand, there is a decrease in long-term investments and prepaid taxes.

LIABILITIES

At the end of 2018, Pertamina's total liabilities were recorded at USD 35,108 million consisting of 39.80% short-term liabilities and 60.20% long-term liabilities. The total liabilities increased by 15.39% compared to 2017 amounting to USD 30,426 million.

Table: Total Liabilities

In million USD

Description	(%)	2018	2017*	2016*	2015**	2014**
Short-Term Liabilities	42.04	13,973	9,837	8,893	8,547	13,746
Long-Term Liabilities	2.65	21,135	20,589	19,838	17,497	18,135
Total Liabilities	15.39	35,108	30,426	28,731	26,044	31,881

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts

** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

Short-Term Liabilities

Short-term liabilities are liabilities which may be expected to be repaid in the short term. Short-term liabilities in 2018 reached USD 13,973 million, up 42.04% compared to 2017 amounting to USD 9,837 million. This was mainly due to increases in short-term loans, taxes payable, due from government, and accrued expenses. On the other hand there is a decrease in trade payables and deferred revenues.

Long-Term Liabilities

Long-term liabilities are liabilities that exceed one accounting period. Long-term liabilities in 2018 reached USD 2,135 million, up 2.65% compared to 2017 of USD 20,589 million. This was mainly due to an increase in deferred tax liabilities and bonds payable. On the other hand there is a decrease in long-term liabilities and employee benefits liabilities.

EQUITY

Total equity per December 31, 2018 was recorded at USD 29,610 million, up 9.61% from USD 27,013 million as of December 31, 2017

Table: Equity

In million USD

Description	(%)	2018	2017*	2016*	2015**	2014**
Share Capital	13.76	15,267	13,420	13,420	9,868	9,869
Proforma of Government's equity participation in the framework of Oil and Gas Holding establishment	(100.00)	-	1,804	1,801	-	-
Capital Advances	-	-	-	-	3,552	-
Adjustment of equity account	-	-	-	-	-	(2,648)
Government contributed assests pending final clarification of status	40,012.00	401	1	1	1	1
Other equity components	24.59	608	488	665	730	997
Retained Earnings	20.32	11,323	9,411	7,778	5,131	10,393
Difference in Transactions of Non-Controlling Interests	-	-	-	-	-	-
Non-Controlling Interests	6.46	2,011	1,889	1,579	193	203
Equity	9.61	29,610	27,013	25,244	19,475	18,815

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts

** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

This increase was mainly due to the addition of share capital to USD 15,267 million or an increase by 13.76% compared to 2017 of USD 13,420 million. This realization shows a change due to the addition of the state equity participation of the Republic of Indonesia into the Share Capital of PT Pertamina (persero) originated from the transfer of all B series shares owned by the State in to PT Perusahaan Gas Negara Tbk totaling 13,809,038,755 shares representing 56, 96% of PGN's total shares.

While in 2018 Pertamina signed the minutes of the handover of the operation / use of State Property (BMN) in the form of a gas network and SPBG with the Secretary General of the Directorate of Oil and Gas of the Ministry of Energy and Mineral Resources as the power attorney holder of the use of budget / goods. The BMN's asset value is Rp 5.8 trillion, thus increasing the Government contributed assets pending final clarification of status.

STATEMENT OF CASH FLOWS

In 2018, Pertamina registered a positive cash flow from operating activities, amounting to USD 3,169 million. Investing activities contributed to a reduction in cash flows of USD 3,504 million, and cash flows used in financing activities amounted to USD 3,269 million.

Table: Cash Flows

In million USD

Description	(%)	2018	2017*	2016*	2015**	2014**
Net cash flows generated from operating activities	(22.27)	3,169	4,077	8,391	7,425	4,211
Net cash flows used in investing activities	47.29	(3,504)	(2,379)	(2,619)	(3,363)	(5,714)
Net cash flows generated from financing activities	(265.77)	3,269	(1,972)	(3,480)	(4,431)	623
(Decrease) increase in net cash and cash equivalents	(1.170,80)	2,934	(274)	2,292	(370)	(880)
Effect of exchange rate changes on cash and cash equivalents	527.03	(232)	(37)	21	(158)	(57)
Cash and cash equivalents balance at the beginning of the year	(4.63)	6,410	6,721	4,409	3,639	4,576
Cash and cash equivalents at the end of the year	42.15	9,112	6,410	6,722	3,111	3,639

* Restated, due to the consolidation of PT Perusahaan Gas Negara Tbk ("PGN") and the reclassification of certain accounts
** Excluding consolidation with PT Perusahaan Gas Negara Tbk ("PGN")

Cash flows from operating activities

Net cash flows generated from operating activities during 2018 were lower by USD 908 million compared to 2017. This was mainly due to an increase in cash payments to suppliers and to the government as a result of the increase in the average ICP price in 2018. On the other hand, the increase in the average ICP price in 2018 led to an increase in income of upstream entities and impacted on increasing payments of corporate income taxes.

Cash Flow from Investing Activities

Net cash flows used in investing activities in 2018 was higher by USD 1,125 million compared to 2017. This was in line with the increase in fixed assets, oil, gas and geothermal properties, and the additional placements in long-term investments.

Cash Flow from Financing Activities

Cash flow from financing activities in 2018 was higher by USD 5,241 million compared to 2017. This was mainly due to the addition of cash from proceeds from short-term loans (trust receipts) as a result of the increase in the average ICP price in 2018.

FINANCIAL RATIOS

Financial Aspects	Unit	2018		Target vs Realization	
		Target	Realization		
Return on Equity (ROE)	%	2.08	13.21	11.13	535.1%
Return on Investment (ROI)	%	10.29	15.66	5.37	52.2%
Rasio Kas/*Cash Ratio*	%	44.23	66.83	22.60	51.1%
Rasio Lancar/*Current Ratio*	%	170.17	165.71	(4.46)	-2.6%
Periode Penagihan/*Collection Period*	Day	54	50	(4)	-6.8%
Perputaran Persediaan/*Inventory Turn Over*	Day	63	40	(23)	-36.8%
Total Asset Turn Over (TATO)	%	88.40	99.23	10.83	12.3%
Total Equity (TMS) to Total Assets	%	35.63	40.31	4.68	13.1%

Return on Equity (ROE)

Pertamina's ROE Pertamina in 2018 was 13.21%, above the 2018 Corporate Budget Plan of 2.08%. Return on Equity (ROE) is one of the profitability ratios used to measure a company's ability to generate profits from shareholders' investment in the company.

Return on Investment (ROI)

Pertamina's ROI in 2018 was 15,66%, above the 2018 Corporate Budget Plan of 10.29%. Return on Investment (ROI) as comparison between EBITDA and capital employed is used to analyze the balance between earnings and the funds invested in the company's operations.

Cash Ratio

Pertamina's cash ratio in 2018 was 66.83%, above the 2018 Corporfate Budget Plan of 44.23%. The cash ratio is obtained by comparing cash and cash equivalents plus short-term investments with short-term liabilities.

Current Ratio

Pertamina's current ratio in 2018 reached 165.71%, below the 2018 Corporate Budget Plan of 170.17%. The current ratio is one of the liquidity ratios used by the Company to measure how far current assets owned by the Company can be used to pay off short-term liabilities.

Collection Period

Pertamina's collection period in 2018 was 50 (fifty) days or 4 (four) days faster compared to the collection period in the 2018 Corporate Budget Plan of 54 (fifty four) days.

Inventory Turnover

Pertamina's inventory turnover in 2018 was 40 (forty) days, 23 (twenty three) days faster than the 2017 Corporate Budget Plan of 63 (sixty three) days. This was mainly influenced by an increase in inventory value, which was attributable to an increase in the average ICP and Published Oil price, for the year 2018.

Total Asset Turn Over (TATO)

Pertamina's TATO in 2018 was 99.23%, higher than the 2018 Corporate Budget Plan of 87.07%. TATO is an activity ratio to assess the effectiveness of the use of funds embedded in the number of assets in order to generate income. TATO is calculated by comparing total income with capital employed.

Total Equity (TMS) to Total Assets

TMS on Pertamina TA in 2018 was 40.31%, higher than 2018 Corporate Budget Plan of 35.63%. TMS on TA is calculated by comparing total own capital with total assets. Total own capital is the total equity minus the unapproriated retained earnings.

SOLVENCY

Chart of Solvency in the Last 5 Year

Decsription	Unit	2018	2017	2016	2015	2014
Liabilities to equity ratio	%	66.99	56.2	59.99	71.23	94.76
Liabilities to assets ratio	%	28.57	24.58	26.3	30.18	34.79
Long-term liabilities to equity ratio	%	51.14	54.3	58.92	61.73	67.97
Long-term liabilities to assets ratio	%	21.81	23.75	25.83	26.15	24.96
Profit (loss) ratioto total assets	%	3.9	4.56	6.15	3.12	2.85
Profit (loss) to total revenues ratio	%	4.33	5.63	8.23	3.36	2.06

In general, Pertamina's liabilities throughout 2018 increased compared to 2017. The increase in liabilities was due to the increase in short-term liabilities as a result of the increase in ICP average prices in 2018 compared to 2017. The Company was still able to maintain good liabilities stability by lowering long-term liabilities to assets ratio in order to ensure the payment of libialities due in the next 12 months.

While the Company’s solvency is indicated by the profit to assets and revenues ratio that shows a positive value, which reflects the Company's solvency.

ACCOUNTS RECEIVABLE COLLECTIBILITY

In 2018, the collectibility of Pertamina’s receivables was 50 days on average, 12 days longer than the collectability rate in 2017. This was largely attributable to an increase in trade receivables with the increase in domestic sales of crude oil, natural gas, geothermal energy and oil products and other operating revenues from reimbursement of subsidy costs from the Government

Chart of Pertamina's Receivable Collectability Period in the last 5 years

Chart of Pertamina’s Receivable Collectability Period in the last 5 years

Decsription	Unit	2018	2017	2016	2015	2014
Collection Period	Day	50	38	43	42	38

REALIZATION OF CAPITAL GOODS INVESTMENT

Table: Fixed Asset Investment for Business Development in 2018

No	Directorate	Realization of 2018 (million USD)	Realization 2017 (million USD)
1	Upstream Directorate	642	1.642
2	Refinery Directorate	0	26
3	Logistics, Supply Chain, & Infrastructure Directorate	132	202
4	Refinery Development Mega Projects Directorate	194	334
5	Corporate Marketing Directorate	95	141
6	Retail Marketing Directorate	9	0
7	Asset Management Directorate	8	111
8	Finance Directorate	0	89
9	PIMR Directorate	13	0
10	AP SDM	1	0
Total		1.095	2.520

CONTRIBUTIONS TO THE GOVERNMENT (DIVIDENDS AND TAXES)

DIVIDEND POLICY

Pertamina’s dividend policy to the Government refers to the resolutions of the General Meeting of Shareholders (GMS) while constantly taking into account the financing requirements for the Company’s expansion.

The General Meeting of Shareholders on May 2, 2018 decided for Pertamina to pay dividends for 2017 amounting to Rp8.57trillion with a dividend payout ratio of 25%. The obligations have been fully paid to the government.

In 2017, dividend on the 2016 net profit was determined by the General Meeting of Shareholders dated March 16, 2017 amounting to Rp12.1 trillion with a dividend payout ratio of 29%, which has been fully paid by Pertamina to the government.

In 2016, dividend on the 2015 net profit was determined by the General Meeting of Shareholders dated May 31, 2016, amounting to Rp6.8 trillion with 36% dividend payout ratio, which has been fully paid by Pertamina to the government.

Table: Payment of Pertamina dividends for the Fiscal year 2015-2017

Description	Based on the GMS of the Fiscal Year					
	2017	Date of Payment	2016	Date of Payment	2015	Date of Payment
Dividend Payout Ratio	25%		29%		36%	
Total Dividend According to the AGM (million USD)	8,569,790		12,103,431		6,800,000	
Number of Shares	171,227,044		133,090,697		133,090,697	
Dividend per Share (Rp)	50,049		90,941		51,093	
Realized amount (million USD)	8,569,790		12,103,431		6,800,000	
Interim dividend payout			500,000	12/6/2016		
Payment I	2,142,447,5	31/05/2018	3,025,858	13/04/2017	1,700,000	29/06/2016
Payment II	1,285,468,5	02/08/2018	1,715,515	16/05/2017	1,700,000	29/07/2016
Payment III	1,285,468,5	03/09/2018	1,715,515	14/07/2017	1,700,000	31/08/2016
Payment IV	1,285,468,5	02/10/2018	1,715,515	15/09/2017	1,700,000	30/09/2016
Payment V	2,570,937,0	02/11/2018	1,715,515	16/10/2017		
Payment VI			1,715,515	16/11/2017		
Remaining Unpaid Amount			-		-	

COMPLIANCE AS MANDATORY TAXPAYER

One form of Pertamina's contributions to the state is realized through the fulfillment of the Company's obligations as a taxpayer and as a tax collector. As a taxpayer, the Company is always obedient in fulfilling its Corporate Income Tax (PPh) obligations. Whereas as a tax deductor and tax collector, the Company plays an active role in deducting and collecting each taxable object.

Amount of Taxes Paid

Payment of Pertamina's taxes consisting of PPh for being withheld, Prepaid Taxes, Output VAT, Customs Import duties, and Regional Taxes, with total transactions up to December 2018 amounted to Rp79.91 trillion. When compared to the same period in 2017 of Rp75.92 trillion, there was an increase of 5.26%.

Statement of Compliance with Tax Payment Time

Pertamina has paid taxes including Withholding Tax, VAT, Property Taxes, and other regional taxes within the period according to the applicable tax regulations. In addition, Pertamina has also submitted tax reporting documents such as Reports of Income Tax Return and VAT Tax Retun, Annual Income Tax Return, and other tax obligations documents to the taxation authority pursuant to the applicable tax provisions.

PERFORMANCE OF SUBSIDIARIES

In carrying out its business activities, Pertamina establishes a number of subsidiaries, in which Pertamina has financial and operational controls through 100% or majority ownership. Until the end of 2018, Pertamina has 25 subsidiaries with line of business, total assets, operating revenues and net profits for the last two years are presented in the following table:

(In million USD)

No	Company Name	Line of Business	Total assets		Operating revenues		Net profit	
			2018	2017	2018	2017	2018	2017
Upstream Cluster								
1	PT Pertamina EP	Oil & Gas Exploration & Production	7,498.64	7,621.46	3,160.58	2,770.08	756.04	614.78
2	PT Pertamina Hulu Energi	Oil & Gas Exploration & Production	4,531.67	4,780.79	2,528.09	1,999.08	474.12	248.89
3	PT Pertamina Geothermal Energy	Geothermal Exploration & Production	2,555.69	2,404.90	660.84	622.47	107.40	95.73
4	PT Pertamina Drilling Services Indonesia	Oil & Gas Drilling Services	560.42	574.40	237.82	235.34	20.64	18.21
5	PT Pertamina EP Cepu	Oil & Gas Exploration & Production	2,992.89	2,608.02	1,779.01	1,328.94	842.40	662.21
6	PT Pertamina EP Cepu ADK	Oil & Gas Exploration & Production	12.85	18.53	0.00	0.00	-10.63	-57.79
7	PT Pertamina Internasional Eksplorasi Dan Produksi	Oil & Gas Exploration & Production	5,838.79	5,803.30	1,191.60	1,162.47	-39.71	142.73
8	PT Pertamina Hulu Indonesia	Oil & Gas Exploration & Production	1,510.15	304.84	2,209.97	0.00	779.86	-2.65
9	PT ElnusaTbk	Seismic survey, logistics base, telecommunications, construction and marketing of fuel(Pertamax)	390.67	358.38	465.01	372.01	19.40	18.47
10	PT Pertamina Hulu Rokan	Oil & Gas Exploration & Production	785.00	-	-	-	-	-

No	Company Name	Line of Business	Total assets		Operating revenues		Net profit	
			2018	2017	2018	2017	2018	2017
Downstream Cluster								
11	PT Pertamina Power Indonesia	Production of electricity from other energy sources such as natural gas, liquid gas, geothermal, solar energy	114.76	101.11	0.04	0.00	-1.53	-1.66
12	PT Nusantara Regas	Liquified Natural Gas ("LNG") regasification	240.82	277.44	682.95	568.66	54.40	48.94
13	PT Perusahaan Gas Negara Tbk	Oil and gas trade, gas transportation, refinery, distribution and storage of oil and gas	7,939.27	8,183.18	3,870.27	3,570.60	304.99	196.91
14	PT Kilang Pertamina Internasional	Carrying out production, refinery and trading activities in the fields of oil, natural gas, and new and renewable energy domestically and abroad	1.84	-	-	-	0.01	-
15	PT Pertamina Patra Niaga	Industrial Trade & Activities Services	869.27	915.38	1,572.19	1,390.85	36.20	84.03
16	PT Pertamina Retail	Fuel distributor	203.10	150.64	902.99	891.84	13.50	10.63
17	PT Pertamina Trans Kontinental	Shipping Services, Maritime Services & Logistics Services	307.52	287.01	143.91	132.95	19.59	13.67
18	PT Pertamina Lubricants	Processing and Marketing of Lubricants	416.58	500.64	777.79	719.29	124.78	134.42
19	PT Pertamina Internasional Shipping	Oil and gas commodity shipping services	296.33	208.97	404.75	99.51	52.73	14.92

No	Company Name	Line of Business	Total assets		Operating revenues		Net profit	
			2018	2017	2018	2017	2018	2017
Finance & Services Cluster								
20	PT Asuransi Tugu Pratama Indonesia Tbk	Insurance services	1.204,25	1.091,91	179,32	183,34	17,47	34,71
21	PT Pertamina Pedeve Indonesia	Exercise equity participation	62,10	71,33	8,14	14,80	5,48	3,20
22	PT Patra Jasa	Services include hospitality, office space, homes, apartments and other buildings	241,17	235,57	97,77	75,57	9,31	8,55
23	PT Pelita Air Service	Air transportation services, rent of aircraft	60,38	65,66	48,66	56,54	-0,55	2,65
24	PT Pertamina Bina Medika	Health services, management of hospitals	105,74	111,01	91,40	98,80	0,63	3,88
25	PT Pertamina Training & Consulting	Management consulting services, training, security guard oursource	39,80	40,77	111,72	106,27	2,88	2,15

CORPORATE VALUATION/ASSESSMENT

Corporate Health Rating

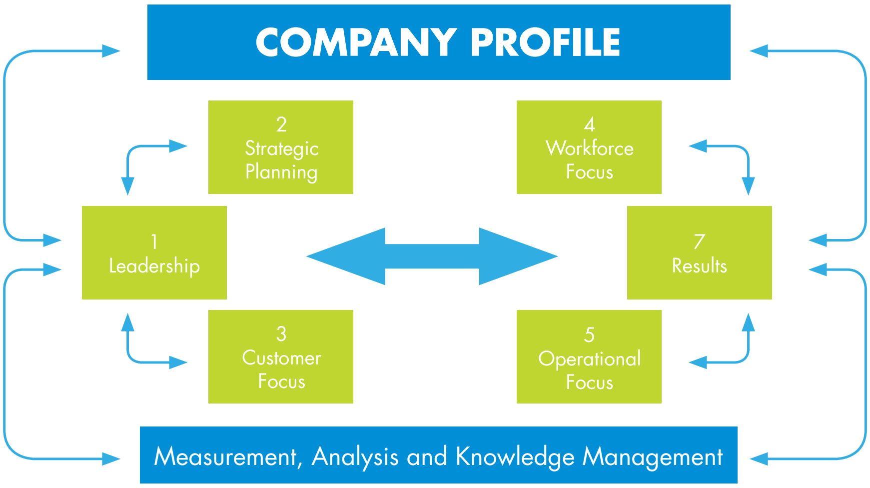
The Company's health rating is measured in accordance with the guideline issued by the Minister of State-Owned Enterprises (BUMN) through the Decree of the Minister of SOE No. KEP-100/MBU/2002 on the rating of the health of State-Owned Enterprises. Pertamina's health rating in 2018 was ranked **"Healthy AA"** with a score of **86.72**. These results are obtained from several aspects of assessment as follows:

Indicators	Score
Financial aspect	64.50
Operational Aspects	13.22
Administrative Aspects	9.00
Total Score	86.72

Excellent Performance Assessment Criteria (KPKU)

In 2018, Pertamina conducted a company performance assessment based on Excellent Performance Assessment Criteria (KPKU) with criteria adopted from "Malcolm Baldridge Criteria for Performance Excellence" conducted by FEB BUMN Assessors.

The assessment process includes clarification, verification, and site visits of the 7 main focuses of KPKU with SOE KPKU Framework (System Perspective) as below:



SOE KPKU is a tool that can be used to assess/measure all elements of a company's management system as well as process and result improvement factors as a consideration when conducting an assessment.

Results of the 2018 KPKU Assessment

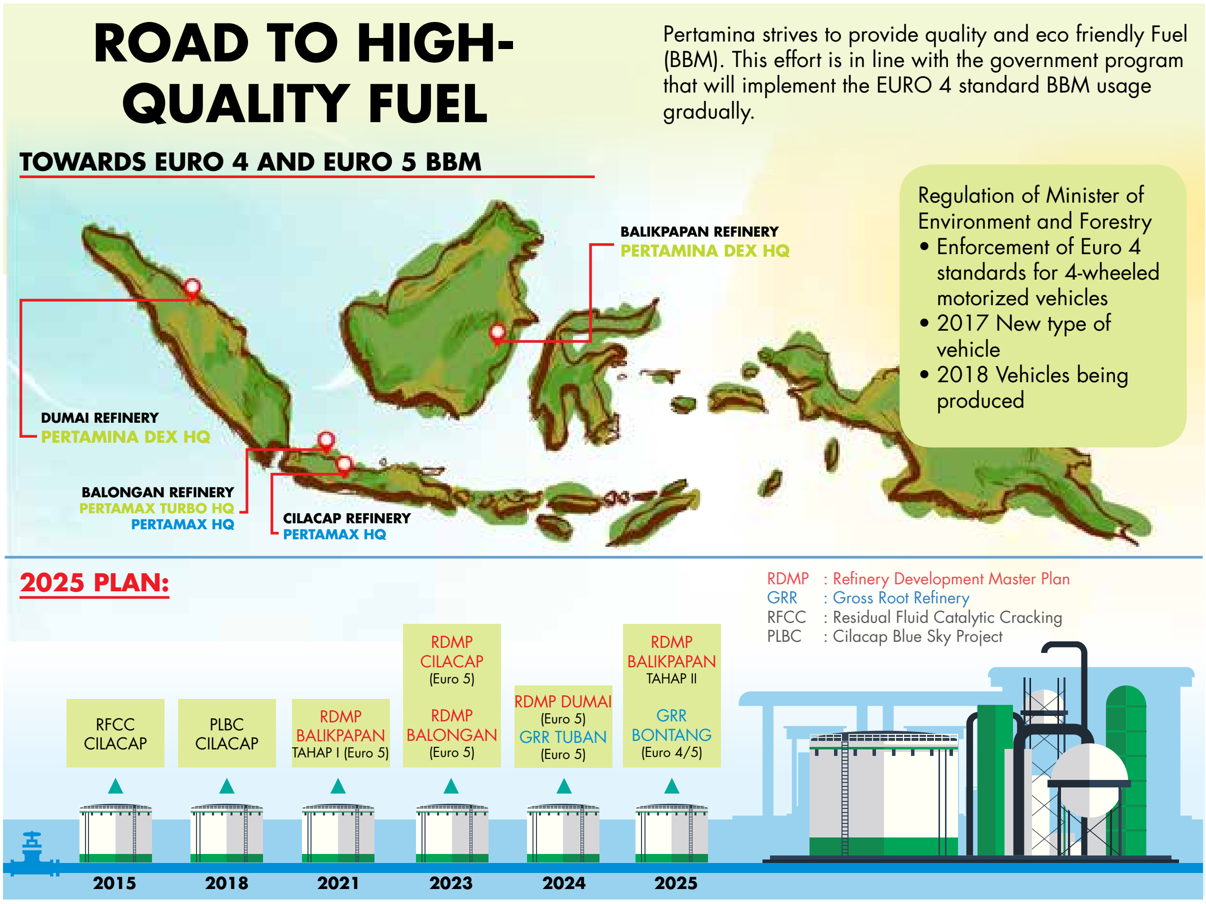
Based on the results of the 2018 SOE KPKU, Pertamina obtained a score of 755.75 in the "Industry Leader" category, an increase compared to the previous year of 739.50.

PROSPECTS AND FUTURE PLANS

IIn the midst of various concerns about the economic conditions and the global oil and gas industry, Pertamina has high optimism about prospects for 2019. Pertamina's production and sales are believed to be significantly increase. In the upstream sector, the merger of 13 Ex-Terminated Working Areas, of which 8 Working Areas have been effective in 2018 has increased oil and gas proven reserves (proven reserves, P1) Pertamina. Moreover, 8 Working Areas have been effective as part of Pertamina since 2018. This will have a positive impact on increased production of Pertamina in 2019 and beyond. Not only that, Pertamina's oil and gas production will also increase significantly, especially from the Rokan Working Areas, the Working Areas with the largest national oil production of which the management contract will terminated by the old operator in 2021.

In the downstream sector, demand for domestic fuel continues to increase. This can be can be interpreted as an opportunity for Pertamina to increase its sales, both in the industrial and retail segments.

However, the government policy through the Regulation of the Ministry of Environment and Forestry of the Republic of Indonesia No. P. 20/MENLHK/SETJEN/KUM. 1/3/2017 concerning Standard Quality of New Type Motor Vehicle Exhaust Emissions Category M, Category N, and Category O which have implications for fuel distributed domestically must meet the quality standard of Euro 4. Pertamina is committed to presenting high-quality fuel in the country. Therefore, in order to meet the demand for domestic fuel in terms of quantity and quality, Pertamina through a medium refinery mega project and will develop 4 refineries (refinery development Master Plan or abbreviated as RDMP) and build 2 new refineries (new Grass Root Refinery or abbreviated as NGRR). The entire mega project is targeted to be completed in 2025 with refinery processing capacity increasing from 1.3 million barrels per day to 2 million barrels per day and generating fuel with Euro 5 standard.



However, in order to present high-quality BBM, Pertamina also pays attention to fulfilling the Renewable Energy Components (EBT). In 2014 through Government Regulation No. 79 of 2014 concerning National Energy Policy (KEN), the government sets a target for the National Energy Mix in order to realize national energy security, where the proportion of EBT increases gradually, namely 5% in 2015, 23% in 2025, and 31% in the year 2050. Hard work and strong commitment from various parties is needed considering the achievement of the current National Energy Mix is far from the target. Nevertheless, Pertamina as a national energy company supports and is fully committed to developing EBT. EBT Pertamina's most significant development progress is geothermal energy which is managed by PT Pertamina Geothermal Energy (PGE).

The government's commitment to provide alternative fuels is also realized with the policy of distributing biofuels. In accordance with the road map for the supply of biodiesel-based biofuels, the government in 2018 Pertamina as one of the General Commercial Business Entities of Fuel (BU BBM) has fulfilled its supply target and distributed 20% biodiesel (B20) biofuels to retail and industrial markets with total volume of 16 million kilo liters. With the implementation of B20, Pertamina has succeeded in reducing the import of Solar significantly until the end of 2018. In 2020 the government targets the implementation of B30. This aggressive government roadmap has the potential to reduce Pertamina's diesel imports even more, while creating opportunities for Pertamina to develop biofuel refineries (green refineries).

On the other hand, the government policy contained in Regulation of Minister of Energy and Miniral Resources No. 42 year 2018 on fuel utilization priorities for domestic needs also provides the opportunity for Pertamina to save the cost of transporting imported crude oil that is conducted by Pertamina so far.

Another effort to develop eco friendly energy is to optimize gas fuel. Domestically, the demand for gas as a more eco friendly fossil energy is projected to increase continually. The projection is reflected in the mega project of refinery development and the construction of a new refinery carried out by Pertamina for the next 5 to 6 years will absorb gas in sufficiently large volumes. With the integration of PT Perusahaan Gas Negara Tbk. (PGN) with Pertamina through the state-owned oil and gas holding, increasingly integrating gas infrastructure, while saving capital and operational costs. This condition creates an opportunity for Pertamina to integrate the upstream and downstream gas businesses.

In a Liquefied Natural Gas (LNG) business, Pertamina's competencies and experiences create opportunities to expand business overseas. While the traditional markets of the Pertamina LNG market are China, Japan, and Taiwan, Pertamina is currently looking for the LNG market to South Asia and Africa. The signing of LNG supply agreements with Petrobangla Bangladesh in 2018 initiated by the Government of both countries became the access door of Pertamina to expand the market in the region.

GOING CONCERN

In 2018, there is no factor significantly affecting Pertamina's going concern. The Company's internal and external environmental conditions are in a fairly good condition and even have an upward trend.

Pertamina's management has taken a number of anticipatory measures to reduce and anticipate various risks the Company might face by implementing a good risk management system. Pertamina's management has determined a number of factors that can significantly influence Pertamina's business continuity, including:

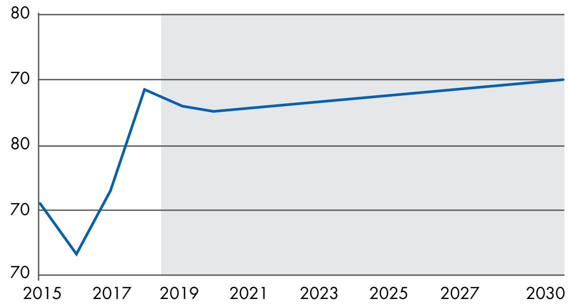
Fluctuations in World Crude Oil Prices

As a commodity industry, the oil and gas business is strongly influenced by fluctuations in world crude oil prices. The price of crude oil is largely influenced by the equilibrium between world supply and demand for these commodities. Factors that influence the supply and demand of world crude oil include the transition of fossil fuel use to EBT that has occurred in a number of countries which has caused the demand for crude oil to decline; geopolitical factors such as US sanctions against Iran and Venezuela, where both of these countries are quite large producers of crude oil; and economic growth in both developed countries and emerging market countries that affect demand for oil and gas and energy supplies in general.

Average Crude Oil Spot Price Forecasts

Average spot prices for UK Brent, Dubai, and West Texas Intermediate (WTI)

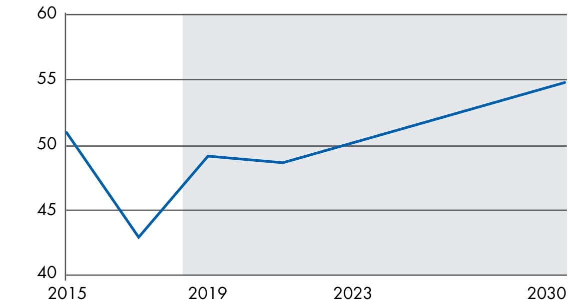
Word Bank: Averange Crude Oil Crude Projections
$/bbl



Year	2014	2015	2016	2017	2018	2019	2020	2021	2022
$/bbl	96.24	50.75	42.81	52.81	68.35	66.00	65.00	65.48	65.97

Source: World Bank Commodity Forecast Price Data, April 2019

IMF : Average Crude Oil Price Projections
$/bbl



Units	2014	2015	2016	2017	2018	2019	2020	2021
$/bbl	96.25	50.79	42.84	49.01	48.63	50.33	51.83	53.33

Source: IMF Commodity Price Forecasts, July 2017

Source: https://knoema.com/yxptpab/crude-oil-price-forecast-2019-2020-and-long-term-to-2030

Foreign Currency Exchange Rates

Considering that Pertamina is still importing both crude oil, LNG and oil and gas products, Pertamina is very exposed to changes in the rupiah exchange rate against the US dollar.

PERTAMINA'S STRATEGY FOR BUSINESS SUSTAINABILITY

Long Term Contract

To minimize exposure to the risk of fluctuations in the price of crude oil, Pertamina carries out a long-term contract to purchase crude oil because prices are determined at the date of purchase.

Mitigation of Foreign currency exchange risk

Mitigation of the risk of rupiah exchange rate against foreign currency is conducted by Pertamina by hedging. The minimum hedging ratio is stipulated according to Bank Indonesia Regulation No. 16/21/PBI/2014 concerning the application of prudence principles in Non-Bank corporate Debt management. Another mitigation conducted by Pertamina was to make periodic analysis of the impact of weakening and strengthening Rupiah exchange rate against the US dollar against the company's finances.

CORPORATE GOVERNANCE

"The implementation of Good Corporate Governance principles has become an integral part of Pertamina's operations.

The traditional people of Yogyakarta are competing in an archery competition. This traditional Mataram Yogyakarta style archery is different from modern archery, especially in the form of arrows and the players must wear traditional clothes and sit in bersila style (cross-legged). This traditional sport called jemparingan has a philosophy that jemparingan is not just a sport, but also an art to cultivate a sense of calm and focus.

COMMITMENT TO IMPLEMENT GOOD CORPORATE GOVERNANCE

Good Corporate Governance (GCG) is a mechanism or system that directs and controls the Company in order to meet the expectations of its stakeholders based on the principles of GCG (Transparency, Accountability, Responsibility, Independence, and Fairness) as the foundation for the Company's performance enhancement. A consistent and continuous implementation of GCG will bring positive impact on the realization of the Company's objectives and enterprise risk monitoring and assessment, the efforts to maximize performance, and on the development of work culture within the Company.

GCG implementation to Pertamina is not solely to perform its obligations, but is also a necessity in maintaining the transparency and accountability of the Company's management to all stakeholders. Pertamina continues to develop GCG according to the best practices so as to maximize the Company's value, carry out effective and efficient business activities, enable a professional and independent management of the Company, encourage decision-making by all organs of the Company based on moral values and compliance with applicable laws and regulations, provide maximum protection and fair treatment to shareholders and other stakeholders, as well as empower the spirit for continuous innovation.

Pertamina is optimistic that commitment and adherence to GCG principles implementation will ensure long-term business growth which will eventually increase the confidence of shareholders and other stakeholders in the Company. Throughout 2018, Pertamina has implemented a number of GCG initiatives, to name a few:

1. Implementation of GCG Soft Structure consisting of:
    a. Board Manual (Commitment between the Board of Commissioners and the Board of Directors)
    b. Code of Corporate Governance
    c. Code of Conduct
    d. Conflict of Interest
    e. Gratification Guideline
    f. Work Guideline for Whistleblowing System
2. Evaluation and submission of recommendations on the results of Pertamina's 2017 GCG assessment to related functions and Organs in the Company.
3. Conducting GCG assessment in Pertamina for the 2018 period
4. Optimizing Whistle Blowing System management with a follow-up through early examination of the reports received through WBS.
5. Managing Report of State Officials' Wealth
6. Disseminating GCG within Pertamina, internally and externally
7. Conducting internalization of GCG tools as well as GCG and Compliance related work programs
8. Implementing risk management and internal control system
9. Conducting business and other supporting activities in accordance with clear and transparent Standard Operating Procedures.

LEGAL BASIS OF CORPORATE GOVERNANCE IMPLEMENTATION

In the implementation, Pertamina refers to policies, SOE regulations including SOE Ministerial Regulation No. PER-01/MBU/2011 jo. No. PER-09/ MBU / 2012 on Good Corporate Governance Implementation in SOEs, as well as Decree of SOE Ministry Secretary No. SK-16 / S.MBU / 2012 on Indicators/Parameters for Assessing and Evaluating the Implementation of Good Corporate Governance in SOEs, as a step for Pertamina to implement Article 44 of SOE Ministerial Regulation No. PER-01 / MBU / 2011 in measuring (assessing and evaluating) GCG implementation in Pertamina.

CORPORATE GOVERNANCE PRINCIPLES

As a State-Owned Enterprise, Pertamina is committed to strengthening GCG framework. GCG principles are applied to the entire system of the Company's work procedures all Pertamina's Personnel must comply with. GCG implementation in Pertamina is not merely a mandatory requirement, but has become a culture and necessity in carrying out the daily business activities, by all personnel from top management down to workers in the fields.

Pertamina's commitment to be a clean and corruption-free company as a series of BUMN Bersih (Clean SOEs) Road Map is summarized in a series of Compliance work programs such as: (i) Whistle Blowing System (WBS) implementation, follow-up and evaluation; (ii) Report of State Officials' Wealth (LHKPN); (iii) Gratification Control Unit and other educational programs such as (i) GCG dissemination/ internalization for prospective new workers, new management including Pertamina subsidiaries and affiliated companies that are newly established/joined in Pertamina Group, GCG campaign as a reminder to work with integrity in accordance with GCG principles.

Pertamina is a pilot project in various activities initiated by the Corruption Eradication Commission (KPK) such as the development of the culture of Professional with Integrity (Profesional Berintegritas or PROFIT) culture and Coordination of Energy Sector Management Supervision.

GCG ASSESSMENT

IMPLEMENTATION PROCEDURES

As part of continuous implementation of GCG, the Company conducts GCG assessment from year to year with a view to get an overview of the effectiveness of GCG implementation in Pertamina based on the best practices. One of the purposes of GCG assessment is to encourage professional, efficient, and effective management of SOE as well as to empower the functions and improve the independence of Pertamina.

GCG ASSESSMENT CRITERIA AND THE PARTY CONDUCTING GCG ASSESSMENT

Pursuant to the parameters set forth in the Decree of the SOE Ministry Secretary No. SK-16/S.MBU/2012 dated June 06, 2012, on the Indicators/Parameters of Assessment and Evaluation of Good Corporate Governance Implementation in SOEs, the criteria used as indicators/parameters for GCG assessment include (i) Commitment to Sustainable Implementation of GCG; (ii) Shareholders and GMS; (iii) Board of Commissioners; (iv) Board of Directors; (v) Information Disclosure and Transparency; (vi) Other Aspects.

GCG Assessment in Pertamina is executed annually by an Assessor/Independent Consultant. For year 2018, Pertamina's GCG assessment was conducted by PT RSM Indonesia Konsultan.

RESULT OF GCG ASSESSMENT

The score of Pertamina's GCG Assessment in 2018 was 92.375%, while the score of Pertamina's GCG Assessment in the previous year was 91.971%.

No	Aspects/ Indicators/ Parameters	Weight	Achievement (%)	Performance Category
1	Commitment to Sustainable Implementation of Good Corporate Governance	7,000	96	
2	Shareholders and GMS	9,000	95	
3	Board of Commissioners	35,000	92	
4	Board of Directors	35,000	91	
5	Information Disclosure and Transparency	9,000	90	
6	Other Aspects	5,000	100	
Overall Score			92	Very good

RECOMMENDATIONS FROM ASSESSMENT RESULTS

Recommendations from the Assessment Results:

1. To make a review and enhancement of corporate policies and procedures;
2. To ensure that corporate policies and procedures are carried out consistently;
3. To make an adequate documentation on ongoing activities of GCG implementation; and
4. To improve information disclosure in annual reports.

GORPORATE GOVERNANCE STRUCTURE AND MECHANISM

GCG structure in Pertamina consists of General Meeting of Shareholders (AGMS), Board of Commissioners, and Board of Directors in accordance with Law No 40 Year 2007 on Limited Liability Company (Company Law). In addition, Pertamina has formed supporting organs consisting of Audit Committee, Nomination and Remuneration Committee, and Risk Management Monitoring Committee, Corporate Secretary, Compliance Function, and Internal Audit Unit. All GCG organs execute their functions in accordance with the legislation, Articles of Association, and other provisions in performing duties, functions and responsibilities for the best interests of the Company.

Transparency, Accountability, Responsibility, Independence, and Fairness

1 | GCG Principles

GMS, Board of Commissioners, Board of Directors, Audit Committee, Nomination and Remuneration Committee, Risk Management Monitoring Committee, Corporate Secretary, Compliance Function, and Internal Audit Unit.

2 | Governance Structure

GMS Implementation; implementation of the functions of authority and responsibility of the Board of Commissioners and the Board of Directors; meeting of the Board of Commissioners and the Board of Directors; implementation of policies and strategies in line with the Vision and Mission; and implementation of CSR and PKBL programs.

3 | Governance Process

Business continuity; business effectiveness and efficiency; adherence to prevailing rules and regulations, protection for all stakeholders, and community welfare and environmental conservation.

4 | Governance Results

GENERAL MEETING OF SHAREHOLDERS (GMS)

The General Meeting of Shareholders (GMS) is the Governance organ which holds the highest authority in the Company and possesses all authorities that are not granted to the Board of Directors or the Board of Commissioners. The implementation of a GMS is the Company's obligation as a forum for shareholders to make important decisions; through considering the Articles of Association and prevailing laws, the decisions made in the GMS should be according to the Company's business interests.

During the GMS, it is possible to insert ideas proposed by the Board of Commissioners and or shareholders that represent at least 1/10 (one tenth) of all shares issued by the Company with legal voting rights where the origin of the related party has to be approved by the Board of Directors before the date of Annual GMS invitation is received. Proposals from the Board of Commissioners and/or Shareholders that are not in accordance with the provisions of the Company's Articles of Association may only be discussed and decided by the GMS providing that all of its shareholders or authorized representatives are present and approving the additional agenda and the resolutions of the GMS on these proposals shall be approved unanimously.

Pertamina's GMS consists of:

1. The Annual General Meeting of Shareholders (AGMS) in order to approve the Work Plan and Budget is held no later than 30 (thirty) days after the current fiscal year (the fiscal year of related work plan and budget). Throughout the meeting, the Board of Directors conveys the Draft of Work Plan and Budget including the Financial Report Projection and also other items that require the approval of the GMS for the Company's benefit that has not also been included in the draft of Work Plan and Budget.
2. The Annual General Meeting of Shareholders (AGMS) approval of the Annual Report was conducted in June after the fiscal year ended. In this meeting, the Board of Directors presented the Company's Annual Report, proposal on the usage of the net profit, as well as other matters requiring approval from the GMS for the Company's interest.
3. Extraordinary General Meeting of Shareholders (RUPSLB) is a GMS held at any time based on the Company's requirements.

Legal Basis for GMS:

1. Law No. 40 of 2007 on Limited Liability Companies
2. Law No. 19 of 2003 on State-Owned Enterprises
3. Law No. 14 of 2008 on Public Information Disclosures
4. SOE Ministerial Regulation No. PER-09/ MBU/2012 on Implementation of Good Corporate Governance in State-Owned Enterprises
5. SOE Ministerial Decree No. Kep-117/M-MBU/2002 on Implementation of Good Corporate Governance Practices in State-Owned Enterprises
6. PT Pertamina (Persero) 's Articles of Association as amended and finally with Amendment Deed No. 29 of 2018 dated April 13, 2018, made by Notary Aulia Taufani Bachelor of Law and has been approved by the Minister of Law and Human Rights of the Republic of Indonesia No: AHU-0008395.AH.01.02. Year 2018 April 13, 2018. Amendments are made to Article 4 paragraph (1), paragraph (2) and paragraph (3) concerning Capital, Article 11 paragraph (2) concerning the Duties, Authorities and Obligations of the Directors. This amendment is contained in the Letter of SOE Ministry No. S-217 / MBU / 04/2018 dated April 11, 2018.

2018 GMS IMPLEMENTATION

Throughout 2018, the Company held a GMS by 29 times, namely Annual GMS by 2 times and Extraordinary GMS by 27 times. The details of GMS implementation are as follows:

1. Annual GMS

   In 2018, Pertamina held 2 Annual GMS, namely 2018 GMS of Work Plan and Corporate Budget and 2017 Annual Report GMS.

   a. 2018 GMS of Work Plan and Corporate Budget (RKAP)

      2018 GMS of Work Plan and Budget (RKAP) was not held in 2017 due to the change of PT Pertamina (Persero) Technical Deputy at the end of December 2017. The 2018 RKAP GMS was held in January 2018.

      PT Pertamina (Persero) 2018 GMS of Work Plan and Budget (RKAP) was held on:

Day/Date	Wednesday, January 17, 2018
Time	14.00 – 16.00 WIB
Place	State-Owned Enterprise (SOE) Ministry, 9th floor, Medan Merdeka Selatan Street, Central Jakarta
GMS Chairman	PT Pertamina (Persero) President Commissioner
Shareholders Proxy	Deputy to SOE Minister for Mining, Strategic Industries and Media Affairs

The 2018 GMS Agenda of Work Plan and Corporate Budget are as follows:

No	Agenda	Description
1	1st Agenda	Approval/Ratification of the 2018 Work Plan and Budget (RKAP) and the 2018 Partnership and Community Development program budget (RKAPKBL)
2	2nd Agenda	Approval of PT Pertamina's operational aspects indicator in 2018 for the calculation of the Company's health level based on the Decision from the Minister of SOEs No. KEP-100/ MBU/2002 dated June 04, 2002.
3	3rd Agenda	Ratification of Key Performance Indicators (KPI) that are contained in the 2018 management contract between the Board of Directors and Board of Commissioners of PT Pertamina (Persero) with the Shareholders of PT Pertamina (Persero)
4	4th Agenda	Approval of a Working Capital Loan withdrawal and the external fund withdrawal
5	5th Agenda	Approval of the implementation of assignment for the supply and distribution of 3 Kg LPG, Specific Fuel Type (JBT) as well as the assignment and distribution of Fuel Type Special Assignment (JBKP) by PT Pertamina (Persero).

Shareholders have approved and ratified the entire GMS agenda of Work Plan and Corporate Budget in 2018. The GMS resolutions have been ratified based on Deed No. 8 dated January 17, 2018 concerning Minutes of PT Pertamina (Persero) Work Plan and Budget (RKAP) AGMS in 2018 made by Notary Marianne Vincentia Hamdani, SH.

b. PT Pertamina (Persero) GMS of 2017 Annual Report
PT Pertamina (Persero) GMS of 2017 Annual Report has been held on:

Day/Date	Wednesday, May 02, 2018
Time	09.00 – 12.00 WIB
Place	State-Owned Enterprise (SOE) Ministry, 6th floor, Medan Merdeka Selatan Street, Central Jakarta
GMS Chairman	PT Pertamina (Persero) President Commissioner
Shareholders Proxy	Deputy to SOE Minister for Mining, Strategic Industries and Media Affairs

The GMS Agenda is as follows:

No	Agenda	Description
1	1st Agenda	Approval of the Company's Annual Report on the condition and operation of the Company in the fiscal year of 2017, report on the Partnership Program and Community Development for the 2017 fiscal year , and report on the Execution the of Board of Commissioners Supervisory Function for the 2017 Fiscal year.
2	2nd Agenda	Approval of the Company's Consolidated Financial Statement for the 2017 fiscal year, and Report on the Partnership Program and Community Development Program for the 2017 fiscal year, as well as the provision of settlement and full disclaimer (volledig acquit et de charge) to the members of the Board of Commissioners and the Board of Directors who served with actions of oversight and management of the Company throughout the 2017 fiscal year.
3	3rd Agenda	Stipulation of the use of the Company's Net Income for the 2017 fiscal year.
4	4th Agenda	Stipulation of Tantiem and Remuneration for Board of Directors and Board of Commissioners for the performance of the 2017 fiscal year, Board of Directors' salary and honorarium for the Board of Commissioners, as well as benefits and facilities for 2018.
5	5th Agenda	The appointment of a Public Accounting Firm to audit the Company's Consolidated Financial Statement and Financial Report of the Partnership Program and Community Development Program Report for the fiscal year ended on December 31, 2018.

Shareholders have agreed and ratified the GMS resolutions as outlined in Deed No. 03 May 8, 2018 concerning Minutes of PT Pertamina (Persero) Annual General Meeting of Shareholders made before Notary Lenny Jennis Ishak, SH.

c. GMS of 2019 Work Plan and Corporate Budget
The GMS of 2019 Work Plan and Corporate Budget will be held in January 2019.

2. Extraordinary GMS

In 2018, there are 27 Extraordinary GMS, all of which are conducted circularly, with the following agenda:

No.	Date	Agenda
1	January 8, 2018	End of Year Report on Pertamina's Challenges and Strategic Achievements for 2017 Period
2	January 22, 2018	Approval of the Subsidiaries' Board of Directors and Board of Commissioners Appointment
3	January 22, 2018	Direction of the 2018 PKBL Budget Work Plan
4	February 7, 2018	Nomination of the Subsidiaries' President Director
5	February 8, 2018	Audit by KAP on 2017 PKBL Implementation
6	February 9, 2018	GMS approval of the project investment implementation
7	February 9, 2018	PT Pertamina (Persero) Board of Directors Members Dismissal, Change of Position Nomenclature and Transfer of Duties
8	February 19, 2018	Proposal for Appointment of Subsidiaries' Prospective Directors
9	February 21, 2018	Response to the Project Progress Report
10	March 12, 2018	Approval of the Write-Off and Transfer of Fixed Assets of PT Pertamina (Persero) Directorate of Marketing and Directorate of Human Capital & General Affairs
11	April 11, 2018	Approval of Acceptance of Shares Transfer and Principle Approval of Integration of PT Pertamina Gas into PT Perusahaan Gas Negara Tbk
12	April 11, 2018	Approval of Increasing Authorized Capital, Additional Paid-in Capital, and Amendments to PT Pertamina (Persero) Articles of Association
13	April 20, 2018	Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members
14	May 9, 2018	Delegation of Rights and Authority of Series A Shareholders to PT Pertamina (Persero) as the largest B Series Shareholder of PT Perusahaan Gas Negara Tbk
15	May 15, 2018	Project progress report
16	May 30, 2018	Dismissal and Appointment of the Board of Commissioners Members, as well as Determination of Independent Commissioner of PT Pertamina (Persero)
17	June 7, 2018	Write-off and Transfer of Pertamina's Fixed Assets
18	June 29, 2018	Approval of the Principle of Corporate Action to Maintain PT Pertamina (Persero) Financial Health Conditions
19	July 19, 2018	Implementation of PT Perusahaan Gas Negara Tbk Extraordinary General Meeting of Shareholders (EGMS)
20	August 29, 2018	Assignment, Dismissal, and Appointment of PT Pertamina (Persero) Board of Directors Members
21	September 7, 2018	Changes in PT Perusahaan Gas Negara Tbk (PGN) Articles of Association
22	September 7, 2018	Changes in PT Perusahaan Gas Negara Tbk (PGN) Management
23	September 13, 2018	Dismissal, Transfer of Assignments, and Appointment of PT Pertamina (Persero) Board of Directors Members
24	October 1, 2018	RKAP Approval for 2018 Revision of PT Pertamina (Persero)
25	November 9, 2018	SOE University for Human Capital Development for all SOEs
26	December 3, 2018	Project progress report
27	December 27, 2018	Approval of PT Pertagas Shares Divestment by 51%

Other than the above Extraordinary GMS, the Company's Shareholders have taken decisions in lieu of the Extraordinary GMS (Circular Decision) by 32 (thirty two) times. In accordance with Article 91 of Law no. 40/2007 concerning Limited Liability Companies and Regulation of SOE Minister No. Per-01 / MBU / 2011, decisions taken in this manner are valid and binding on all shareholders, the Company and the parties listed in the decision.

REALIZATION OF GMS RESOLUTION

Pertamina has realized all GMS resolutions held in 2018, thus no GMS resolution has yet to be realized as of December 31, 2018.

PREVIOUS YEAR GMS

In 2017, the Company held a GMS of 14 times, namely 1 time of Annual GMS and 13 times of Extraordinary GMS. The GMS resolutions are as follows:

ANNUAL GMS

In 2017, the Company has carried out the Annual GMS for the 2016 Annual Report on Wednesday, March 16, 2017 at the 7th Floor of the SOE Ministry Building, Jalan Medan Merdeka Selatan, Central Jakarta. The GMS resolutions are stated in the Notary Deed No. 20 concerning Minutes of 2016 Annual Report GMS of PT Pertamina (Persero) which was ratified by Notary Lenny Jennis Ishak, SH dated March 16, 2017.

The Annual GMS agenda is as follows:

No	Agenda	Description
1	1st Agenda	Approval of the Company's Annual Report on the condition and operation of the Company in the fiscal year of 2016, report on the Partnership Program and Community Development for the 2016 fiscal year , and report on the Execution the of Board of Commissioners Supervisory Function for the 2016 Fiscal year.
2	2nd Agenda	Approval of the Financial Statement for the 2016 fiscal year, and Report on the Partnership Program and Community Development Program for the 2016 fiscal year, as well as the provision of settlement and full disclaimer (volledig acquit et de charge) to the members of the Board of Commissioners and the Board of Directors who served with actions of oversight and management of the Company throughout the 2016 fiscal year.
3	3rd Agenda	Stipulation of the use of the Company's Net Income for the 2016 fiscal year.
4	4th Agenda	Stipulation of Tantiem and Remuneration for Board of Directors and Board of Commissioners for the performance of the 2016 fiscal year, Board of Directors' salary and honorarium for the Board of Commissioners, as well as benefits and facilities for 2017.
5	5th Agenda	The appointment of a Public Accounting Firm to audit the Company's Consolidated Financial Statement and Financial Statement of the Partnership Program and Community Development Program for the fiscal year ending on December 31, 2017.

In 2017, the GMS of Work Plan and Corporate Budget for 2018 was not held, due to the change of PT Pertamina (Persero) Technical Deputy at the end of December 2017.

EXTRAORDINARY GMS

In 2017, Pertamina held 13 times of Extraordinary GMS, all of which were conducted circularly, with details as follows:

No.	Date	Agenda
1	January 5, 2017	Proposal for Appointment of the affiliated companies' Board of Commissioners
2	January 5, 2017	Proposal for Appointment of PT Pertamina Retail Board of Commissioners Members
3	January 5, 2017	Proposal for Appointment of PT Pertamina Gas Board of Commissioners Members
4	February 3, 2017	Dismissal and Change of Position Nomenclature of PT Pertamina (Persero) Board of Directors Members
5	March 16, 2017	Appointment of PT Pertamina (Persero) President Director
6	May 3, 2017	Approval from the Board of Directors to Include PT Pertamina (Persero) in the Tax Amnesty Program (TA) of 2017
7	June 12, 2017	Approval regarding the Abolition and Release of one of the ship assets
8	August 15, 2017	Dismissal, Change of Position Nomenclature, Transfer of Duties, and Appointment of the Board of Directors Members of PT Pertamina (Persero)
9	September 12, 2017	Appointment of PT Pertamina (Persero) Board of Commissioners Members
10	November 17, 2017	Response to the Report of Management 3rd Quarter of 2017 for PT Pertamina (Persero)
11	November 27, 2017	Appointment of the Members of the Board of Directors of PT Pertamina (Persero)
12	December 8, 2017	Approval/Ratification of the Revised Work Plan and Corporate Budget (RKAP) of PT Pertamina (Persero) for 2017
13	December 11, 2017	Application for the Approval of the GMS regarding the Acts of the Board of Directors with the Addition of Equity Participation of PT Pertamina (Persero) to PT Pertamina Power Indonesia

Other than the above Extraordinary General Meetings of Shareholders, the Company's Shareholders have taken decisions in lieu of Extraordinary General Meeting of Shareholders (Circular Decisions) 21 (twenty one) times. Based on Article 91 of Law No. 40/2007 for Limited Liability Companies and the SOEs Minister Regulation No. Per-01/MBU/2011, decisions taken in this way are legitimate and binding on the Shareholder, the Company and the parties listed in the decisions.

GMS RESOLUTION

Pertamina has implemented all GMS resolutions held in 2017, thus no GMS decisions have yet to be realized as of December 31, 2017.

As one of the Company's organs, the Board of Commissioners has a main function to conduct supervision in general and / or specifically in accordance with the Articles of Association and provide direction to the Board of Directors in running the company's management. The Board of Commissioners has the duty to monitor the effectiveness of GCG practices implemented by the Company and if it is deemed necessary, adjustments can be made in accordance with the Company's needs. The Board of Commissioners is appointed and dismissed by the GMS.

BOARD OF COMMISSIONERS COMPOSITION

In 2018, there was a change in the composition of the Board of Commissioners. Based on the GMS on May 30, 2018, Mr. Edwin Hidayat Abdullah was honorably dismissed as a Commissioner and appointed Mr. Ego Syahrial & Mr. Ahmad Bambang as Commissioners, so that the number of Pertamina's Board of Commissioners members become 7 (seven) as of December 31, 2018 with the following structure:

Name	Position	Legal Basis of Appointment	Period of Office
Tanri Abeng	President Commissioner/ Independent Commissioner	Determination as President Commissioner based on Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.KEP-60 / MBU / 05/2015 dated May 6, 2015 and Determination as Independent Commissioner based on Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (AGM) No.SK-254 / MBU / 11/2016 dated November 14, 2016	May 06, 2015 – December 31, 2018
Arcandra Tahar	Vice President Commissioner	Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-254 / MBU / 11/2016 dated November 14, 2016	November 14, 2016 – December 31, 2018
Sahala Lumban Gaol	Commissioner	Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-58 / MBU / 05/2015 dated May 6, 2015	May 06, 2015 - December 31, 2018
Suahasil Nazara	Commissioner	Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-58 / MBU / 05/2015 dated May 6, 2015	May 06, 2015 - December 31, 2018
Alexander Lay	Independent Commissioner	Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-194 / MBU / 09/2017 dated September 12, 2017 and Determination as Independent Commissioner based on Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-142 / MBU / 05/2018 dated May 30, 2018	September 12, 2017 - December 31, 2018
Ahmad Bambang	Commissioner	Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-142 / MBU / 05/2018 dated May 30, 2018	May 30, 2018 – December 31, 2018
Ego Syahrial	Commissioner	Decree of SOE Minister as PT Pertamina (Persero) General Meeting of Shareholders (GMS) No.SK-142 / MBU / 05/2018 dated May 30, 2018	May 30, 2018 – December 31, 2018

Referring to Law No.19 of 2003 concerning SOEs, Article 27, the appointment and dismissal of Commissioners is carried out by the SOE Minister as the GMS of PT Pertamina (Persero). Requirements and Procedures for Appointment and Dismissal of the Board of Commissioners Members refer to Regulation of SOE Minister No.PER-02 / MBU / 02/2015 dated February 17, 2015.

BOARD MANUAL AND BOARD CHARTER

In carrying out its duties, functions and responsibilities, the Board of Commissioners refers to the provisions of the Company's Articles of Association, Board Manual, and Board Charter.

In general, the Board of Commissioners Board Manual regulates the following:
1. Board of Commissioners Function
2. Board of Commissioners Requirements and Composition, Membership and Term of Office
3. Introduction and Capability Enhancement Program
4. Code of Conducts
5. Board of Commissioners Duties and Responsibilities
6. Board of Commissioners Authorities
7. Board of Commissioners Rights
8. Board of Commissioners Meetings
9. Board of Commissioners' Performance Assessment
10. Supporting Organs
11. Work Relationships between the Board of Commissioners and Board of Directors

In addition to the Board Manual which governs the working relationship between all organs in the Company particularly including the Board of Commissioners and Board of Directors and their supporting organs, the Board of Commissioners also has a Board Charter. The Board of Commissioners has established the Board Charter within the Board of Commissioners through the Decision Letter of the Board of Commissioners No.15/KPTS/K/DK/2014 dated June 19, 2014. The document is evaluated annually in accordance with any changes to applicable regulations and the requirements of the Company. From 2015 to mid November 2016 the guidelines were still in effect. On November 18, 2016, in order to conform with the recent demands and scope of work of the Board of Commissioners, the Board of Commissioners felt the need to adjust and re-establish the Board Charter within the Board of Commissioners through the Decision Letter of the Board of Commissioners No.012/KPTS/K/DK/2016 which became effective from that date.

DUTIES AND RESPONSIBILITIES

The Board of Commissioners has the duties and responsibilities of overseeing the Company's management policies, advising the Board of Directors, supervising the implementation of long-term plans, work plans and budgets, the Articles of Association and the resolutions of the General Meeting of Shareholders (GMS), and supervise that all regulations are applied in accordance with the purposes and goals of the Company.

The Board of Commissioners also has the obligations of:
1. Complying with legislation, Articles of Association and decisions of the GMS and to act in a professional manner.
2. Performing supervisory duties of the Board of Directors decisions in performing the role of the Company's management, including the implementation of the Company's LongTerm Plan, Work Plan and Budget and the provisions of the Articles of Association and decisions of the GMS and the applicable legislation.
3. Providing advice to the Board of Directors in performing in the role of the Company's management and not intended for the benefit of certain parties/groups.
4. Dividing tasks among members of the Board of Commissioners.
5. Conducting research, study and sign the Company's LongTerm Plan, Work Plan and Budget as has been prepared by the Board of Directors in accordance with the Articles of Association.
6. Setting out the Annual Work Program for the Board of Commissioners and include this in the Company's LongTerm Plan.
7. Verifying periodic reports and the Annual Report as prepared by the Board of Directors and sign off on the Annual Report.
8. Reporting to the Company regarding ownership and/or his/her family ownership in any other company, including any amendments to ownership.
9. Proposing to the General Meeting of Shareholders (GMS) the appointment of the External Auditor that will audit the Company's books.

10. Monitoring the effectiveness of Good Corporate Governance practices, including through the organization of regular meetings between the Board of Commissioners and the Board of Directors in order to discuss the implementation of Good Corporate Governance.
11. Carrying out other obligations within the framework of the duty of monitoring and providing advice, as long as not condratictive to the legislation, Articles of Association and/or GMS decisions.

BOARD OF COMMISSIONERS INDEPENDENCE

In carrying out its functions, the Board of Commissioners acts independently and is free from the interests of any party.

The Company's Board of Commissioners independence may also be seen from their share ownership and concurrent positions, where there are no members of the Board of Commissioners who own shares in the Company and other companies related to the Company, and do not hold concurrent positions in the company.

Criteria of Independence	Tanri Abeng	Arcandra Tahar	Sahala Lumban Gaol	Suahasil Nazara	Alexander Lay	Ahmad Bambang	Ego Syahrial
Not a majority shareholder or official at the institution of the majority shareholder or directly associated with the majority shareholder	√	×	×	×	√	×	×
Not serving as a Director in the Company or its affiliates	√	√	√	√	√	√	√
Has not worked in the Company or its affiliates within the last one year period	√	√	√	√	√	√	√
Has no financial affiliation directly or indirectly with the Company or any other company providing services and products to the Company and its affiliates.	√	√	√	√	√	√	√
Free from conflict of interest and business activities or other relationships that may hinder or interfere the ability of the Board of Commissioners to act or think independently within the Company.	√	√	√	√	√	√	√

Board of Commissioners Independence may also be seen from concurrent positions of each member of the Board of Commissioners in 2018 as follows:

Nama	Internal Position	External Position
Tanri Abeng	President Commissioner/Independent Commissioner	Rector of Tanri Abeng University
Arcandra Tahar	Vice President Commissioner	Vice Minister of Energy and Mineral Resources
Sahala Lumban Gaol	Commissioner	Special Staff to SOE Minister
Suahasil Nazara	Commissioner	Head of Fiscal Policy Board at the Finance Ministry
Alexander Lay	Independent Commissioner	Special Staff of the State Secretariat Ministry
Ahmad Bambang	Commissioner	Deputy of Construction and Transportation Facilities and Infrastructure (KSPP) of SOE Ministry
Ego Syahrial	Commissioner	Secretary General of the Energy and Mineral Resources Ministry

BOARD OF COMMISSIONERS DUTIES IMPLEMENTATION

To support the Board of Commissioners duties implementation in 2018, the Board of Commissioners has carried out:

1. Meetings attended by the Board of Commissioners and the Committee are 2 times of GMS, 19 times of the Board of Commissioners' Joint Meeting with the Board of Directors, 9 times of the Board of Commissioners Internal Meetings, and 69 times of Committee Meetings.
2. The Board of Commissioners and the Committee have made work visits of 24 times in the country, including RU-II Dumai, Sei Pakning & Fuel Terminal Dumai, MOR I Medan, MOR II Palembang, MOR V Surabaya & Bali, MOR VII Makasar, RU V & Balikpapan's RDMP Project. As well as working visits of 6 times abroad, among others, to Pertamina projects in Algeria & Tanzania, USA, and Singapore.

Concerning the important issues of the Board of Commissioners supervisory duties supported by Committees (Audit Committee, Nomination & Remuneration Committee, Risk Management Monitoring Committee), the Board of Commissioners consistently carries out supervision, including:

The Board of Commissioners work programs for Audit Supervision that has been realized are:

1. Has monitored and evaluated the realization of 2018 Internal Audit performance and 2019 Plans, and provided necessary directives to the Board of Directors.
2. Has carried out monitoring and evaluation of the audit conducted by the Public Accounting Firm (KAP) in 2017, and has proposed the establishment of KAP to audit PT Pertamina (Persero)'s 2018 Financial Statements and PKBL Reports.
3. Has conducted a study and responded to the proposed RKAP in 2018, 2018 Interim Report, 2017 Financial Statement, 2017 Annual Report and 2017 Sustainability Report, and LHEK and PSA62.
4. Has monitored and evaluated the Realization of Achievement of the 2018 RKAP and Board of Commissioners KPI in 2018, and provided advice / direction to the Board of Directors as needed.
5. Has conducted monitoring and evaluation, as well as provided direction to the Board of Directors, on several issues including those related to investment, implementation of ICoFR & IFRS, asset management, subsidiary management, and WBS.

The Board of Commissioners' Work Programs for supervision of Investment & Risk Management that has been realized are:

1. Has monitored and evaluated the performance of investment projects in the 2018 RKAP and subsequent investment projects in 2018.
2. Monitoring and evaluating the performance of operational activities and the implementation of investments in the 2018 RKAP.
3. Monitoring and reviewing policies and implementation of the Company's risk management in an integrated manner.

The Board of Commissioners Work Programs for supervision of Nomination and Remuneration that has been realized are:

1. Proposing salary / honorarium for the Board of Directors and Board of Commissioners for 2018 and the 2017 Tantiem to be determined by the GMS.
2. Monitoring and evaluation, as well as giving approval / response to the proposed replacement of the Directors - Commissioners of the Subsidiary and several strategic positions in the Directorate.
3. Monitoring and evaluation, as well as giving approval / responses to the issues related to the organization.

BOARD OF COMMISSIONERS' WORKING VISIT

In carrying out the supervisory function, the Board of Commissioners may conduct visits to the Company's operational locations. In 2018, the Board of Commissioners conducts working visits as follows:

Table of the Board of Commissioners' Domestic Working Visits in 2018

No	Date of Event	Name of Member	Activities
1	3 - 5 Apr 2018	Tanri Abeng	Working Visit to MOR V of Bali and MOR VII of Makassar
2	9 - 11 Apr 2018	Tanri Abeng	Attending the Indonesia Africa Forum in Nusa Dua Bali
3	25 Mei 2018	Arcandra Tahar	Together with the Director of Retail PMS accompanying the Specific Working Visit of the House of Representatives Commission VI to Makassar
4	16 - 18 Jun 2018	Tanri Abeng	Accompanying the Vice President of Indonesia on a visit in Makassar
5	11 - 13 Sep 2018	Tanri Abeng	Board of Commissioners' visit to Pertamina Balikpapan and PT Badak NGL
6	11 - 12 Sep 2018	Ego Syahrial	Board of Commissioners Official Visit to Pertamina Balikpapan
7	21 - 23 Sep 2018	Tanri Abeng	Working Visit to Pertamina MOR V in Bali
8	2 - 3 Oct 2018	Sahala Lumban Gaol	Attended an invitation from the SOE Minister at the inauguration of the 2018 Indonesia Business & Development Expo at Grand City Surabaya
9	9 - 10 Oct 2018	Tanri Abeng Sahaka Lumban Gaol Suahasil Nazara	Attending the Board of Commissioners and Board Directors' Joint Meeting of PT Pertamina (Persero) at Patra Jasa Bali (ref. No. Und-105 / K / DK / 2018)
10	26 - 27 Oct 2018	Sahala Lumban Gaol	Working visit to the Farmer Empowerment Center (SPT) in Nglanggeran, Yogyakarta
11	9 - 11 Nov 2018	Ahmad Bambang	Official Visit to MOR V of Surabaya
12	11 - 12 Nov 2018	Tanri Abeng	Working visit to MOR VII of Makassar
13	21 - 23 Sep 2018	Tanri Abeng	Working visit to MOR V of Bali
14	24 - 25 Nov 2018	Tanri Abeng	Working visit to MOR II of Palembang
15	5 - 8 Des 2018	Tanri Abeng Arcandra Tahar Sahala Lumban Gaol Suahasil Nazara Alexander Lay Ahmad Bambang Ego Syahrial	Board of Commissioners and Board of Directors Retreat in Bali
16	17 - 18 Des 2018	Tanri Abeng	As a Speaker of Internal Audit event in Bali

Table of Overseas Board of Commissioners' Working Visit in 2018

No	Date of Event	Name of Member	Activities
1	2 - 8 Mar 2018	Tanri Abeng Arcandra Tahar Suahasil Nazara Edwin Hidayat Abdullah Alexander Lay	*Field Visits to Pertamina Projects in Algeria & Tanzania, and Meetings with M & P Management in Paris*
2	11 - 12 Mei 2018 (Singapura)	Arcandra Tahar Alexander Lay	Discussions with Oil and Gas Companies in Singapore regarding Fuel Operation with the ISC Team
3	8 - 15 Mei 2018 (New York, USA)	Tanri Abeng	Meetings with Lionsgate Group Ltd dated April 30, 2018
4	20 - 22 Jul 2018	Tanri Abeng	Attending a meeting with Datok Seri Anwar Ibrahim and Meeting with the Turkish NOC
5	27 Sep - 3 Okt 2018	Tanri Abeng	Attending a meeting with Qatar Gas & Qatar Fuel in Doha and a meeting with Maurel and Prom in Paris
6	14 - 15 Nov 2018	Tanri Abeng	Attending a meeting with the President of the Republic of Indonesia and the President Director for the ASEAN Summit event in Singapore

BOARD OF COMMISSIONERS DECISION MAKING MECHANISM

Referring to Decree of the Board of Commissioners No.012 / KPTS / K / DK / 2016 dated November 18, 2016 concerning the Board of Commissioners Board Charter, Part VII. Working Mechanism, Letter A. Decision Making, the main points are as follows:

1. Decision making through a Board of Commissioners meeting:
   a. Decision making procedures must meet the provisions of decision making in the Board of Commissioners' Meeting (among others: provisions relating to attendance quorum, use of power of attorney).
   b. Decisions made at the Board of Commissioners 'meetings are set forth in Minutes of the Board of Commissioners' Meetings or Decisions or Letters or Memorandum signed by the Commissioners present at the meeting.
2. Circular decision-making is stated in the form of a Decree or Minutes or Letter or Memorandum signed by the Commissioner.

   The Board of Commissioners shall make a decision in accordance with the standard time set. Standard time ranges from 7 days (good) and up to 14 days (sufficient) and may not exceed the 30 day deadline as mandated in the Company's Articles of Association, starting from the proposal submitted at the Board of Commissioners' Meeting or submitted by the Board of Directors to the Board of Commissioners in writing accompanied by all supporting documents in full for circular decisions.

BOARD OF COMMISSIONERS' APPROVAL OF MATERIAL TRANSACTIONS

During 2018, several transactions or actions carried out by the Board of Directors that require written approval / response from the Board of Commissioners in accordance with the Articles of Association of Article 11 Paragraphs 8 and 10, are as follows:

No	Transaction / Actions of the Board of Directors	Total
1	Taking over / Releasing of Participating Interest in Oil and Gas Working area	2
2	Taking over / Releasing of shares in a Subsidiary / Joint Venture / Other Company	6
3	Equity Participation / Additional Equity Participation in a Subsidiary / Joint Venture	8
4	Management of Oil and Gas Oil and Gas Working area	11
5	Replacement of Directors and Commissioners of Subsidiaries	46
6	Writing-off/ Releasing/ Optimizing Company Assets	12
7	Establishment / Liquidation of Subsidiaries	5
8	The Company's Organization Structure	2
9	Global Bond / Financing	1

BOARD OF COMMISSIONERS MEETINGS

The Board of Commissioners' meetings consist of an Internal Meetings and Joint Meetings with the Board of Directors. Throughout 2018, the Board of Commissioners held 9 (nine) Internal Meetings and 19 (nineteen) Joint Meetings with the Board of Directors.

INTRODUCTION PROGRAM FOR NEW COMMISSIONERS

Provisions regarding the Introduction Program for New Commissioners are regulated in the Regulation of SOE Minister No.PER-01 / MBU / 2011 dated August 01, 2011 jo. No. PER-09 / MBU / 2012 dated July 6, 2012 concerning the Implementation of Good Corporate Governance in SOE and Decree of Board of Commissioners No.012 / KPTS / K / DK / 2016 dated November 18, 2016 concerning the Board of Commissioners Board Charter of PT Pertamina (Persero). The introduction program for Mr. Ego Syahrial was held on July 6, 2018 and Mr. Ahmad Bambang was held on September 10, 2018.

BOARD OF COMMISSIONERS COMPETENCE ENHANCEMENT

As a manifestation of ongoing learning, the Board of Commissioners annually conducts competence development programs that aim to improve the knowledge / competence of the Board of Commissioners.

Throughout 2018 the training, seminars and education that the Board of Commissioners had participated in were as follows:

Table of Training Program for Competence Development for the Board of Commissioners members in 2018

No	Date	Name of BOC Member	Activities
1	9 - 15 Jul 2018	Arcandra Tahar Alexander Lay	Training from Stanford University - USA on Executive Education "Stanford Design Thinking Bootcamp: From Insights to Innovation"

INDEPENDENT COMMISSIONER

Independent Commissioners are members of the Board of Commissioners who have no financial, management, share ownership and/or family affiliations with members of the Board of Commissioners, members of the Board of Directors and/or controlling shareholder or relationship with the Company, which may affect their ability to act independently. The criteria for determining an Independent Commissioner refers to the Regulation of the Minister of SOE no. PER-01/MBU/2011 dated August 01, 2011, regarding the Implementation of Good Corporate Governance in SOEs, Article 13 paragraphs 3 and 4.

An Independent Commissioner is committed to highly upholding independence, objectivity and justice in performing his roles and responsibilities, through avoiding any decisions and policies which may potentially give rise to a possible conflict of interest or preference towards the interest of one particular party.

Based on Regulation of SOE Minister No. PER-01 / MBU / 2011 dated August 1, 2011 concerning the Implementation of Good Corporate Governance in SOE, the composition of Independent Commissioners at least 20% of the Company's total Commissioners.

COMPOSITION AND LEGAL BASIS OF APPOINTMENT

Composition of Independent Commissioner refers to the Regulation of the Minister of SOEs. PER-01/MBU/2011 dated 1st August 2011, regarding the Implementation of Good Corporate Governance in State-Owned Enterprises at least as much as 20%. Through the Decree of SOE Minister at the General Meeting of Shareholders of PT Pertamina (Persero), as stipulated in Decree no. 254/MBU/11/2016 dated November 14, 2016, appointed Tanri Abeng (President Commissioner) as an Independent Commissioner and SK No.142 / MBU / 05/2018 dated May 30, 2018 stipulates Alexander Lay as an Independent Commissioner. His profile has been included in the Board of Commissioners Profile. Thus, the provisions of 20% composition have been fulfilled.

CRITERIA OF APPOINTMENT

Independent Commissioners are members of the Board of Commissioners who have no financial, management, share ownership and/or family affiliations with members of the Board of Commissioners, members of the Board of Directors and/or controlling shareholder or relationship with the Company, which may affect their ability to act independently. The criteria for determining an Independent Commissioner refers to the Regulation of the Minister of SOE no. PER-01/MBU/2011 dated August 01, 2011, regarding the Implementation of Good Corporate
Governance in SOEs, Article 13 paragraphs 3 and 4.

INDEPENDENCE STATEMENT

An Independent Commissioner is committed to highly upholding independence, objectivity and justice in performing his roles and responsibilities, through avoiding any decisions and policies which may potentially give rise to a possible conflict of interest or preference towards the interest of one particular party. Independent Commissioners must also maintain the Company's reputation through the implementation of the principles of GCG in accordance with the prevailing guidelines and regulations, as reflected in the behavior, actions, and any policies made, both individually and collectively.

BOARD OF DIRECTORS

The Board of Directors is responsible for the interests and management of the Company's business so that it may generate added value and ensure business sustainability by taking into account the interests of stakeholders with the Company's activities. Each member of the Board of Directors carries out their duties and generates decisions in accordance with the division of duties and authority based on the Articles of Association and applicable laws and regulations.

BOARD OF DIRECTORS COMPOSITION

No	Name	Position	Domicile	Legal Basis of Appointment Decree of SOE Minister as GMS
1	Nicke Widyawati	President Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
2	Dharmawan H. Samsu	Upstream Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
3	Budi Santoso Syarif	Refinery Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
4	Basuki Trikora Putra	Corporate Marketing Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
5	Mas'ud Khamid	Retail Marketing Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
6	Pahala N. Mansury	Finance Director	Jakarta	Decree of SOE Minister Number: SK - 242 / MBU / 09/2018, September 13, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
7	Gandhi Sriwidodo	Logistics, Supply Chain and Infrastructure Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
8	Ignatius Tallulembang	Megaproject Refinery and Petrochemical Director	Jakarta	Decree of SOE Minister Number: SK - 242 / MBU / 09/2018, September 13, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
9	Heru Setiawan	Planning, Investment and Risk Management Director	Jakarta	Decree of SOE Minister Number: SK - 242 / MBU / 09/2018, September 13, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.

No	Name	Position	Domicile	Legal Basis of Appointment Decree of SOE Minister as GMS
10	Koeshartanto	Human Capital Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.
11	M. Haryo Yunianto	Asset Management Director	Jakarta	Decree of SOE Minister Number: SK - 97 / MBU / 04/2018, April 20, 2018 concerning Dismissal and Appointment of PT Pertamina (Persero) Board of Directors Members.

DUTIES AND AUTHORITIES OF EACH MEMBER OF THE BOARD OF DIRECTORS

The Board of Directors is a governance organ responsible for the management of the Company in the interests and purposes of the Company. The Board of Directors is tasked with determining the direction of the Company's objectives, establishing its policies and efforts to achieve them. The duties and authorities of each member of the Board of Directors are as follows:

President Director:
1. As the Chief Executive Officer, providing guidelines and maintaining the policies pertaining to vision, mission and strategies of the Company.
2. Leading Board of Directors members in the implementation of the Board of Directors decisions.
3. Organizing and leading the Board of Directors Meetings in accordance with the Articles of Association
4. Determining the decisions to be made in the event of any equal voting results in the Board of Directors meetings.
5. On behalf of the Board of Directors, approving all Decision Letters of the Board of Directors/President Director based on the type of decisions defined under the Articles of Association or any other requirements.
6. On behalf of the Board of Directors, assigning employees or other parties to represent the Company both in court and out of court.
7. Leading and encouraging the establishment of corporate values, image improvements, and Good Corporate Governance.

UPSTREAM DIRECTOR
1. Managing, optimizing and developing upstream businesses including geothermal through increasing reserves and production in an integrated manner nationally and internationally in accordance with the principles of good oil engineering and operation best practices.

REFINERY DIRECTOR
1. Developing engineering and technology through research that is integrated with the business master plan to support competitiveness and the company's business sustainability.
2. Developing, optimizing and managing Megaprojects in accordance with the master plan and business development of the company in an integrated manner in accordance with GCG principles and good engineering best practices.
3. Building the capability of strategic project management according to the standards of best practices.

CORPORATE MARKETING DIRECTOR
1. Developing strategies and optimizing market segmentation effectively
2. Managing, optimizing and developing the business of marketing and product sales including market development, B2B-oriented business expansion

LOGISTICS, SUPPLY CHAIN, AND INFRASTRUCTURE DIRECTOR

1. Planning the development of logistics infrastructure and supply chain to meet the market demand
2. Planning and managing all activities of supply and distribution of products in accordance with the needs of domestic demand
3. Planning and carrying out the operation and maintenance of the infrastructure needed for the supply and distribution of products

MEGAPROJECT, REFINERY, AND PETROCHEMICALS DIRECTOR

1. Managing, optimizing, and developing the refinery and petrochemical business in an integrated manner with a focus on reliability and operational efficiency in accordance with the principles of good oil engineering and operation best practices.

PLANNING, INVESTMENT, AND RISK MANAGEMENT DIRECTOR

1. Developing a strategy and business plan for the company to become a reference for short, medium and long term work goals.
2. Reviewing and evaluating investment plans and the company's business portfolio in accordance with business principles and risk management in supporting the competitiveness and the company's business sustainability.
3. Developing engineering and technology through research that is integrated with the business master plan to support competitiveness and the company's business sustainability.
4. Managing, optimizing and developing the gas, power and New & Renewable Energy (NRE) businesses in an integrated manner through market development and accelerating the commercialization of the NRE business in supporting the company's business sustainability.
5. Managing Quality, System, Knowledge & Integrated Loss Management to support the company's operations and efficiency.

FINANCE DIRECTOR

1. Managing and optimizing financial resources prudently, efficiently and adding value to support the business and work plan of the company.
2. Optimizing the company's financial management effectively and accountably.
3. Optimizing and developing the company's business through business synergy and integration and management of AP / JV
4. Ensuring and controlling the Company's health in accordance with accounting standards and financial best practices.
5. Optimizing and developing information technology to support the company's business

HUMAN CAPITAL DIRECTOR

1. Managing and developing human capital to support the company's business strategy and operations.
2. Managing and developing talent & human capital infrastructure to support the Company's business strategy and operations with high productivity.

ASSET MANAGEMENT DIRECTOR

1. Developing strategies and management of business support assets optimally, efficiently and providing added value to the Company.
2. Managing, optimizing and integrating Pertamina Group procurement processes.

BOARD OF DIRECTORS INDEPENDENCE

In carrying out its duties and responsibilities, the Board of Directors acts independently and is free from the interests of any party as this may also be seen from the share ownership of the Board of Directors members within the Company or concurrent positions as the Board of Directors members in the Company.

The following table shows the Board of Directors Independence in the Company:

Criteria of Independence	Nicke Widyawati	Dharmawan H. Samsu	Budi Santoso Syarif	Basuki Trikora Putra	Mas'ud Khamid	Pahala N. Mansury	Ignatius Tallulembang	Heru Setiawan	Koesartanto	M. Haryo Yunianto
Not a majority shareholder or official at the institution of the majority shareholder or directly associated with the majority shareholder.	√	√	√	√	√	√	√	√	√	√
Not serving as a Director in the Company or its affiliates	√	√	√	√	√	√	√	√	√	√
Has not worked in the Company or its affiliates within the last one year period	√	√	√	√	√	√	√	√	√	√
Having no financial affiliation directly or indirectly with the Company or any other company providing services and products to the Company and its affiliates.	√	√	√	√	√	√	√	√	√	√
Free from conflict of interest and business activities or other relationships that may hinder or interfere the ability of the Board of Directors to act or think independently within the Company.	√	√	√	√	√	√	√	√	√	√

DISCLOSURE OF PROCEDURES, INDICATORS AND BASIS OF REMUNERATION DETERMINATION

The procedures and indicators for the determination for the remuneration of the Board of Commissioners and the Board of Directors are fully conducted by the SOE Ministry and are not under the Company's authority. The basis for determining the remuneration of the Board of Commissioners and the Board of Directors refers to the Regulation of SOE Minister No.PER-04 / MBU / 2014 jo No.PER-01 / MBU / 06/2017 jo No.PER-06 / MBU / 06/2018 concerning Guidelines for Determining Income of Directors, Board of Commissioners, and Supervisory Board of State-Owned Enterprises and Decree of SOE Minister SK-148 / MBU / 05/2018.

The amount of remuneration is stipulated in the Letter of Deputy of Mining, Strategic Industry and Media Affairs on behalf of the SOE Minister No.SR-605 / MBU / D3 / 06/2018 concerning Submission of Determination of PT Pertamina (Persero) Board of Directors and Board of Commissioners Income in 2018.

STRUCTURE AND COMPONENTS OF REMUNERATION

The remuneration structure and components provided to the Board of Commissioners and Board of Directors consist of salary/fees, allowance, facility, and bonus/ performance incentive.

1. Salary
   a. The salary of the President Director is determined by using the internal guidelines issued by the SOE Ministry as the GMS of PT Pertamina (Persero).
   b. The salary of the Board of Directors other members is determined based on position, which represents 85% of the President Director's salary.
   c. Honorarium of the President Commissioner represents 45% of the President Director's salary.
   d. Honorarium of the Vice President Commissioner represents 42.5% of the President Director's salary.
   e. Honorarium of the Board of Commissioners members represents 90% of the President Commissioner's honorarium.
2. Allowance
   For members of the Board of Directors, the allowances received include religious holiday allowance, housing allowance, and post retirement allowance. As for members of the Board of Commissioners, the allowances received include religious holiday allowance, transportation allowance, and post retirement allowance.
3. Facilities
   Facilities received by members of the Board of Directors include vehicle, health benefits, and legal assistance. As for members of the Board of Commissioners facilities received include health benefits and legal assistance.
4. Tantiem/Performance Incentives
   For the provisions in granting this tantiem, refer to the Ministerial Regulation.

The structure and components of remuneration received by the Board of Commissioners and the Board of Directors of Pertamina do not facilitate a performance bonus, non-performance bonus, and/or stock options for each member of the Board of Commissioners and Board of Directors.

AFFILIATION OF THE BOARD OF COMMISSIONERS, BOARD OF DIRECTORS AND CONTROLLING SHAREHOLDERS

All members of the Board of Commissioners do not have any affiliation in terms of family or financial matters with other members of the Board of Commissioners, members of the Board of Directors and Shareholders. All members of the Board of Directors also do not have any affiliation both in terms of family and financial matters with other members of the Board of Directors, members of the Board of Commissioners and Shareholders.

Description	Family Affiliation			Business Affiliation		
	Board of Commissioners	Board of Directors	Shareholders	Board of Commissioners	Board of Directors	Shareholders
Board of Commissioners						
Tanri Abeng	x	x	x	x	x	x
Arcandra Tahar	x	x	x	x	x	x
Sahala Lumban Gaol	x	x	x	x	x	x
Suahasil Nazara	x	x	x	x	x	x
Alexander Lay	x	x	x	x	x	x
Ahmad Bambang	x	x	x	x	x	x
Ego Syahrial	x	x	x	x	x	x
Board of Directors						
Nicke Widyawati	x	x	x	x	x	x
Dharmawan H. Samsu	x	x	x	x	x	x
Budi Santoso Syarif	x	x	x	x	x	x
Basuki Trikora Putra	x	x	x	x	x	x
Mas'ud Khamid	x	x	x	x	x	x
Pahala N. Mansury	x	x	x	x	x	x
Gandhy Sriwidodo	x	x	x	x	x	x
Ignatius Tallulembang	x	x	x	x	x	x
Heru Setiawan	x	x	x	x	x	x
Koeshartanto	x	x	x	x	x	x
M. Haryo Yunianto	x	x	x	x	x	x

DIVERSITY OF THE BOARD OF COMMISSIONERS AND BOARD OF DIRECTORS COMPOSITION

Pertamina has no policy in determining the diversity of the Board of Commissioners and Board of Directors members' composition. The authority to determine the diversity of composition is the Government's right as the Shareholder.

At present, the composition of Pertamina's Board of Commissioners and Board of Directors members includes a diversity of areas of expertise, education and experience related to Pertamina's main activities, finance, economics and corporate governance.

However, the composition of the Board of Commissioners and Board of Directors members in 2018 from the aspect of expertise has a variety of educational backgrounds in the fields of engineering, management, finance and business that may support the Company's business activities. From aspects such as career and work experience, each member of the Board of Commissioners and Board of Directors has a different career development path, such as in the fields of oil and energy, education, banking, and information technology, both private and government. In terms of age, members of the Board of Commissioners and Board of Directors also have different age ranges.

AUDIT COMMITTEE

PROFILE OF AUDIT COMMITTEE MEMBERS

Name	Agus Yulianto
Position	Member
Nationality	Indonesian
Age	57 years old
Domicile	South Tangerang
Legal Basis of Appointment	Decree of the Board of Commissioners No. 023 / KPTS / K / DK / 2015
Education	• Master of Accountancy, Case Western Reserve University, Cleveland OH, USA (1993). • Diploma IV in Accounting from the State College of Accountancy in Jakarta (1991)
Working Experience	• Audit Committee Member of PT Telkom Tbk, in 2010-2015 • Whistle Blower Protection Officer (WPO) in 2010-2015 • Head of Financial Management Specialist, Multi Donor Fund and World Bank in Aceh (2009-2010). • Internal Audit Consultant and Training Service Provider in Financial Accounting and Internal Auditing. year 2000 – 2009 • Working at the Financial and Development Supervisory Agency (BPKP) (1993-1999)
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders.

Name	Bonar Lumban Tobing
Position	Member
Nationality	Indonesian
Age	59 years old
Domicile	Bekasi
Legal Basis of Appointment	Decree of the Board of Commissioners No.023 / KPTS / K / DK / 2015
Education	• MBA programs majoring in Finance at Business School of Rutgers The State University of New Jersey, USA (1993) • Bachelor of Economics Faculty of Accounting, University of Indonesia (1986)
Working Experience	• SVP-Dean of Retail Banking Academy - Mandiri University (2013-2015) • SVP - Regional CEO at PT Bank Mandiri (Persero) (2009-2012) • VP- Deputy Regional CEO at PT Bank Mandiri (Persero) (2009) • VP-Area Manager, at PT Bank Mandiri (Persero) (2005-2008)
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders.

Name	Dwi Martani
Position	Member
Nationality	Indonesian
Age	48 years old
Domicile	Depok, West Java
Legal Basis of Appointment	Decree of the Board of Commissioners No. 023 / KPTS / K / DK / 2015
Education	• Doctorate in Financial Sciences, University of Indonesia (2004) • Bachelor of Accounting, University of Indonesia (1993
Working Experience	• Accounting Lecturer at the Faculty of Economics and Business, University of Indonesia (1996-present) • Deputy Chairman of the Government Accounting Standards Committee (2018-present) • Audit Committee Member of PT Adhi Karya (Tbk) (2005-2007) • Audit Committee Member of LPP TVRI (2008-2011)
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders.

TANRI ABENG / AUDIT COMMITTEE CHAIRMAN

His profile is presented in the Board of Commissioners Profile in this Annual Report

SAHALA LUMBAN GAOL / VICE CHAIRMAN CONCURRENTLY MEMBER

His profile is presented in the Board of Commissioners Profile in this Annual Report

AHMAD BAMBANG - VICE CHAIRMAN CONCURRENTLY MEMBER

His profile is presented in the discussion of the Board of Commissioners Profile in this Annual Report.

INFORMATION OF CONCURRENT POSITION

Information regarding the concurrent positions of members of the Audit Committee from members of the Board of Commissioners can be viewed in the Concurrent Position Information for the Board of Commissioners. All members of the Audit Committee who do not serve as Commissioners do not have external concurrent positions outside Pertamina containing any possible conflicts of interest.

INDEPENDENCE

In performing its duties and responsibilities, all members of the Audit Committee are committed to upholding the principles of Good Corporate Governance practices by being objective, professional, and independent. The Audit Committee will not take any decisions under pressure and/or intervention from any party and are committed to avoid any conflict of interest. Therefore, all members of the Audit Committee have no affiliation both regarding kinship and business affiliation with members of the Board of Commissioners and members of the Board of Directors.

DUTIES AND RESPONSIBILITIES

Audit Committee Duties and Responsibilities:

1. Assisting the Board of Commissioners to ensure the effectiveness of the internal control system and the effectiveness of the implementation of external auditor and internal auditor duties.
2. Assessing activities related to implementation and audit findings performed by the Internal Audit or External Auditor.
3. Providing recommendations concerning the improvement of the management control systems and implementation.
4. Ensuring that there is a satisfactory review procedure towards the information related to the Company's Financial Statements.
5. Identifying matters requiring attention from the Commissioners.
6. Conducting a review regarding the Company's Long-Term Plan, and the Company's Work and Budget Plan, as well as other management and information reports.
7. Conducting a review regarding the Company's compliance towards the laws and regulations in relation to the Company's activities.
8. Conducting a review and follow-up regarding any complaints in relation to the Company.
9. Studying the adequacy of the Internal Audit function, including the number and competency of auditors, Annual Work Plan and completed assignments.
10. Studying the adequacy of the External Audit implementation, which includes audit planning and number of auditors.
11. Conducting a review regarding the independence and objectivity of the Public Accountant that will perform the audit on the Company's financial statements and other financial activities.
12. Conducting a review regarding the adequacy in the examination performed by the Public Accountant to ensure that all important risks have been carefully considered.
13. Conducting a review regarding community complaints and to monitor the implementation of the whistleblowing system.
14. Performing other duties assigned by the Board of Commissioners.

AUDIT COMMITTEE MEETING

The Audit Committee holds periodic meetings internally to complete the Committee Work Program and conduct coordination meetings with other committees under the Board of Commissioners supervision.

Throughout 2018, the Audit Committee held 53 (fifty three) meetings both internally and invited the management as illustrated in the following table:

Name	Position	Attendance	
		Internal Meeting	Joint Meeting with Directorate
Tanri Abeng	Committee Chairman	0	1
Sahala Lumban Gaol	Committee Vice Chairman	4	11
Ahmad Bambang	Member	0	0
Agus Yulianto	Member	4	48
Bonar Lumban Tobing	Member	4	48
Dwi Martani*	Member	2	18

Information :
*She has resigned on April 30, 2018

NOMINATION AND REMUNERATION COMMITTEE

PROFILE OF THE NOMINATION AND REMUNERATION COMMITTEE MEMBERS

SUAHASIL NAZARA / COMMITTEE CHAIRMAN

His profile is presented in the discussion of the Board of Commissioners profile

TANRI ABENG / COMMITTEE VICE CHAIRMAN

His profile is presented in the discussion of the Board of Commissioners profile

EGO SYAHRIAL – COMMITTEE VICE CHAIRMAN CONCURRENTLY MEMBER

His profile is presented in the discussion of the Board of Commissioners profile

Name	Apep Fajar Kurniawan
Position	Member
Nationality	Indonesian
Age	35 years old
Domicile	Tangerang
Legal Basis of Appointment	Decree of the Board of Commissioners No.023 / KPTS / K / DK / 2015.
Education	• Doctor of Management in Governmental Science from University of Satyagama (2014) • Student of the Doctoral Program in Political Science, University of Indonesia (2013-present) • Postgraduate Program (Master of Science in Intelligence Strategy) University of Indonesia (2009) • Bachelor of Theology, Interpretation of Ushuluddin Faculty Hadith (2006) • Bachelor of Philosophy from the State Islamic University (2006)
Working Experience	• President Director of PT Melia Samudera Khatulistiwa (2014-2017) • Corporate Relations Director "The Leader Magazine's Corporate Affair" (2014-2017) • Director of the Indonesian Student and Youth Forum (2011-2015) • Commissioner of PT Trisula Energi (2013-2014) • Operations Director of PT Lintas Strategy Indonesia (2012-2013) • Marketing Communication Manager of PT RM Book (2010-2012) • Co-Founder / Founding Team and Vice Rector of Tanri Abeng University (2010-2012) • Program Director of the Center for the Study of Religion and Civilization (2006-2009) • Member of the National Steering Committee - People's Election Monitoring Network (JPPR) (2002-2004
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

INDEPENDENCE

All members of the Nomination and Remuneration Committee commit to uphold practices of Good Corporate Governance by being professional, objective, and independent. The Nomination and Remuneration Committee will not make decisions under pressure nor have intervention from any other party and are committed to avoiding any conflicts of interest. Therefore, all members of the Nomination and Remuneration Committee do not have any relationship affiliations, either, through family or business affiliation, with other members of Board of Commissioners and members of Board of Directors.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the Nomination and Remuneration Committee are as follows:

1. Carrying out evaluation regarding the planning activities of the Company's Nomination and Remuneration Committee and other activities in accordance with the Minutes of Agreement of the Board of Commissioners regarding Job Distribution between Committees under the Board of Commissioners.
2. Monitoring the implementation of activities regarding the Company's Nomination and Remuneration Committee and other activities in accordance with the Minutes of Agreement of Board of Commissioners regarding Job Distribution between the Committees within the Board of Commissioners.
3. Studying the effectiveness regarding the Nomination and Remuneration policies.
4. Providing reference of materials and information for the Board of Commissioners related to the Company's Nomination and Remuneration activities.
5. Providing input and recommendations concerning the Board of Directors reports regarding activities of the Nomination and Remuneration committee.
6. Providing a review and strategic suggestions as well as monitoring the implementation of GCG in the Company, including with regards to the periodic implementation of GCG assessment by an independent assessor, whistleblowing implementation and any matters related to the Company's compliance with the provisions of applicable laws and regulations.
7. Generating an Annual Work Plan for the Nomination and Remuneration Committee.
8. Performing other tasks assigned by the Board of Commissioners related to activities involving Nomination and Remuneration as well as other specific tasks.
9. Reporting the Nomination and Remuneration Committee's work results to the Board of Commissioners.
10. The Nomination and Remuneration Committee also carries out other duties and responsibilities of the Board of Commissioners and assists other Committees

NOMINATION AND REMUNERATION COMMITTEE MEETING

Throughout 2018, the Nomination and Remuneration Committee held 12 (twelve) meetings both internally and invited the management as illustrated in the following table:

Name	Position	Attendance	
		Internal Meeting	Joint Meeting with Directorate
Suahasil Nazara	Committee Chairman	0	2
Tanri Abeng	Committee Vice Chairman	1	4
Ego Syahrial	Member	0	2
Apep Fajar Kurniawan	Member	1	11

PROFILE OF THE RISK MANAGEMENT MONITORING COMMITTEE'S MEMBERS

ARCANDRA TAHAR / COMMITTEE CHAIRMAN

His profile is presented in the discussion of the Board of Commissioners profile

SAHALA LUMBAN GAOL / COMMITTEE VICE CHAIRMAN

His profile is presented in the discussion of the Board of Commissioners profile

ALEXANDER LAY / COMMITTEE VICE CHAIRMAN

His profile is presented in the discussion of the Board of Commissioners profile

Name	Yusuf Didi Setiarto
Position	Member
Nationality	Indonesian
Age	45 years old
Domicile	Jakarta
Legal Basis of Appointment	Decree of the Board of Commissioners No.017 / KPTS / K / DK / 2016.
Education	Faculty of Law, University of Indonesia in Jakarta (1994-1999).
Working Experience	Associate Lawyer in Indrawan Heisky & Partner (1999), Associate Lawyer in Wiriadinata & Widyawan (2000-2003), Legal Division of BPMIGAS / SKK MIGAS (2003-2012), and Division Head of Legal Consideration and Formality of SKK Migas (2013-2015).
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

Name	Poerwo Tjahjono
Position	Member
Nationality	Indonesian
Age	62 years old
Domicile	Jakarta
Legal Basis of Appointment	Decree of the Board of Commissioners No.023 / KPTS / K / DK / 2015
Education	Faculty of Economics, majoring in Accounting, University of Padjadjaran - Bandung (1984) and Undergraduate Program majoring in Management Sciences, University of Gadjah Mada (1999).
Working Experience	His career in Pertamina started as an employee in 1986 through the Accounting Undergraduate Program in 1985, Finance Staff of Pertamina Kalimantan Area (1992), Head of Regional Finance Operations EP Sangatta (1995), Manager of ERP Development (2005) and formerly a member of the SAP Implementation Project. In 2006 he was the Head of the Control Division, then as Vice President of Financial Downstream (2007), Vice President of Strategic Planning (2008) and Senior Vice President Controller (2011). Staff for Retirement Preparation (2012) and in June 2012 as Member of the Audit Committee of PT Pertamina Upstream Energy through to mid 2015.
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

Name	Averrouz Mostavan
Position	Member
Nationality	Indonesian
Age	37 years old
Domicile	Jakarta
Legal Basis of Appointment	Decree of the Board of Commissioners No.008 / KPTS / K / DK / 2018.
Education	• Bachelor Degree in Geophysical Engineering from ITB – Bandung • Postgraduate majoring in Applied Geophysics from TU Delft, The Netherlands
Working Experience	• QC Geophysicist - PGS. Offshore New Zealand, North Sea (Norwegian and UK Sectors) and West of Shetland (2009), • Sales Supervisor - PGS, Jakarta and Singapore (2009-2010), • Geophysicist - PGS, Singapore (2010-2012), • Senior Geophysicist - PGS. Singapore (2012-2014), • Senior Geophysicist - PGS, Houston, Texas, USA (2014-2018)
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

COMMITTEE INDEPENDENCE

All members of the Risk Management Monitoring Committee are committed to upholding the practices of Good Corporate Governance by being professional, objective, and independent. The Risk Management Monitoring Committee will not make decisions under pressure nor have interventions from any party and are committed to avoiding any possible conflicts of interest. Therefore, all members of the Risk Management Monitoring Committee do not have any affiliation, either through family or business with other members of the Board of Commissioners and members of the Board of Directors.

DUTIES AND RESPONSIBILITIES

The duties of the Risk Management Monitoring Committee are as follows:

1. Evaluating the planning of upstream-downstream activities (RJPP/CBP).
2. Monitoring the implementation of upstream-downstream activities of the Company under the Work Plan or Budget (RJPP/CBP) and the analysis of results regarding the upstream downstream activities of the Company.
3. Evaluating the planning of upstream-downstream investment activities and that the risk levels are measurable and aligned with strategy and economy.
4. Evaluating the implementation of investment activities in the upstream downstream activities and an analysis of investment results.
5. Reviewing the effectiveness regarding the implementation of investment policy for the upstream-downstream activities and the Company's management from a Risk Management perspective.
6. Providing reference materials and information for the Board of Commissioners related to upstream-downstream activities of the Company.
7. Providing input and recommendations on the Board of Directors' report regarding the Company's upstream-downstream activities.
8. Preparing an Annual Work Plan for the Risk Management Monitoring Committee.
9. Performing other duties assigned by the Board of Commissioners related to the upstream-downstream activities of the Company.
10. Reporting the results of Work Plan of the Committee to the Board of Commissioners.
11. Other tasks and responsibilities of the Risk Management Monitoring Committee are performing any other assignments issued by the Board of Commissioners as well as assisting other committees.

Risk Management Monitoring Committee Meeting

In 2018, the Risk Management Monitoring Committee held an Internal Meeting and Joint Meeting with the management of 5 (five) times.

Name	Position	Attendance	
		Internal Meeting	Joint Meeting with Directorate
Arcandra Tahar	Committee Chairman	0	5
Sahala Lumban Gaol	Committee Vice Chairman / Member	0	2
Alexander Lay	Committee Vice Chairman / Member	0	4
Yusuf Didi Setiarto	Member	0	4
Poerwo Tjahjono	Member	0	5
Averrouz Mostavan	Member	0	1

SECRETARY TO THE BOARD OF COMMISSIONERS

PROFILE OF SECRETARY TO THE BOARD OF COMMISSIONERS

Name	Yuki Indrayadi
Position	Secretary to the Board of Commissioners
Nationality	Indonesian
Age	46 years old
Domicile	Jakarta
Legal Basis of Appointment	Decree No. 003 / KPTS / K / DK / 2016
Education	• Faculty of Industrial Engineering ITB, Bandung (1996), • Katholieke Universiteit Leuven, Belgium (M.Eng - 1998) • Katholieke Universiteit Leuven, Belgium (Ph.D - 2002).
Working Experience	• Independent Committee Member of PT Semen Indonesia Tbk (2013-2016), • Secretary to the Board of Commissioners of PT Telkom Indonesia Tbk (2008-2013), • Managing Director of PT Quant Capital Management - Jakarta (2008), • SVP Research of PT Infinite Global Kapital, Jakarta (2007-2008) • Field Engineer of Schlumberger Wireline & Testing (1996-1997).
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

DUTIES AND RESPONSIBILITIES

The duties of the Secretary to the Board of Commissioners are as follows:

1. Preparing the Board of Commissioners meetings, including meeting materials (briefing sheet).
2. Recording the Minutes of the Board of Commissioners Meetings in accordance with the Articles of Association.
3. Administering the Board of Commissioners documents, including incoming letters, outgoing letters, minutes of meetings and other documents.
4. Preparing drafts of Work Plan and Budget for the Board of Commissioners.
5. Preparing draft of reports for the Board of Commissioners.
6. Performing other duties assigned by the Board of Commissioners.
7. Ensuring that the Board of Commissioners complies with all laws and regulations as well as complies with the principles of GCG.
8. Providing information required by the Board of Commissioners periodically and/or at any time as requested.
9. Coordinating members of Committees, if necessary, in order to expedite the Board of Commissioners duties.
10. As a liaison officer for the Board of Commissioners and other parties.
11. Ensuring that the documents of organizational activities in the Board of Commissioners circle are well maintained in the Company.

CORPORATE SECRETARY

PROFIL OF THE CORPORATE SECRETARY

Name	Syahrial Mukhtar
Position	Corporate Secretary
Nationality	Indonesian
Age	52 years old
Domicile	Jakarta
Legal Basis of Appointment	Decision Letter No. Kpts.P-028 / C00000 / 2017-S8
Education	• Bachelor Degree of Industrial Engineering, Bandung Institute of Technology (1985-1990) • Master of Management, International Department of Business, University of Gadjah Mada (1998-2000) • Doctor of Management Strategic, Postgraduated in Management Faculty of Economic, University of Indonesia (2005-2011)
Working Experience	• Technical Expert & Strategic Advisor Financial, PT Pertamina (Persero) (2015-2016) • Vice President of Corporate Internal Audit, PT Pertamina (Persero) (2014-2015) • Head of Internal Audit, Pertamina Drilling Service Indonesia (2013-2014) • Business Strategic Planning Manager, PT Pertamina (Persero) (2012-2013) • Management Business and Information Data Manager, PT Pertamina (Persero) (2010-2011)
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

DUTIES AND RESPONSIBILITIES

The Corporate Secretary has the following duties and responsibilities:

1. Determining and establishing corporate communication strategies both inside and outside, including but not limited to the management of media communication activities, management of corporate brands, and company internal communication to form and enhance Pertamina's image and reputation in the eyes of stakeholders.
2. Directing, monitoring, and evaluating relations with the stakeholders of the Company, which consist of shareholders, bondholders/financial investors, government, legislature, judiciary, NGOs, military, police, embassies, international stakeholders; and ensuring equal precedence of the Board Management with relevant stakeholders; building, maintaining, and enhancing the credibility and positive reputation of the corporation as well as advancing the interests of Pertamina.

3. Directing and determining that Pertamina's CSR & SMEPP strategies are effective and appropriate for the community, especially in the areas surrounding the Company's operations, and improving the ability of small businesses in order to be strong and independent, thus providing added value to the Company in the framework of implementing Law No. 40 of 2007 concerning Limited Liability Companies and Law No. 19 of 2003 concerning SOEs and realize a sustainable business.
4. Managing corporate activities related to reporting to Shareholders, including preparing Annual Reports, Company Sustainability Reports and holding a General Meeting of Shareholders.
5. Determining and controlling activities related to support the activities of the Board of Directors and Board of Commissioners, including handling the administration and secretarial matters of the President Director.
6. Managing the availability of Pertamina's data and information for the benefit of external stakeholders includes the collection of information materials and documentation, services and verification of public information materials to be accessed by the general public and company stakeholders, in order to realize the implementation of the GCG principles.
7. Managing the planning, use, and accountability of the Corporate Secretary's budget in accordance with the Company's authority
8. Managing the planning, placement and training of the employees within the Corporate Secretary.
9. Periodically preparing and submitting reports regarding management of the Corporate Secretary to the President Director.

PROFILE OF THE HEAD OF INTERNAL AUDIT

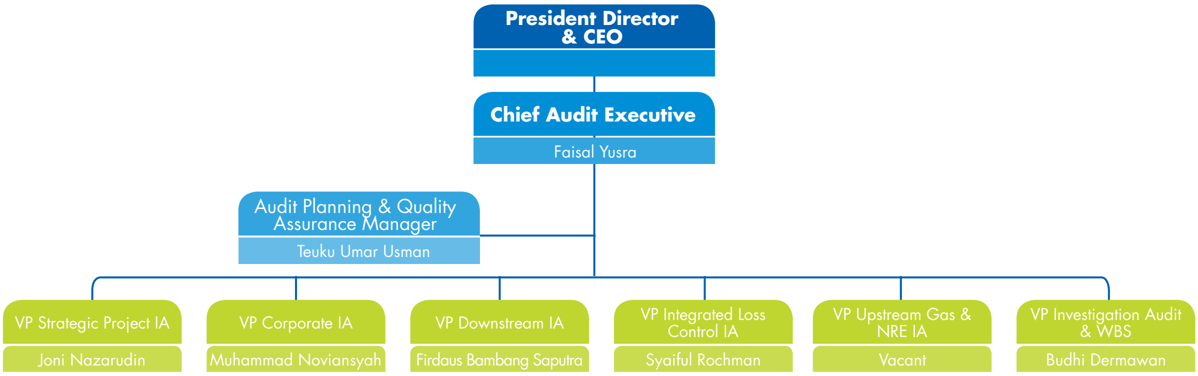
Name	Faisal Yusra
Position	Chief Audit Executive
Nationality	Indonesian
Age	54 years old
Domicile	Bogor
Legal Basis of Appointment	Decree of PT Pertamina (Persero) President Director No.Kpts.P-166 / C00000 / 2017-S8 dated September 15, 2017
Education	• Bachelor of Electrical Engineering from the University of North Sumatra (1987), • Bachelor of Law from University of Tridharma, Balikpapan • Postgraduate Degree in Economics from University of General Sudirman (2001).
Working Experience	• Electrical Drawing Staff in the Kalimantan Regional Processing Unit, • Superintendent of Project Evaluation Kapital Balikpapan, • Superintendent of the Contract Office RU Balikpapan, • Assistant Manager of Bang Sis. Ops. Fuel Refinery Directorate of Processing, • Assistant Manager of Supervision of Processing Directorate, • Assistant of the Contract Manager - Integrated Supply Chain, • Quality Management Manager of PT Pertamina (Persero), • VP of Quality, System, & Knowledge Management Pertamina (2014-2017)
Affiliation	Has no affiliation with members of the Board of Commissioners, Board of Directors and Controlling Shareholders

STRUCTURE AND POSITION

The Pertamina Internal Audit Unit has a direct position under the President Director to guarantee the independence of all audited activities or work units. The Pertamina Internal Audit Unit is led by the Chief Audit Executive who has adequate academic qualifications and competencies in order to carry out their duties and responsibilities. The Chief Audit Executive is appointed and dismissed by the President Director with the approval of the Board of Commissioners.

Positions at Pertamina Internal Audit are regulated in the Decree of Human Capital and General Affairs Director No.Kpts-049 / K00000 / 2018-S0 dated October 18, 2018 concerning PT Pertamina (Persero) Internal Audit Organization Structure.

The following is the organization structure of Pertamina's Internal Audit Unit.



NUMBER OF EMPLOYEES

In 2018, there were 134 positions filled in Pertamina Internal Audit Unit from a total of 189 positions, of which 55 (fifty five) positions or 29% were still vacant, with details as follows:

No.	Pertamina Internal Audit Function	Formation	Filled	Vacant
1	Chief Audit Executive	2	2	0
2	Audit Planning & Quality Assurance (APQA)	13	10	3
3	Investigation Audit	19	14	5
4	Upstream & Gas IA	17	14	3
5	Downstream IA	83	63	20
6	Corporate IA	33	23	10
7	Strategic Project IA	13	6	7
8	Integrated Loss Control IA	9	2	7
	Total	189	134	55
	Percentage	100%	71%	29%

DUTIES AND RESPONSIBILITIES

Duties and responsibilities of the Internal Audit Unit as set forth in its Charter are as follows:

1. Composing and proposing the Annual Work Programs regarding Supervision/Annual Audit Plan and the Budget Plan to be approved by the President Director.
2. Conducting monitoring through assurance and consultation activities across all work units in the Company.
3. Coordinating monitoring with the Internal Audit of Subsidiaries and Company affiliates.
4. Testing and evaluating the effectiveness of controls and risk management.
5. Reviewing periodic reports.
6. Conducting compliance checks regarding relevant legislation.
7. Identifying options for improvement and increasing efficiency of the Company

8. Coordinating with the Audit Committee
9. Reporting the results of monitoring to the President Director and other authorities competent to receive those reports.
10. Monitoring the implementation of follow-up on the results of internal and external audit as well as other monitoring institutions.
11. Coordinating monitoring activities with the external audit.
12. Conducting coordination with the Compliance Unit/Chief Compliance Officer as well as other relevant parties in order to perform follow-ups concerning the complaints/disclosures through the Whistle Blowing System (WBS) and complaints arising from the public or other parties in accordance with applicable regulations.
13. Conducting investigative audits of problems that could potentially result in losses for the Company.
14. Conducting evaluation and quality improvement concerning the activities of internal control.
15. Reporting the monitoring activities to the Board of Commissioners cq the Audit Committee.
16. Performing other duties as assigned by the Board of Directors and/or Board of Commissioners.

EDUCATION, TRAINING PROGRAM, AND PROFESSIONAL CERTIFICATION

PT Pertamina (Persero) always engages employees of the Pertamina Internal Audit Unit in competence development programs carried out through certification programs (national and international) and non-certification through training / workshops either held inhouse or held by external parties. Meanwhile, professional certification held by employees in the Internal Audit sector includes CIA, CFE, CISA, CRMA, CCSA, QIA, CPA, CRMP, and CFrA. The certification holders are spread to the Parent Company and Subsidiaries, so that they may accommodate all auditors at Pertamina. The following is the professional certification of Pertamina Internal Audit Unit employees and the number of certificate holders at Pertamina in 2018:

Employee Certification Table

No.	Type of Certificate	IA Persero	IA AP	Σ Auditor	Description
1	Certified Internal Audit (CIA)	8	1	9	International
2	Certified Fraud Examiner (CFE)	23	16	39	International
3	Certified Information System Auditor (CISA)	8	1	9	International
4	Certified Risk Management Assurance (CRMA)	0	1	1	International
5	Certified Control Self Assessment (CCSA)	2	1	3	International
6	Qualified Internal Audit (QIA)	110	64	174	National
7	Certified Public Accountant (CPA) Indonesia	0	1	1	National
8	Certified Risk Management Professional (CRMP)	6	4	10	National
9	Certified Forensic Auditor (CFrA)	15	13	28	National

2018 DUTY IMPLEMENTATION

Based on the evaluation of Audit Management System (AMS), in 2018 Pertamina Internal Audit Unit published 33 reports consisting of 18 Reports on Audit Findings, 10 Reports on Investigation Audit Findings, and 5 Reports on Consultation Results. Of the 590 findings that must be followed up in 2018, 573 findings have been followed up by management (97.12%).

During 2018, the function of Pertamina Internal Audit had escorted 7 BPK RI Audit assignments, escorted 29 BPKP assignments and as a counterpart of the Public Accounting Firm in the audit of PT Pertamina's Financial Statements for 2018 fiscal year.

PUBLIC ACCOUNTANT

In performing the audit of financial statements, the Company appoints a Public Accounting Firm (KAP), which was decided in the GMS based on the recommendation of the Board of Commissioners. Information concerning the list of names of Public Accounting Firms and opinions provided for Pertamina's financial statements over the previous 5 years is as follows:

Fiscal Year	Public Accounting Firm	Accountant	Opinion
2018	KAP Purwantono, Sungkoro & Surja (EY)	Drs Hari Purwantoro	Opinion without modification with a paragraph emphasizing one thing and a paragraph of other things
2017	KAP Purwantono, Sungkoro & Surja (EY)	Drs Hari Purwantoro	Opinion without modification with paragraphs of other things
2016	KAP Purwantono, Sungkoro & Surja (EY)	Drs Hari Purwantoro	Opinion without modification
2015	KAP Purwantono, Sungkoro & Surja (EY)	Drs Hari Purwantoro	Opinion without modification with a paragraph emphasizing one thing and a paragraph of other things
2014	Tanudiredja ,Wibisana & Rekan (PWC)	Drs Haryanto Sahari	Opinion without modification

The audit cost for the Financial Statements of the 2018 Fiscal Year was Rp37.850.000.000 (excluding VAT), including the cost of audits in the 23 subsidiaries, partners and Pertamina Pension Fund. There are no affiliations between the auditors and the Board of Directors/Board of Commissioners/Shareholders of the Company.

In addition to carrying out general audits on the Consolidated Financial Statements, the Public Accounting Firm Purwantono, Sungkoro & Surja also provided other services and they are included in the audit cost, which are as follows:

1. Performed a General Audit of PT Pertamina (Persero) Consolidated Financial Statements for 2018
2. Performed an audit on compliance with prevailing legislation and internal control (PSA62) for the year ending December 31, 2018.
3. Performed Agreed Upon Procedures regarding the Performance Evaluation Report of PT Pertamina (Persero) for the year ending December 31, 2018.
4. Performed Agreed Upon Procedures regarding the Report on the Implementation of the Precautionary Principle in the management of foreign debt of PT Pertamina (Persero) non-bank corporation in 2018
5. Issued a Management Letter regarding the Consolidated Financial Statements of PT Pertamina (Persero) and its subsidiaries including the Management Letter to the Subsidiaries, Partners and Pertamina Pension Fund for the year ending December 31, 2018, emphasizing the effectiveness of internal controls.
6. Performed Agreed Upon Procedures regarding the Management Contract Achievement Report for the year ending December 31, 2018.

RISK MANAGEMENT

Pertamina, like any other energy companies, continues to face business conditions that possess High Volatility, Uncertainty, Complexity & Ambiguity (VUCA). These conditions have led to an increased risk exposure for Pertamina. To that end, risk becomes an inherent aspect and must be taken into account in every line of business in Pertamina. Enterprise Risk Management (ERM) was established with the objective of minimizing potential losses and costs incurred in relation to the achievement of the Company's Corporate Budget Plan and Long Term Plan. Risk Management is also expected to maximize opportunities, maintain a conducive working environment, build investor confidence, increase shareholder value, promote sound Corporate Governance, anticipate rapid environmental change and integrate corporate strategy.

The basis of the implementation of Risk Management in Pertamina refers to the Regulation of the Minister of State-Owned Enterprise No. PER-01/MBU/2011 regarding the Implementation of Good Corporate Governance for State-Owned Enterprises, particularly Article 25 concerning the fulfilment of obligations to implement Risk Management. In addition, Pertamina has a basis in the form of:

1. The Pertamina Risk Management Charter demonstrates the commitment of the Board of Directors concerning the implementation of Risk Management and was renewed and signed on 1st November 2017.
2. Corporate Governance System Risk Management No.A002/H30000/2015-S9 Revision 1 on October 03, 2016, which contains the applicable Risk Management Guidelines at Pertamina.
3. Organizational Structure (TKO) & Work Procedures of Individuals (TKI), which contains technical guidance regarding Risk Management.

The Risk Management Platform at Pertamina has been prepared with the objective of realizing Enterprise Risk Management (ERM) of the Pertamina Roadmap, i.e. risk awareness, framework, discipline, habit and culture. Through ERM the Pertamina roadmap will play the role of being a point of reference in applying and evaluating Risk Management in Pertamina.

FRAMEWORK ISO 31000: 2018 AS A RISK MANAGEMENT FRAMEWORK IN PERTAMINA

Pertamina starts implementing ISO 31000: 2018 as a quality standard in the field of Risk Management which is a development of the previous standard, namely ISO 31000: 2009. The standard includes principles, frameworks, and guidelines concerning the management of risk.

In the environment of Pertamina, the implementation of ISO 31000: 2018 is the foundation of the Risk Management Framework, it is performed integratedly in accordance with the Company's environmental and business processes. Therefore, Pertamina has made adjustments in the implementation of ISO 31000: 2018 in accordance with the character of the business, organization and culture of the Company so as to support the achievement of ERM objectives in Pertamina. The three main foundations in ISO 31000: 2018 that are implemented in risk management in Pertamina are Risk Management Principles, Risk Management Framework and Risk Management Process.

Risk Management Principles

Risk Management Framework **Risk Management Process**

IMPLEMENTATION OF ISO 31000:2018 IN PERTAMINA

ISO 31000: 2009 began its implementation in Pertamina starting in 2011. The implementation of the framework was done in stages, starting from policy formulation to the Risk Management Process. In August 2018, there were several changes in the principles, framework and risk management process based on ISO 31000: 2018. Broadly speaking, ISO 31000: 2018 emphasizes protecting and creating the value. That the responsibility of all lines of the Company to maintain and create corporate value by implementing risk management in each process. The application of ISO 31000: 2018 can be described as follows:

1. Mandate and Commitment
   The Mandate and commitment of the Board of Directors of Pertamina is formulated as a commitment of the Board of Directors to take into account the risk aspects throughout the whole process of decision making. The Mandate and Commitment of the Board of Directors refers to the Risk Management Principle at ISO 31000: 2018 and has been set forth in the Pertamina Risk Management Charter which was inaugurated and signed by all Directors on November 01, 2017.

   The Pertamina Risk Management Charter is then used as the foundation for the implementation of Risk Management in Pertamina, which is also supported by the Working System, the Organization Structure and the Work Procedures of Individuals. The foundation is a reference for all employees in applying Risk Management in their respective Directorates and Functions.

2. Preparation of the Pertamina Risk Profile
   Preparation of the Pertamina Risk Profile is performed through the Fault Tree Analysis (FTA) method and Failure Mode Effect Analysis (FMEA). Through the combination of both methods we can effectively identify top down and bottom up risks so that the risk profile can be described more comprehensively. Pertamina's risk profile is based on the aspirations of the Board of Directors, which means it is expected to cover both strategic and operational risks.

   Preparation of Pertamina's Risk Profile refers to the Risk Management Process in ISO 31000: 2018 that includes the determination of context, identification, analysis, evaluation, handling and risk monitoring. The establishment of a context in the preparation of a Risk Profile is limited to the Ongoing Business and Business Development risks that could potentially occur during a budget period of one year, which has financial and reputation, strategic, legal and other business impacts.
   Risk Owner is the first line of defence and each leading business unit for Risk Management is to identify inherent risk in every process and business unit along with Risk Agent, Key Risk Indicator (KRI), positive factor (control) and impact of risk. Furthermore, risk analysis is conducted through Risk Owner, by either qualitatively or quantitatively based on the historical data and expert judgment. Commonly used risk analysis methods are Value at Risk (VaR) and the Delphi Method.

   The following is a risk evaluation based on the results of the previous analysis to determine the decision of whether further risk management is required and the type of risk handling measures taken to effectively and efficiently address the Risk Agent. Each of the above stages is always accompanied by a process of communication and consultation with the aim of ensuring the Risk Owner understands and applies Risk Management in accordance with the corporate policy. The above process is documented in the Risk Register.

The Risk Register, which has been prepared by the Risk Owner is consolidated by every Directorate, Function and Subsidiary in Pertamina so as to be selected as the Top Risk Directorate, Function and Subsidiary based on the threshold and challenge session result with each of the highest ranked leaders. Furthermore, Corporate Risk Management in this case is through the ERM Function of consolidating the Top Risk Directorate, Function and Subsidiary, which has been approved by every top leader to be processed into the Top Risk of Pertamina.

Pertamina's Top Risk Management is the responsibility of the Risk Management Committee which consists of all Pertamina Directors. Through the implementation of Risk Management, both at the Corporate and Functional levels, it is expected to increase the level of assurance for all Pertamina stakeholders in achieving corporate targets.

3. Monitoring & Review
   Risk Owner as the owner of the risk is obliged to implement the mitigation plan and to ensure that the mitigation implemented has had the desired impact regarding a decrease of impact scale, risk scale or both. These activities are then reported quarterly to Corporate Risk Management. In each of these activities, the Risk Owner and Risk Management Directorate/Function can consult with the Corporate Risk Management.

The implementation of Risk Management in Pertamina can perform well because it is supported by the organizational structure that is appointed to be responsible in every Directorate, Function and Subsidiary and is coordinated through Corporate Risk Management. In addition, Risk Management in Pertamina can also perform well due to the fact that Risk Management has been designated as one of the Key Performance Indicator (KPI) items under the name of Enterprise Risk Management for the Board of Directors and the Risk Management Implementation level to encourage all lines to manage risk.

RISKS FACED BY PERTAMINA AND THEIR MANAGEMENT

The rapid development of the energy business, raises new risks that will be faced by Pertamina. This condition encourages Pertamina to rapidly identify new risks so that all lines of the Company are expected to remain alert to the Company's internal and external conditions.

Pertamina's Risk Management process is the right process in order to identify the Company's risks. Throughout 2018, there were 2399 identified risks with 1842 qualitative risks and 557 quantitative risks. From the identification result, Pertamina's Risk Profile was obtained by the Board of Directors in accordance with Pertamina's Risk Intelligence Map (RIM), which includes the following:

1. Strategic Risk and Planning
   Strategic Risk and Planning are the risks associated with strategic planning of Pertamina including Corporate Responsibility & Sustainability, external factors, planning, project, and strategy. Pertamina's strategic and planning risks include the risks of not achieving the target of oil and gas production and the risks regarding the scarcity of oil and fuel products as well as the risk of unrealized Investment Target.

2. Financial Risk
   Financial Risk is a risk associated with business activities including accounting, credit, liquidity & financial intelligence, financial market, planning & budgeting, and operational, which has resulted in Pertamina's financial loss. Risks that arise in relation to business activities including the risk of movement or fluctuation of market variables including commodity prices, interest rates, and oil prices and the risk of an event of default (Global Bond) and cross default (Corporate Loan).

3. Operational and Infrastructure Risk
   Operational and Infrastructure Risks are the risks related to Pertamina's operational and infrastructure activities including corporate assets, human capital, information technology, external events, legal, process management,

product development, and sales, marketing and communications. Operational and Infrastructure Risks faced by Pertamina include Occupational Safety and Health Risks of Employees and Environmental Pollution and Risk of Pertamina's Non-Optimal Assets.

4. Risk of Governance
   The Risk of Governance is a risk caused by the lack of or non-compliance with the rules of Corporate Governance and Business Ethics in the management of Pertamina. The Risk of Decreasing Pertamina's Brand Equity and the Risk of Loss in the Implementation of the PSO Fuel Assignment are the main risks Pertamina needs to pay close attention to.

5. Compliance Risk
   Compliance Risk is a risk associated with Pertamina's business activities caused by the lack of or non-compliance with prevailing regulations. There are two major risks faced here, the Risk of a Decreasing GCG Assessment and Fraud Risk.

6. Reporting Risk
   Reporting Risk is a risk associated with Pertamina's obligation to submit reports to interested parties/ shareholders. The Risk of Financial Statements and Management Reports being not timely submitted, the risk of Unreliable and Unfair Implementation of GMS falling behind schedule are the two main risks that need to be considered.

The mitigation plan prepared throughout the risk identification process was undertaken with the aim of reducing the impact and the probability of the occurrence of risk. The mitigation actions performed on Pertamina's risks are:

1. Strategic Risk and Planning
   The mitigation efforts undertaken to address the Risk in Outcomes of meeting the Oil and Gas Production Targets and the Risk of Crude Oil and Fuel Products is to explore more new and organic/ inorganic reserves, diversify oil products and also to seek out and develop other energy alternatives (New and Renewable Energy)

2. Financial Risk
   Risk of Movement or Variable Market Fluctuation like Commodity Prices, Interest Rates and Crude Oil Prices can be mitigated through performing Foreign Exchange Hedging transactions, seeking out competitive loan interest rates and performing Market Risk Analysis. The mitigation effort for the risk of an event of default (Global Bond) and cross default (Corporate Loan) is to periodically analyze the covenant.

3. Operational and Infrastructure Risk
   In Overcoming the Occupational Safety and Health Risks and Environmental Pollution, Pertamina is continuing to improve employees' safety awareness through training programs and enrolling safety aspects as KPIs for all employees. The risk of Pertamina's Non-Optimal Assets is solved by improving, maintaining, rejuvenating production assets with new technology.

4. Risk of Governance
   Risk of Inappropriate CSR Programs. The objectives are mitigated through the implementation of a top-down approach strategy in order to ensure implementation of the program at the operational level as well as monitoring the implementation of CSR. Downstream optimization and the proposed alpha BBM PSO adjustments are meant to mitigate the Risk of Loss in the Implementation of the PSO Fuel Assignment.

5. Compliance Risk
   The risk mitigation action preventing a Decreased GCG Assessment is through the socialization and implementation of GCG, monitoring compliance

LHKPN and the execution of assessments by external parties. Fraud risk is handled through the implementation of the Whistle Blowing System, and conducting periodical audits as well as introducing the parameters in the preparation of ISO 37001 Anti-Bribery Management System certification.

6. Reporting Risk
   The risk of Financial Reports and Management Reports being not submitted in a timely manner, also being Unreliable and Infeasible are mitigated through periodic data reconciliation, Business Process Control (BPC) usage and system improvements related to actual costing configurations. Mitigation Measures of the Risk of the Implementation of the GMS not being held well and on schedule is through the preparation and conducting of Pre-GMS meetings, Circulars and RUPS RJPP.

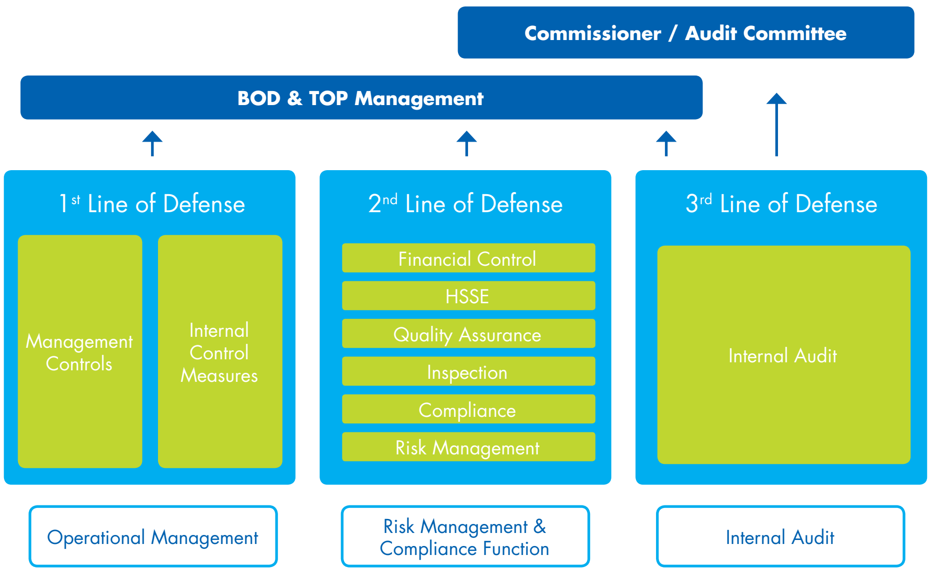
Through this implementation of mitigation, it is hoped that Pertamina's Risk Profile, which was originally at a High Risk will decrease to a Low Risk in accordance with the Risk Management Committee.

The 2019 Risk Management Strategy should be able to cover and consider business conditions for 2019. The implementation of Risk Management must be able to provide early warning through a comprehensive business analysis while still implementing the risk management that has been performed, and is also supplemented by more detailed mitigation monitoring, which will be described in the Monitoring Report of Pertamina's 2019 Top Risk Pertamina.

In particular, the Board of Directors has aspirations regarding Pertamina's Risk Management Strategy through the design of effective Work Programs, ensuring efficient coordination among Directorates, conducting evaluations related to strategic projects and enhancing facilities and services to workers.

EVALUATION TO THE EFFECTIVENESS OF THE RISK MANAGEMENT SYSTEM

Risk Management in Pertamina has a Risk Management Control System known as the three lines of defence, which are summarized in the following graphs:



Source: The Institute of Innternal Auditors, IIA Position Paper – The Three Lines of Defense in Effective Risk Management and Controls,Jan 2013

In 2018, the maturity assessment of Pertamina's Risk Management has been carried out. The integrated risk management maturity assessment approach used in all PT Pertamina (Persero), including the Subsidiaries of PT Pertamina (Persero),is as follows:

1. An e-questionnaire survey conducted on workers at level of executors and basic management, as well as;
2. Interviews conducted on Directors of PT Pertamina (Persero)Subsidiaries

Based on the assessment results, Pertamina's Risk Management maturity reached the Mature Growth stage with several opportunity for improvements that needed to be implemented to increase maturity across Pertamina. One of the steps in opportunity for improvement is to strengthen the three lines of defense. In 2018, Pertamina began to determine the related functions in managing the three lines of defense. This is the basis for the Risk Management work program in 2019.

The three lines of defense model shows the role of each stage in controlling Risk Management. The evaluation of Risk Management in Pertamina is divided into 2 sections, which are Risk Management Audit and Risk-Based Audit (RBA). The Risk Management Audit is a review and evaluation of risk management policies that are developed, whereas the RBA is an audit of risk management across all business lines. RBA comes from the Risk Register. The Risk Register is one of the most important materials in the audit plan over the year. In principle, the auditor will conduct a sampling evaluation of the effectiveness of the implementation of risk management on the identified potential risks listed in the audit plan. The results of the inspection are submitted in the form of recommendations or findings reported to the Corporate Risk Management and Risk Owner. The recommendations or findings are expected to be a reference for updating the Risk Register and/or making mitigation improvements or additions in order to be more effective.

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ACHIEVEMENT OF RISK MANAGEMENT IN PERTAMINA

The rapid development of the digital era has prompted Pertamina to digitize, including for risk management. Therefore, since 2014 Enterprise Risk Management has encouraged the formation of systems that can be accessed in real time. The ERM System was established so as to facilitate the Risk Owner to register risks and serve as a Pertamina risk database. Data entry in the ERM System started in 2016 and continues to grow until now. In addition to facilitating the Risk Owner in registering risk, the ERM System is also expected to function as a dashboard of risk management that can be monitored directly by the Board of Directors.

Pertamina's business lines are divided into Ongoing Business and Business Development, which means that risk management in Pertamina needs to be differentiated across both lines of business, as well as the establishment of the ERM System. Broadly speaking, the ERM System is divided into management for the Ongoing Business and Business Development. The flow or operating system is established in accordance with Pertamina's operational standards.

As one of the acknowledgements and appreciations regarding Risk Management, Pertamina has received appreciation from the ASEAN Risk AWARDS organized by the Enterprise Risk Management Academy (ERMA) held in 2017 and 2018. In 2017, Pertamina first participated in the ASEAN Risk Award and was named as Runner Up in the Risk Champion category. The award was presented to organizations that were able to demonstrate innovation in Pertamina's Risk Management. Then in 2018, Pertamina's achievements increased, with 4 (four) nominations in the ASEAN Risk Award, namely nominations for Risk Technology, Public Initiative, Public Risk and ASEAN Risk Champion. Of the four nominations, Pertamina won the Runner Up award for the Risk Technology category and won the highest nomination in the ASEAN Risk Award, ASEAN Risk Champion.

The appreciation of good risk management in Pertamina is also shown through the increasing number of companies, both State-Owned Enterprises and Private Companies that conduct comparative studies of risk management to Pertamina. Through until 2018, Pertamina has been receiving comparative study requests from dozens of companies comprising of mining, aviation, finance, automotive, fertilizer, railway, electricity, arms, cement, insurance, property, steel, toll road , air navigation, construction, airport management, surveyors and universities.

PRINCIPLES OF THE INTERNAL CONTROL SYSTEM

The Company's Internal Control System is in line with the internationally accepted Internal Control System according to the Committee of Sponsoring Organizations of the Tradeway Commission (COSO). Pertamina's principles for its Internal Control System consists of several components, which are the control of the environment, risk assessment, control activities, information and communication, and monitoring.

CONTROL OF OPERATIONAL AND FINANCIAL ACTIVITIES

In controlling operational activities, the Company imposes the preservation of integrity and ethical values, encourages workers to implement the Company's rules and policies, and encourages workers to show exemplary attitudes and actions, enforces disciplinary actions towards rule violations, determines discretionary policy related to interventions against management policies, minimizes the potential for conflicts of interest, compiles the SOP and competency standards, creates conducive leadership, and creates a safe and healthy working environment.

In controlling financial activities, Pertamina has established a policy related to Internal Control over Financial Reporting (ICoFR) and its evaluation. The policy designs, implements, evaluates and reports on the effectiveness of Internal Controls both at the entity and transactional levels, including internal control facilitated by Information Technology (IT General Control & IT Application Control). In the long run, the implementation of ICoFR provides a greater level of confidence for stakeholders regarding the effectiveness of the Internal Controls of Financial Reporting and enhances further confidence in the Company and its Management.

THE SUITABILITY OF INTERNAL CONTROL SYSTEM WITH COSO FRAMEWORK

Pertamina has adapted the implementation of the Internal Control System within the COSO framework through implementing the 5 components and 17 principles specified within the COSO framework. Related to risk management aspects in the Internal Control System, Pertamina also refers to (ISO) 31000: 2009 Risk Management - Principles and Guidelines. The compliance of the Internal Control System with the COSO framework is intended to enable Pertamina to define its objectives in accordance with the Company's vision and mission, ensuring the effectiveness and efficiency of resource use, prioritizing reporting trust and complying with prevailing laws and regulations.

EVALUATION OF INTERNAL CONTROL SYSTEMS EFFECTIVENESS

Periodically, Pertamina evaluates the effectiveness of the on-going monitoring, followed by a separate evaluation conducted by the Internal Audit Unit, which then analyzes the results obtained. The evaluation results regarding the implementation of the Internal Control System forms one of the foundations of the management evaluation towards the effectiveness of the Internal Control System to determine any required improvements of the system or policy which enables the management to be more effective in running the Company's operational activities. The Internal Control System within the Company is continuously evaluated so as to keep up with business growth and to support the Company's performance.

CODE OF CONDUCT

PRINCIPLES

Pertamina's ethical code or ethical guidance is reflected in the new Code of Conduct passed in 2017. The Code of Conduct is an improvement on the previous Code of Conduct and consists of provisions related the Vision, Mission, Values, Good Corporate Governance principles and Behavioural Models, which are as follows:

1. Operations that meet Health, Safety, Security and Environment
2. Human Capital includes integrity in working, professional work attitude, equal career opportunities, and avoidance of discrimination.
3. Commitment to partners and customers includes fair business competition; gifts, banquets and entertainment; money laundering crime; as well as commitment to customers.
4. Commitments to shareholders and stakeholders include commitments to the Government as shareholders; commitment to stakeholders; social and environmental responsibility; political activities and professional organizations; and public information disclosure.
5. Protection to the Company's assets, with the basic provisions in order to protect the Company's assets; confidentiality of data and information; intellectual property rights; and the whistleblowing system.

ENACTMENT OF THE CODE OF CONDUCT TO ALL ORGANIZATIONAL LEVELS

Pertamina's Code of Conduct is binding and applicable to all members of the organization spanning every level of position in Pertamina. This Code of Conduct was signed by the President Director and the President Commissioner of the Company and is enforced under the Decree of the President Director No.Kpts-42/C00000/2017-S0 on June 22, 2017. These guidelines serve as guidelines for Pertamina's employees to always act in accordance with the predetermined standards of the Company based on the values and principles of GCG.

SOCIALIZATION AND DISSEMINATION

Socialization and dissemination of the Code of Conduct is performed thoroughly across all functions and directorates of Pertamina through the Compliance Online System portal, face to face socialization and the formation of the GCG champion.

ANTI GRATIFICATION POLICY

Pertamina realizes that through the regular implementation of business activities, relations and interactions of various parties, both internally and externally, establishing cooperation, harmonious and sustainable relationships can not be avoided. In this cooperation, the existence of gratification from one party to the other party is also an inevitably.

Therefore, Pertamina always maintains the integrity of the Company through the commitment to apply the principles of anti-gratification. The Anti-Gratification Initiation is socialized to all of Pertamina's employees in order to uphold the values and culture of the Company. Pertamina's anti-gratification policy is contained in Gratification, Rejection, Acceptance, Gifts and Entertainment No.A-002/N00010/2012-S0. Regularly, Pertamina also actively participates in a series of activities organized by the Corruption Eradication Commission (KPK) in commemoration of the International Anti-Corruption Day.

REPORT ON ASSETS OF STATE OFFICIALS (LHKPN)

The stipulation in regards to Report on Assets of State Officials (LHKPN) in Pertamina refers to Law No. 28/1999 regarding Clean State Organizations and Freedom from Corruption, Collusion and Nepotism. According to SK No.70/C00000/2017-S0 dated November 30, 2017, the President Director of Pertamina has stipulated that the stakeholders within PT Pertamina (Persero) and Subsidiaries are mandated to submit the LHKPN, including:

1. Board of Commissioners in both Pertamina and its subsidiaries
2. Board of Directors in both Pertamina and its subsidiaries
3. Senior Vice President/equivalent
4. Vice President/equivalent in both Pertamina and its subsidiaries
5. Manager/equivalent in both Pertamina and its subsidiaries
6. Area / Unit / Region Manager
7. Commissioners of Subsidiaries who are not as a Supporting Duty Official

In 2018, Compulsory Reporters within PT Pertamina (Persero) and Subsidiaries that have fulfilled the obligation of LHKPN are 1,646 officials out of a total of 2,038 Compulsory Reporters (LHKPN compliance rate of 81%).

POLICY REGARDING PARTICIPATION IN POLITICS

The Company respects the political and association rights of all of Pertamina's employees. The Company is neutral by not participating directly or indirectly in political party activities and does not make donations or contributions in any form. This commitment is a manifestation of Pertamina's dedication in performing Good Corporate Governance practices. Pertamina's commitment form is listed in the Pertamina Code of Conduct and Circular Letter of the Human Capital Director No.E-14 / K00000 / 2018-S8 concerning Reaffirmation of the Neutrality and Prohibition of the Use of SOE Resources in Practical Political Activities in Executive and Legislative Election which establish the following:

1. Pertamina's employees are prohibited from engaging in political activities within the Company and making donations and providing other assistance in any form that takes the name of the Company, including the use of facilities, facilities and funds of the Company for the benefit of Political Parties.
2. Pertamina's employees are prohibited from carrying, installing, displaying, and wearing Political Party symbols, pictures and/or ornaments in other workplace offices/facilities of the Company.
3. Pertamina's employees are prohibited from carrying and / or using company logos / symbols and using the title of office in the company in any political activity / participation.
4. Pertamina's employees must avoid, stop and / or replace activities that have the potential to be misused by certain individuals / groups for practical political activities in the form of executive and legislative elections.
5. Pertamina's employees are encouraged not to upload, respond (such as likes, comments and its kind) or disseminate pictures / photos, mission visions, and any information related to the prospective executive/ legislative candidates
6. Pertamina's employees may become the administrators of Political Parties and/or candidates/legislative members or candidates/Regional or Government Leaders by filing a layoff request as an employee or terminating his/her working relationship with the Company.
7. The Company supports Pertamina's employees to participate actively in the activities of professional organizations or other social organizations that provide benefits for Pertamina.

WHISTLE BLOWING SYSTEM

Whistle Blowing System (WBS) is a system that provides a means of recording complaints to the stakeholders regarding alleged violations that occur in the Company. To avoid any potential conflicts of interests, management of the WBS in Pertamina is conducted in cooperation with an Independent Consultant.

The WBS in Pertamina can be accessed by all stakeholders including the public through various complaint channels, which are as follows:

Phone	: (021) 381 5909/5910/5911
SMS and Whatsapp	: 0811 861 5000
Facsimile	: (021) 381 5912
Site	: https://pertaminaclean.tipoffs.info
Email	: pertaminaclean@tipoffs.com.sg
Post	: P.O.Box 2600 JKP 10026

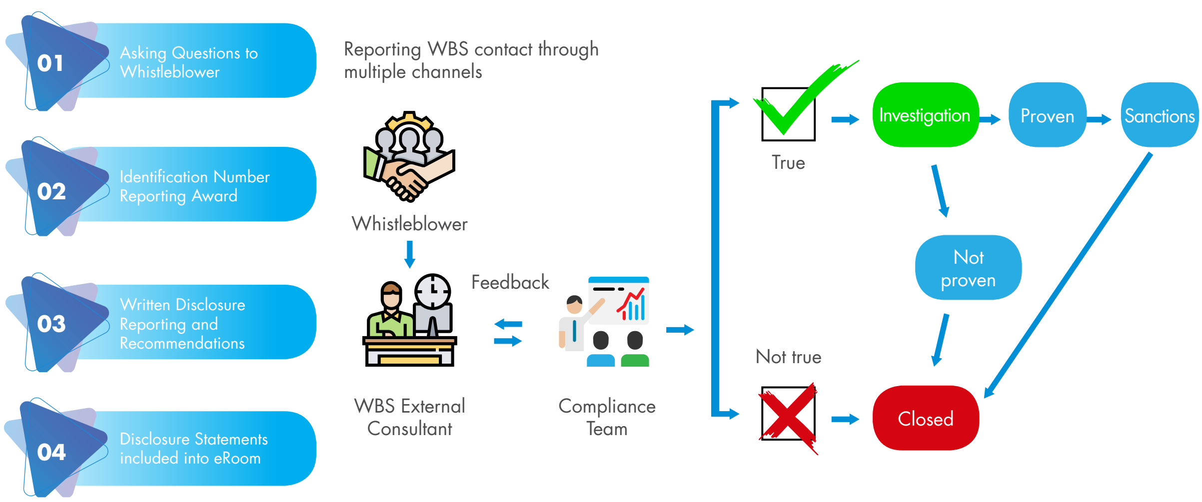
WHISTLEBLOWER PROTECTION SYSTEM

The Company provides protection to the whistleblower as stated in the Collective Labour Agreement governing the guarantee of confidentiality of the whistleblowers identity and the matters reported; legal protection against the consequences of reporting; protection against disturbance/physical threat to the whistleblower and assurance of non-discrimination including potential barriers in career development, transfer or demotion. The Company also threatens to lay off superiors who impose sanctions on the whistleblower.

WBS MANAGER

Pertamina's WBS is managed by professional and internationally reputable consultants.

MECHANISM OF WBS COMPLAINT REPORT.



MECHANISM OF WBS COMPLAINT REPORT

The Mechanism of Handling and Following Up the WBS Report Management of the WBS is conducted with the principle of confidentiality, anonymity and independence. Each incoming complaint is received by the independent consultant, who will analyse and ask for more details from the whistleblower, which will then be conveyed to Pertamina. The mechanism of handling the WBS report is conducted based on the Organization's Working Procedures related to the Whistle Blowing System No.B-001/M00000/2018-S0 Fifth Revision effective as of April 02, 2018.

Once the report is received from the independent consultant, the Compliance Function will conduct a preliminary review to be sure whether the WBS report is right and proper for investigation. The process of investigation will be performed by the Internal Audit Function. Following up concerning the handling of the WBS report will be performed with synergy between the Legal Counsel & Compliance, Security, Bunker & Operation Compliance (BOC) and Internal Audit.

NUMBER OF WBS REPORTS AND IMPOSED SANCTIONS

Throughout 2018, the number of WBS reports received and followed up was 95 comprising 25 reports followed up have been completed and 70 reports were still in the follow-up process. Sanctions for violations committed were imposed in accordance with applicable regulations.

Table of 2017 WBS Complaints Category

No	Category	Total
1.	Corruption	11
2.	Bribery	3
3.	Conflict of interest	10
4.	Theft	22
5.	Fraud	12
6.	Violations of Laws and Regulations	37
7.	Others	0
	Total in 2018	95

Table of Total Complaints

Year	Total WBS Complaints	Resolved
2018	95	25
2017	75	27
2016	69	34

INFORMATION AND CLARIFICATION OF BAD CORPORATE GOVERNANCE PRACTICES

Information and Clarification Table of Bad Corporate Governance Practices

Practices	Explanations
Presence/absence of Corporate Governance practices that have not become the standard of Good Corporate Governance practices.	GCG Practices applied by the Company have followed and have complied with the applicable regulations.
The presence of a report stating that the Company pollutes the environment.	The Company did not receive a report from internal or external parties related to environmental pollution
Important matters currently faced	Important matters are conveyed in the Annual Report
Non-compliance in the fulfilment of tax obligations	The Company has fulfilled tax obligations and did not receive warnings or sanctions related to tax activities.
Non-compliance of the presentation of the financial statements to the Financial Accounting Standards	The Company has presented the financial statements according to the applicable Financial Accounting Standards.

CORPORATE SOCIAL RESPONSIBILITY

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As a good corporate citizen, Pertamina carries out corporate social responsibility programs as an effort to realize the sustainable development goals.

Two men dressed in traditional Betawi clothes are fighting in a martial art competition. This so-called Pencak Silat self-defense competition is culture of martial art that is quite well-developed in Indonesia, starting from Betawi, West Java, to West Sumatra. The martial art has a high philosophy that every step must be done with a peaceful calm state of mind and vigilance.

CORPORATE SOCIAL RESPONSIBILITY

Pertamina has existed for more than 60 years. Year by year Pertamina grows, develops, and makes outstanding progress as a national energy company. Pertamina realizes that these advances have not been realized by their own efforts, but through good synergy with various elements of society. Through its business, Pertamina is not only committed to creating added value for the company but also for the wider community. This added value is not only in natural resource energy useful for many people but also other positive "energy", such as access to better education, economic self-reliance, and eco-preservation, which ultimately leads to a better life, according to the vision of Pertamina's corporate social responsibility (CSR).

Concretely, Pertamina's CSR mission includes the following:

- To implement corporate commitments on Social and Eco Responsibility (TJSL) that will provide added value to all stakeholders to support the company's growth
- To carry out corporate responsibility and social care for a sustainable community development

Pertamina's CSR principles refer to ISO 26000, namely:

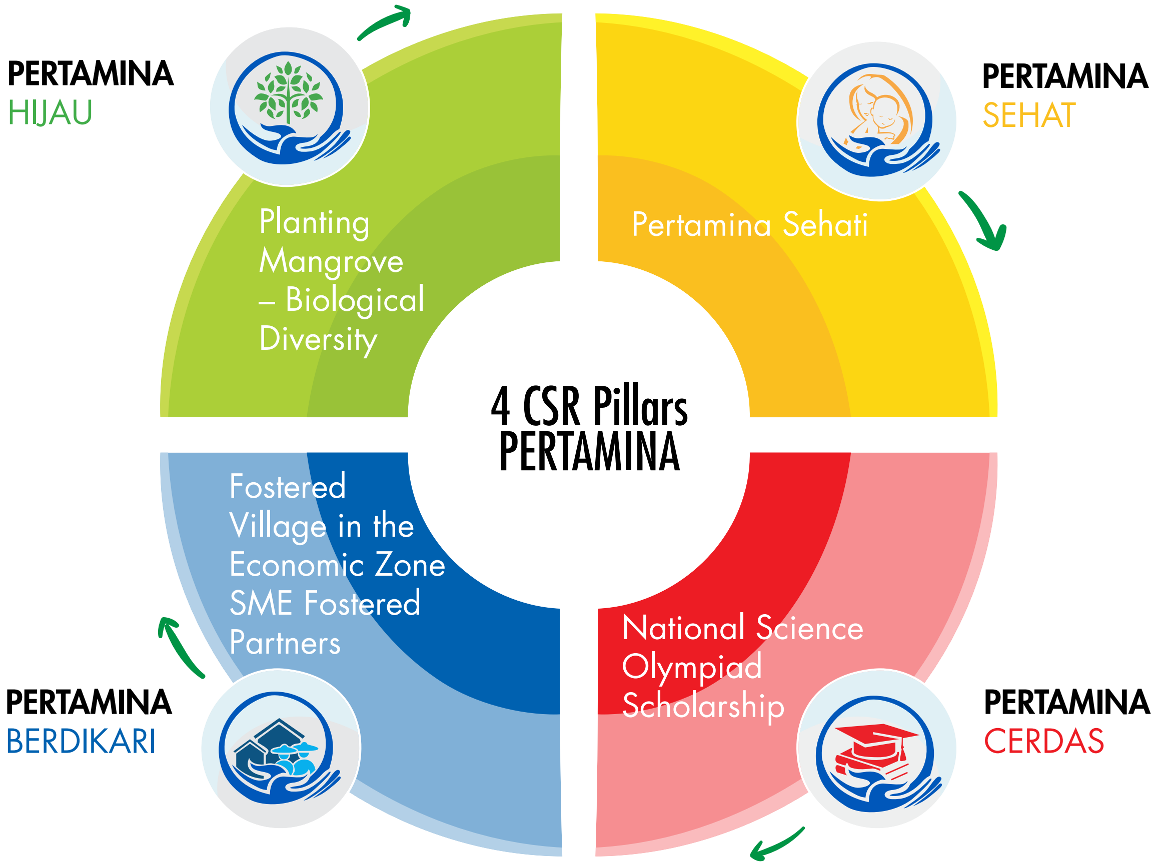
- To be consistent with sustainable development and community welfare
- To consider the expectations of all stakeholders
- To be Law-abiding and consistent with international norms
- To be integrated into the business

In terms of integrating CSR programs into corporate business activities, Pertamina is committed to:

- Overcoming the negative impact of company operations through compliance with regulations and creating new and better values for the community and environment.
- Providing social, economic and eco benefits to the community, especially around the company's operating area.
- Improve company regulation, efficiency, business growth, and implement business risk mitigation.

In implementing CSR, Pertamina is based on the following major strategies:

1. Mutually Beneficial
2. Sustainable
3. Giving priority to the surrounding and affected communities
4. Development of green energy and alignment with PROPER-LH
5. Effective dissemination and publication



With its extensive operating area and business spectrum with diverse characteristics and conditions of stakeholders, Pertamina refers to 3 CSR concepts in its implementation, namely CSR as corporate philanthropy, CSR as risk management, and CSR as value creation. Pertamina groups CSR programs and the Partnership and Community Development Program (PKBL) into four pillars.

“"SHARING SYNERGY”

Pertamina believes that synergy will produce a more positive work process. Synergy not only accelerates the achievement of goals but also produces greater and wider positive impacts. In 2018, Pertamina strengthens synergies with various parties in implementing CSR programs, both with external stakeholders and subsidiaries as well as affiliates.

Synergy with the community has always been a top priority in the implementation of Pertamina's CSR programs. As external stakeholders who receive benefits directly from the CSR Program implemented, the synergy between the community and Pertamina is the success key to the program. The synergy developed between Pertamina and the community are within the scope of community empowerment which will then create community self-reliance. The Target Village Program and Community Economic Zone that are currently being implemented and spread throughout the Indonesian territory are a concrete manifestation of the synergy of empowerment and community self reliance results.

In implementing CSR programs Pertamina also synergizes with other parties, including among them with other SOEs. One of the CSR Program manifestations in synergy between SOEs is the 100 Small Libraries Program. Synergizing with PT Balai Pustaka and PT Pos Indonesia, the program has been running since 2016. Another example of the synergy between SOEs that has been implemented is the construction of earthquake-friendly houses in Lombok which is the result of a synergy between PT PERTAMINA (Persero) and PT Adi Karya.

As stated above, synergy will produce a greater and wider positive impact. This is evident from the results of the synergy between PT PERTAMINA (Persero) and one of its subsidiaries, PT Pertamina Lubricants. From the results of synergy in the Enduro Student Program, the CSR program implemented can be further developed to become a Creating Shared Value (CSV) program. Development in CSV programs is a higher level of CSR programs implemented, where social aspects are one of the factors emphasized in developing the company's business strategy.

PERTAMINA CERDAS

It has become a common understanding that the progress of a nation and a state is very much determined by the education of its people. For this reason, education is fundamental to development of society. Pertamina through the pillar Pertamina Cerdas seeks to contribute in improving the quality of education for the younger generation.

One of Pertamina Cerdas flagship programs is the Sobat Bumi Scholarship. What distinguishes Pertamina Sobat Bumi Scholarship from other scholarship programs is the scope of scholarship recipients who have wide coverage, namely in addition to outstanding students, there are also scholarship recipients of appreciation specifically for athletes, disabilities and children whose parents experience workplace accidents. Sobat Bumi Scholarship also targets recipients in Eastern Indonesia. In 2018 Pertamina manages Sobat Bumi Scholarship fund with 405 recipients. Until 2018, the total number of Sobat Bumi Scholarship recipients reached 1,157 students.

PERTAMINA SEHAT

In addition to education, physical health is one of the important factors in building a community. Pertamina believes a healthy mother starts a cycle of intergenerational health. This belief is the foundation of Pertamina Sehat flagship program, namely Pertamina Sehati. Pertamina Sehati targets pregnant mothers, lactating mothers, babies and toddlers. Pertamina Sehati program covers the revitalization of health service post (Posyandu), the implementation of Posyandu cadres capacity building, awareness and activation of mothers in particular and the community in general, as well as designing and implementing the basics of self reliance for Posyandu under the Pertamina Sehati program.

In line with one of Sustainable Development Goals, namely healthy life, and also with the nawacita program initiated by the Republic of Indonesia’s government, Pertamina Sehati has a target of 0.08% in terms of maternal mortality ratio in 2020. Pertamina Sehati targets the surrounding units Pertamina's operations and subsidiaries as well as in areas including remote areas and areas of 3T (outermost, leading and disadvantaged) so as to facilitate and improve access to health that has been difficult to obtain in these areas, by involving local communities to participate in reducing mortality mother and child health. In 2018, Pertamina Sehati program is implemented in no less than 29 Posyandu from the total Posyandu that has implemented the program until 2018.

PERTAMINA HIJAU

As a company engaged in extractive industries, Pertamina has a big concern to provide benefits to nature. Pertamina realizes how nature contributes to sustainable business. Through synergy with various elements of society, Pertamina creates and implements eco conservation programs.

The two major programs carried out by Pertamina in giving back to nature are the Mangrove Planting and Biodiversity program. Throughout 2018, Pertamina planted 52,000 mangroves. A mangrove is a tropical marine tree. Pertamina choose this type of tree to be developed, considering that most of Pertamina's operating areas are also on coastal or wide rivers. Mangrove trees also provide many domino effects on increasing biodiversity in the region, such as mangrove crabs, various types of fish, insects, as well as animals that consume mangrove seeds or fruit. Meanwhile, the well-established mangrove planting area can be used as a source of livelihood for local residents, not only from the utilization of mangrove tree in culinary and handicraft products, but also by making the area an agrotourism area. Karangsong Mangrove Forest is one example of the success of mangrove planting program.

Other program promoted is Biodiversity. In general, this program aims to preserve endemic native Indonesian flora and fauna. Through its operating units spread throughout Indonesia, Pertamina realizes that every region of Indonesia has endemic native animals or plants that are rare, very rare, or even on the verge of extinction. Therefore, Pertamina implements the Biodiversity program as an effort to preserve or even increase the original natural wealth of Indonesia. No fewer than 25 flora and fauna have been targeted by this program. In 2018, there are 25 Biodiversity Programs carried out, which include the conservation of sea eagles in Thousand Islands, marine conservation in Aceh Tamiang, conservation of black yaki in Bitung.

PERTAMINA BERDIKARI

Pertamina believes that a sustainable business is a business where the profits generated by the company must contribute to creating a "domino effect" for the economy of the surrounding community. Through CSR, Pertamina has created many programs that support the realization of an independent local community economy. Pertamina has nurtured more than 100 Target Villages and Community Economic Zones in 2018. This program is a community development program based on local potential.

Pertamina as a SOE supports the improvement of the quality of MSMEs through the Rumah Kreatif BUMN (RKB) or SOE Creative House program. Until 2018, Pertamina has nurtured as many as 15 SOE Creative Houses.

This program is a shared home to gather, learn and foster MSME to enhance their capabilities, and serve as a forum for SOEs to collaborate in establishing Digital Economy Ecosystem by encouraging MSME to enhance their capacity and capability.

RKB functions as data and information center and a center for education, development and digitalization of MSME.

SOE Creative House will assist and encourage MSME actors in answering the main challenges of MSME business development in terms of:

- Increasing competence
- Improving Marketing Access
- Increasing the ease of access to capital

Pertamina's support for MSME is also realized through soft loans as business capital for MSME from the Partnership Program funds. This program is in line with SOE Minister Regulation PER-02-MBU / 7/2017 dated July 20, 2017 concerning the Partnership Program of State-Owned Enterprises with Small Businesses and Community Development Programs.

Funds for the implementation of Partnership Program are determined to come from the provision of net income after tax stipulated in the AGM ratification of BUMN Pembina Annual Report, namely a maximum of 4% from profit after tax of the previous fiscal year.

The Partnership Program is intended to improve the economic activities of small businesses and the community's social empowerment in order to be resilient and independent. In implementing the Partnership Program Pertamina also cooperates with other SOEs and other relevant institutions.

Pertamina provides revolving partnership loans to Target Partners namely individuals, either with a cluster system or group form for capital of Micro, Small and Medium Enterprises.

Development of Target Partners is also provided through national and international exhibition activities, training, export import workshops and other activities.

Pertamina has implemented a partnership program since 1993. To date, there are 60,388 MSMEs have become Pertamina's small business partners with the total fund distributed for the Partnership Program amounting to Rp3,371,666,349,575, while the realization in 2018 was Rp265,371,258,000 and the funds distribution effectiveness was 31.46%.

Realization of CSR Funds Distribution

Sector	Realization of CSR Funds Distribution (% of total realization)
Education	25.9
Health	9.1
Environment	12.2
Empowerment	52.8
Total	100,0

Realization of Partnership Program Funds Distribution

Type of Business	Number of Small Business Partners	Realization of Partnership Program Funds Distribution (% of total realization)
Industrial Sector	253	5.8
Trade Sector	609	11.1
Agriculture Sector	103	2.2
Livestock Sector	164	4.3
Plantation Sector	5	58.9
Fisheries Sector	520	15.2
Service Sector	120	2.4
Other Sectors	4	0.1
Total		100.0
Grant		4.4

Realization of Community Development Funds Distribution

Type of Assistance	Realization of BL Funds Distribution (% of total realization)
Natural Disaster Assistance	4.0
Education & Training Assistance	24.4
Public Health Assistance	10.9
Public Infrastructure Assistance	34.9
Worship Facilities Assistance	19.1
Nature Conservation Assistance	1.9
Poverty Alleviation Social Assistance	4.9
Total	100.0

ENERGY IN NATURAL DISASTERS

The earthquake hitting Lombok on August 5, 2018 caused a huge impact on the surrounding community. As an emergency response, Pertamina formed a number of Lombok Earthquake Emergency Response Posts. The Main Post was at the center of earthquake location, Command Post I was at aviation fuel terminal Lombok, and Command Post II was at Ampenan.

Aviation fuel terminal Lombok acts as the first location for receiving and picking up logistical assistance from all regions which is subsequently channeled to Command Post II. Pertamina has dedicated one refueller in Selaparang to the Indonesian Air Force as a form of air support services and disaster site reconstruction programs.

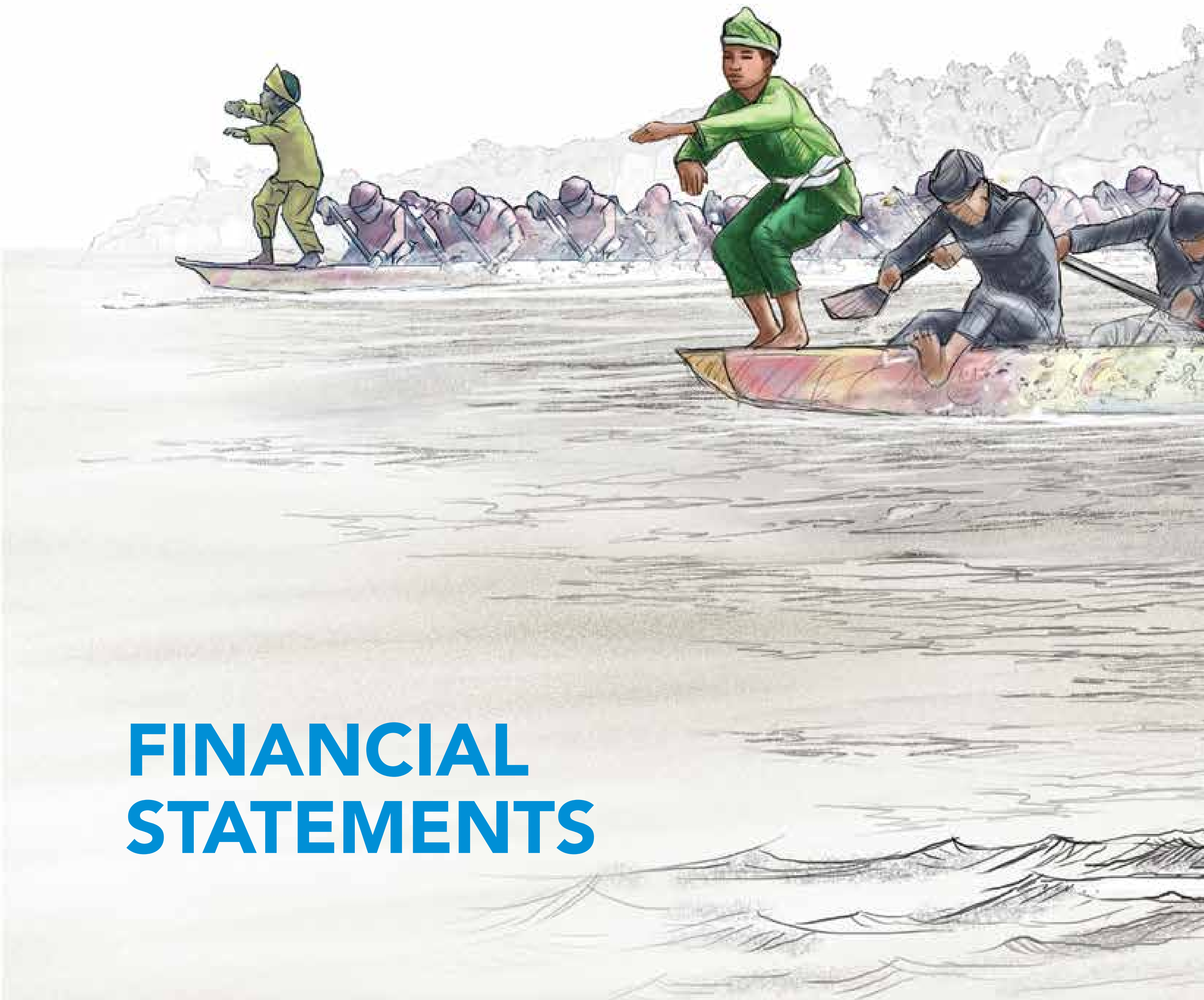
On September 28, 2018 earthquake, tsunami and liquefaction natural disasters took place in Central Sulawesi (Palu, Donggala, and Sigi). The natural disaster resulted in damage to the facilities at Aviation fuel terminal Mutiara and Fuel terminal Donggala and the disruption of Avtur supply activities from Fuel terminal Donggala to Aviation fuel terminal Mutiara. As an emergency response, Pertamina formed Pertamina Peduli Post in fuel terminal Donggala and aviation fuel terminal Mutiara.

To ensure the reliability of Avtur supplies to customers, especially aircraft in disaster relief and evacuation assistance, aviation fuel terminal Mutiara enforces RAE supplies from fuel terminal Makassar, fuel terminal Gorontalo and fuel terminal Luwuk.

To support the operational activities of the Aviation fuel terminal Mutiara, some aviation fuel terminal volunteer workers from all over Indonesia were brought in to help the operation of Aviation fuel terminal Mutiara. Besides that, Aviation fuel terminal Hasanuddin has the role as a Aviation fuel terminal Buffer to supply logistical needs (material for facilitation and QC, office supplies, food and others) for the operation of Aviation fuel terminal Mutiara.

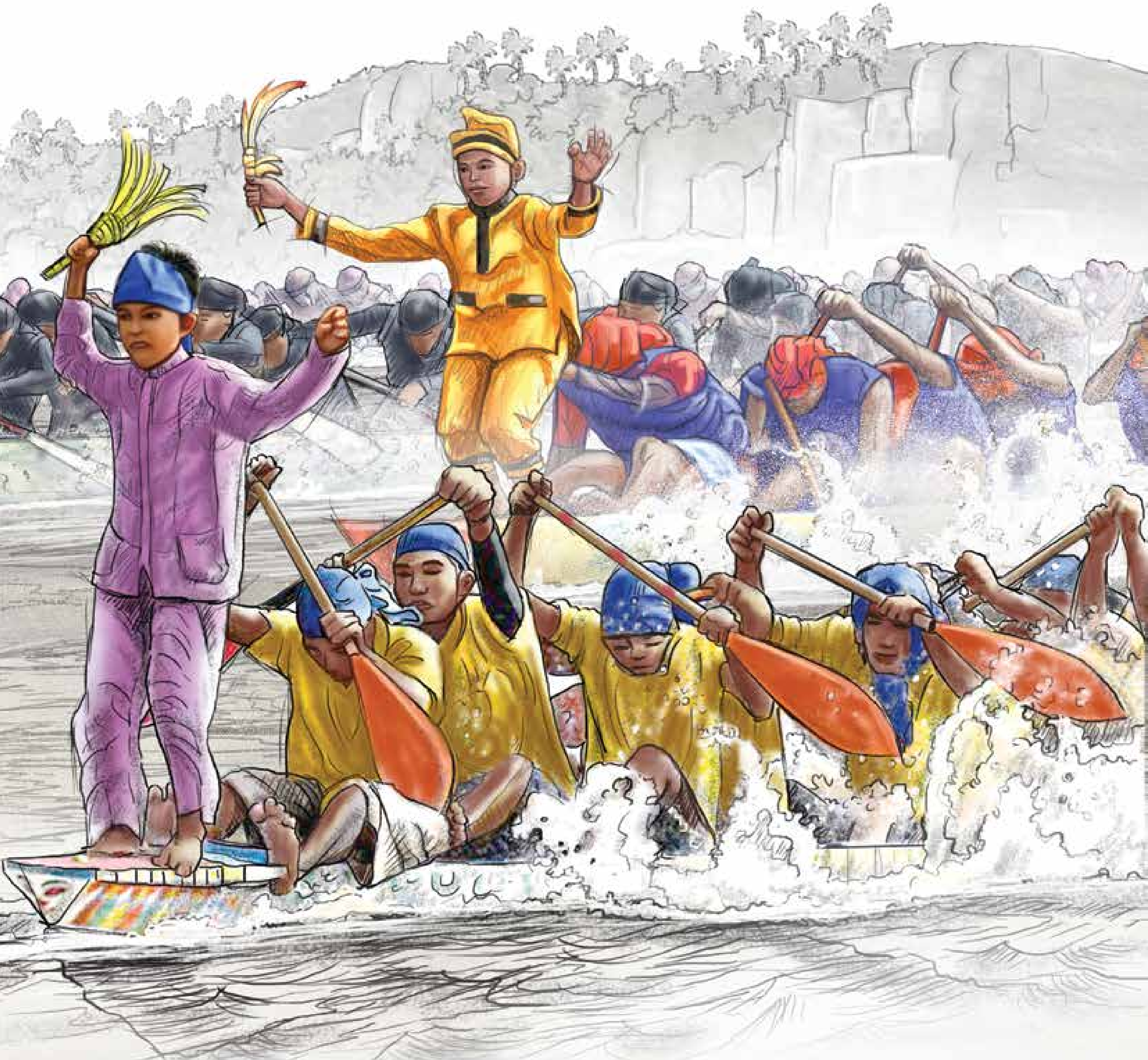
In addition to fulfilling Avtur in emergency response, Pertamina through Industrial Fuel Marketing conducted canvasing through retail tankers to fulfill fuel needs, especially for PLN, Basarnas and Government Agencies so that operations for public services may run properly.

On December 22, 2018, the Sunda Strait tsunami struck a coastal area of Cilegon, Banten and its surroundings. Pertamina took the initiative to mobilize assistance by establishing the Pertamina Group Logistics Center Command Post at Tanjung Gerem Fuel Terminal. All aid collected at the Tanjung Gerem Fuel Terminal was distributed to five posts around the disaster site, namely Carita post, Anyer post, Labuan post coordinated by the Ministry of BUMN, Lebak post, and Pandeglang post.



FINANCIAL STATEMENTS

A number of rowing teams wearing traditional clothes are racing on a large river. This boat race is a cultural activity of the Riau people called Pacu Jalur. Pacu Jalur has an in-depth philosophy of the importance of unity in achieving success.



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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

METERAI TEMPEL 7609FAFF696010868 6000 ENAM RIBU RUPIAH

Pahala N. Mansury
Acting President Director & CEO

Pahala N. Mansury
Finance Director

EY
Building a better working world

Purwantono, Sungkoro & Surja

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The original report included herein is in the Indonesian language.

Independent Auditors' Report

Report No. 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.

Purwantono, Sungkoro & Surja
Registered Public Accountants KMK No. 603/KM.1/2015
A member firm of Ernst & Young Global Limited

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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.

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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)

			As Restated (Note 5)	
	Notes	**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)

			As Restated (Note 5)	
	Notes	**December 31, 2018**	**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	As Restated (Note 5) 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.

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.

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)

		For the years ended December 31	
	Notes	**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.

**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)**

		For the years ended December 31	
	Notes	**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				Other equity components		Retained earnings			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	Differences arising from translation of non US$ currency financial statements	Other comrehensive income	Appropriated	Unappropriated	Total		
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										
						Other equity components		Retained earnings				
	Notes	Issued and paid-up capital	Merging entity's equity	Additional paid-in capital	Government contributed assets pending final clarification of status	Differences arising from translation of non US$ currency financial statements	Other comrehensive income	Appropriated	Unappropriated	Total	Non-controlling interests	Total equity
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	2018	As Restated (Note 5) 2017
		For the years ended December 31	
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 invesments		-	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 form 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 invesments		(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)

		For the years ended December 31	
	Notes	**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.

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, Liquified Natural Gas ("LNG") and Gas to Liquid ("GTL") result/other product either and products or intermediate products;
e. Conduct activities of the procurement of raw materials, processing, transportation, storage and trading of Biofuels;

1. GENERAL (continued)

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

ii. Business activities and principal address (continued)

f. Conduct 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"), Liquified Coal, Gasified Coal, Shale Gas, Shale Oil, Bio Fuel, Diesel Fuel, Wind Energy and Biomass.

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

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

RU	Installed processing capacity of crude oil (barrels/day) (unaudited)
RU II - Dumai and Sungai Pakning, Riau	170,000
RU III - Plaju and Sungai Gerong, South Sumatera	133,700
RU IV - Cilacap, Central Java	348,000
RU V - Balikpapan, East Kalimantan	260,000
RU VI - Balongan, West Java	125,000
RU VII - Kasim, West Papua	10,000

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

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

(Expressed in thousands of 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

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 Commisioner
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 Yunianto[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/092018

(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 2018	Effective percentage of ownership 2017	Total assets before elimination 2018	Total assets before elimination 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 Pertamian 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

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

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

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

1. GENERAL (continued)

b. Subsidiaries, associates and joint arrangements (continued)

i. Subsidiaries (continued)

Subsidiaries	Year of establishment	Effective percentage of ownership		Total assets before elimination	
		2018	2017	2018	2017
Liquified 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

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

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 possesed control over Perkasa. As of December 31, 2018, the Group recognized investment in Perkasa as an investment in joint venture.

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

The indirectly owned joint operation is as follows:

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.

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 considertion in the foreign currency.

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 acturial 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.

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.

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

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

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

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

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

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

The difference arising from the translation of those subsidiaries' financial statements into the US Dollar is presented as "Other comprehensive income - Differences arising from translation of financial statements" account as part of other equity components in the equity section of the consolidated 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.

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 valie 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.

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.

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

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.

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.

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.

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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

l. Assets held for distribution to the Company

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

m. Long-term investments

i. Investments in associates

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

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

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

ii. Investment property

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

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

Building depreciation is computed using the straight-line method over the estimated useful lives of buildings ranging from 10 (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.

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:

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

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

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

Assets under construction

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

o. Leases

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

o. Leases (continued)

Group as Lessee

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

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

Group as Lessor

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

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:

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

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

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

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

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

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.

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.

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.

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.

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

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):

	December 31, 2018	December 31, 2017
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.

<u>Deferred Tax</u>

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

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

i. deferred tax liabilities that occur from the initial recognition of goodwill or from assets or liabilities from transactions that are not business combination transactions, and at the time of the transaction do not affect accounting profit and taxable / taxable income;

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.

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.

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.

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 sellling price of fuel oil, the Minister of Finance ("MoF"), after coordinating with the Minister of Energy and Mineral Resources ("MoEMR") and the Minister of State-Owned Enterprises ("MoSOE"), will establish the policy for excess and/or shortfall of revenue of the business entity.

Management'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 collectabilty of revenue from Disparity of Selling Price is certain when the Decision Letter from MoF ("Decision Letter") has been received by the Company prior to the completion of the consolidated financial statements. The Group records such excess and/or shortfall of revenue from Disparity of Selling Price in revenue from other operating activities account because it is part of the Company's operations.

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.

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.

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

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

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

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 Kalimantanand 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 transfering 13,809,038,755 (full amount) B series of PT Perusahaan Gas Negara Tbk ("PGN")'s shares owned by the GOI, which represents 56.96% of total PGN shares, to the Company.

On March 28, 2018, the Ministry of Finance issued Decree No. 286 / KMK.06 / 2018 concerning the determination of the value of additional state capital participation in the Company's share capital. The decree stipulates that the value of additional state capital participation in the Company's share capital is 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".

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

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.

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

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.

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

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**

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.

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

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 Indonesie and INPEX Corporation. To manage such working area, the Company, through PT Pertamina Hulu Indonesia ("PHI"), established a new entity called PT Pertamina Hulu Mahakam ("PHM").

Mahakam PSC was signed on December 29, 2015 by 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 form the percentage of sharing according to the table depicted below by using R/C factor at the end of the year of the previous year.

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

R/C	Tax Rate	Gross Contractor Share		Net Contractor Share	
		Oil	Gas	Oil	Gas
0 – 1	36.25%	31.3726%	54.9020%	20%	35%
0 – 1.2	36.25%	27.4510%	50.9804%	18%	33%
1.2 – 1.4	36.25%	23.5294%	47.0588%	15%	30%
1.4 – 1.6	36.25%	19.6078%	43.1373%	12%	28%
> 1.6	36.25%	15.6863%	39.2157%	10%	25%

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

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

  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.

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.

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

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:

<u>Consolidated statement of financial position of the group as of December 31, 2017:</u>

	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**

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

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**

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

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
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 entitiy'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
	23,320,139	1,804,579	25,124,718
Non-controlling interest	506,215	1,382,334	1,888,549
TOTAL EQUITY	**23,826,354**	**3,186,913**	**27,013,267**
TOTAL LIABILITIES AND EQUITY	**51,213,570**	**6,225,805**	**57,439,375**

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

	As previously reported	Proforma adjustment	As restated
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	**16,240,987**	**2,193,127**	**18,434,114**

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

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**

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

5. RESTATEMENT OF THE CONSOLIDATED FINANCIAL STATEMENTS (continued)

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

	As previously reported	Proforma adjustment	As restated
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
	21,864,245	1,801,742	23,665,987
Non-controlling interest	210,322	1,368,449	1,578,771
TOTAL EQUITY	**22,074,567**	**3,170,191**	**25,244,758**
TOTAL LIABILITIES AND EQUITY	**47,233,206**	**6,742,888**	**53,976,094**

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

	As previously reported	Proforma adjustment	As restated
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	**42,959,325**	**3,041,398**	**46,000,723**

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

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 reclassfieid 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**

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

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

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

6. CASH AND CASH EQUIVALENTS (continued)

	December 31, 2018	December 31, 2017
Cash in banks		
US Dollar:		
Third parties		
- 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 Sumitimo 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:		
Government-related entities		
- 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
Third parties		
- 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:		
Third parties		
- Crédit Agricole CIB	64,889	-
Government-related entities		
- Bank Mandiri	220	123
- BNI	8	554
- BRI	1	1
Total Euro accounts	**65,118**	**678**
Malaysian Ringgit		
Third parties		
- 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**

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

6. CASH AND CASH EQUIVALENTS (continued)

	December 31, 2018	December 31, 2017
Time deposits with original maturities of three months or less		
US Dollar accounts:		
Government-related entities		
- 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
Third parties		
- 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:		
Government-related entities		
- 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
Third parties		
- 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:

	December 31, 2018	December 31, 2017
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 expsoure to credit risk at the end of the reporting period is the carrying amount of each class of cash and cash equivalents mentioned above.

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

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:		
Government-related entities		
- Bank Mandiri	58,140	2,165
- BRI	11,725	40,469
- BNI	10,401	38,526
Third parties		
- 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:		
Government-related entities		
- BNI	3,553	3,453
- BRI	1,421	3,408
- Bank Mandiri	990	875
Third parties		
- 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**

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

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**

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

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 converstion	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**

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

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:

	December 31, 2018	December 31, 2017
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/PDTT/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/PDTT/05/2019, which was received by the Company on May 23, 2019. Based on such LHP, among others, the Company experienced:

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/PDTT/05/2019. Meanwhile, the excess and shortfall of the Company’s revenue from the sale of JBKP Premium Jamali become the excess and shortfall of Company’s revenue.

Prior to receiving BPK’s LHP and the MoF letter discussed above, the Company received BPK 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).

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

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.

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

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 Expendituer (“APBN”) period.

	December 31, 2018	December 31, 2017
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	**175,556**	**473,928**

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/PDTT/05/2019 dated May 20, 2019, the Company experienced a shortfall of revenue in the distribution of JBT Kerosene in 2018 amounting to Rp243.68 billion 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.

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

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:

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

f. Subsidiaries' receivables

	December 31, 2018	December 31, 2017
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	**411,224**	**337,832**

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

	December 31, 2018	December 31, 2017
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	1,605,990	1,784,302

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

10. INVENTORIES (continued)

	December 31, 2018	December 31, 2017
Oil products:		
Automotive Diesel Oil (“ADO”)	1,018,791	755,620
Premium gasoline	536,309	594,740
Pertamax, Pertamax Plus, Pertalite 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)	4,218,260	3,778,519
Sub-total for gas, crude oil and oil products	5,838,234	5,586,349
Provision for decline in value of oil products (Note 32)	(167,270)	(92,854)
	5,670,964	5,493,495
Materials	754,228	645,825
Provision for decline in value of material	(102,027)	(103,183)
	652,201	542,642
Total	**6,323,165**	**6,036,137**

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

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

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

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

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.

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

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**

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

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.

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

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 Perta Samtan Gas	66.00%	91,173	-	32	21,871	(23,100)	-	89,976
PT Patra SK	35.00%	65,769		-	5,387	(8,750)	-	62,406
PT Indo Thai Trading	51.00%	6,281	790	(791)	790	-	-	7,070
PT Perta Daya Gas	65.00%	1,683	-	28	2,023	-	-	3,734
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 Perta 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 Perta Daya Gas	65.00%	1,403	-	(111)	391	-	-	1,683
PT Pertamina Rosneft Pengolahan dan Petrokimia	55.00%	-	407	-	-	-	-	407
PT Elnusa CGGVeritas 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

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

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.

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

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 subtance, does not control those companies. These investments are measured at cost since their fair values cannot be measured reliably.

g. Other financial assets

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

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

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**

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

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**

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

13. FIXED ASSETS (continued)

The allocation of depreciation expenses are as follows:

	December 31, 2018	December 31, 2017
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	**1,081,167**	**1,100,000**

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.

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

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**

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

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**

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

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

The allocation of depreciation expense are as follows:

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

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:

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

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

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		
Government-related entities		
- BRI	286,789	252,149
- Bank Mandiri	14,030	47,038
- BNI	50,016	-
Third parties		
- JP Morgan	31,087	24,661
- Others	540	-
	382,462	323,848

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

15. OTHER NON-CURRENT ASSETS (continued)

a. Restricted funds (continued)

	December 31, 2018	December 31, 2017
Rupiah accounts		
Government-related entities		
- BRI	290,500	296,096
- Bank Mandiri	233,993	238,692
- BNI	840	899
Third parties		
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 receiveing 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**

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

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 nill 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.

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

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				
	2019	**2020**	**2021**	**2022**	**2023**
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

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

Non-free and non-clear assets represent land 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.

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

16. SHORT-TERM LOANS

	December 31, 2018	December 31, 2017
Government-related entities (Note 41)		
- 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	3,164,724	355,518
Third parties		
- 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	1,182,311	97,361
Total	**4,347,035**	**452,879**

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

Lenders	Expiration date
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.

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

16. SHORT-TERM LOANS (continued)

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

	December 31, 2018	December 31, 2017
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

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

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

18. DUE TO THE GOVERNMENT

	December 31, 2018	December 31, 2017
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	1,352,137	1,269,228

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

18. DUE TO THE GOVERNMENT (continued)

	December 31, 2018	December 31, 2017
Subsidiaries:		
PT Pertamina EP		
Government share of production	25,764	1,897
Finance lease liability - state-owned assets	81,815	88,536
Sub-total	107,579	90,433
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	650,688	562,017
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 subsdiaries)

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:

	December 31, 2018	December 31, 2017
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**

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

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:

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

c. Lumut Balai geothermal project loan

On March 29, 2011, the Loan Agreement ("LA") IP-557 was signed between the Government of Indonesia, represented by the Director General of Debt Management, Ministry of Finance, and Japan International Cooporation Agency ("JICA"), represented by the Chief Representative of JICA, with the Company as Executing Agency and PGE as Implementing Agency. The amount of the loan facility was ¥26,966,000,000 (full amount) with 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.

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

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/PDTT/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**

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.

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

19. ACCRUED EXPENSES

	December 31, 2018	December 31, 2017
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	**2,135,509**	**2,019,896**

20. LONG-TERM LIABILITIES

	December 31, 2018	December 31, 2017
Bank loans:		
Government-related entities (Note 41)	179,361	174,638
Third parties	1,891,264	2,100,822
	2,070,625	2,275,460
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)	**2,225,877**	**2,475,726**
Current portion	**(420,577)**	**(365,959)**
Long-term liabilities - net of current portion	**1,805,300**	**2,109,767**

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

	December 31, 2018	December 31, 2017
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		
	Total	Current	Non-current
Government-related entities			
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

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

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**
Third parties			
The Bank of Tokyo-Mitsubishi ("BOTM") (syndicated loan)	1,609,539	333,569	1,275,970
Sumitomo Mitsui Banking Corporation (syndicated loan)	199,318	10,601	188,717
PT Bank Sumitomo Mitsui Indonesia	67,407	9,083	58,324
PT Bank ICBC Indonesia	15,000	-	15,000
Total	**2,070,625**	**363,547**	**1,707,078**

	December 31, 2017		
	Total	**Current**	**Non-current**
Government-related entities			
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	-
Third parties			
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**
The Company	
Sumitomo Mitsui Banking Corporation (Long-term loan)	Several installments (2016-2025)
Lembaga Keuangan Lainnya	
PT Sarana Multi Infrastruktur (Persero) (Long-term loan)	Several installments (2015-2025)
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	Several installments (2016-2021)

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

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 consitute a guarantee in respect of the obligation of PIEP under Sponsor Support Agreement and the Company shall not be construed acting as a guarantor.

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

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

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:

	December 31, 2018	December 31, 2017
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	232,098	225,079
Interest	(72,071)	(17,975)
Net	160,027	207,104
Current portion	(58,722)	(50,008)
Non-current portion	**101,305**	**157,096**

21. BONDS PAYABLE

	December 31, 2018	December 31, 2017
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	9,261,851	8,549,500
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	**9,135,526**	**8,429,947**

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

21. BONDS PAYABLE (continued)

	December 31, 2018	December 31, 2017
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).

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").

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

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:

	December 31, 2018	December 31, 2017
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	1,653,399	2,034,520
Other long-term employee benefits:		
- MPPK	104,428	129,278
- Annual leave and service anniversary	10,035	16,063
Sub-total	114,463	145,341
Total - The Company	1,767,862	2,179,861
Subsidiaries:		
Pension and other post-employment benefits	315,515	288,369
Total	**2,083,377**	**2,468,230**
Current portion (Note 19)	(232,994)	(260,010)
Non-current portion	**1,850,383**	**2,208,220**

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

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**

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

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**

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

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.

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

22. EMPLOYEE BENEFIT LIABILITIES (continued)

d. Actuarial assumptions (continued)

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

	Effect of 1% increase to defined benefit obligation	Effect of 1% decrease to defined benefit obligation
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:

	December 31, 2018	December 31, 2017
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:

	December 31, 2018	December 31, 2017
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 DECOMMISIONING AND SITE RESTORATION

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

	December 31, 2018	December 31, 2017
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.

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

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.

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

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 isssued 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.

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

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 Pertalite 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**

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

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

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

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)**

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

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)

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

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)**

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

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

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

40. TAXATION (continued)

a. Prepaid taxes (continued)

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

Details of Reimbursable VAT are as follows:

	December 31, 2018	December 31, 2017
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	188,115	218,502
Reimbursable VAT by the Directorate General of Budgeting and Finance Stability:		
PT Pertamina Geothermal Energy	102,757	94,966
Total	**290,872**	**313,468**

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.

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

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

	December 31, 2018	December 31, 2017
Corporate income tax - Company	19,684	-
Corporate income tax - Subsidiaries	447,921	308,803
Sub-total	467,605	308,803
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	258,405	250,533
Total	**726,010**	**559,336**

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

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**

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

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%).

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

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 decomissioning and site restoration	371,738	-	-	-	-	(6,672)	365,066
Finance lease assets	29,013	-	-	-	-	892	29,905
Deferred revenues	10,750	-	-	-	-	(2,682)	8,068
Employee benefits	8,549	-	-	-	(395)	8,503	16,657
Provision for impairment	1,081	-	-	-	-	927	2,008
Oil and gas properties	(2,801,228)	-	-	-	-	(269,388)	(3,070,616)
Excess of fair value over net book value	(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)**

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

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 selfs assessment. Under the prevailing regulations, DGT may assess or amend tax within certain periods. For the fiscal year of 2007 and backwards, this amendment period is within ten years from the time the tax is due, but not later than 2013, while for the fiscal year of 2008 and onwards, the period is within five years from the time the tax is due.

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

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%

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

41. RELATED PARTY BALANCES AND TRANSACTIONS (continued)

Significant related party accounts are as follows: (continued)

	December 31, 2018	December 31, 2017
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.

	December 31, 2018	December 31, 2017
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:

	December 31, 2018	December 31, 2017
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**

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

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:

	December 31, 2018	December 31, 2017
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	**(32,730)**	**(46,847)**

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

Details of trade receivables by currencies are as follows:

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

Receivables from fuel and lubricant distribution to the Indonesian Armed Forces/Ministry of Defence

The fuel and lubricant distribution to the Indonesian Armed Forces/Ministry of Defence is based on the planned needs of the Indonesian Armed Forces/Ministry of Defence and is capped by the State Budget for Fuels and Lubricants ("BMP") as one of the expenditure items of the Indonesian Armed Forces/Ministry of Defence, the details are as follows:

	December 31, 2018	December 31, 2017
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	**318,142**	**258,566**

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

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

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.

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

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**

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

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:

	December 31, 2018	December 31, 2017
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	**14,183,374**	**8,089,516**

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, recpectively. The details are as follows:

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

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:

	December 31, 2018	December 31, 2017
Salaries and other benefits	47,273	52,781

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

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

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**

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

42. SEGMENT INFORMATION (continued)

	December 31, 2017					
	Upstream	**Downstream**	**Others*)**	**Total before elimination**	**Elimination**	**Total consolidated**
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.

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

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:

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

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).

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.

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 Bussiness 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.

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:

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).

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

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.

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%.

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

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.

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

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.

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

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

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

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%	Natural gas	38 years
Murphy Sarawak Oil Co. Ltd.	Murphy Sarawak Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	SK309	Malaysia	27/01/1999	2003	25.5%	Oil, natural gas, and condensate	29 years
Murphy Sarawak Oil Co. Ltd.	Murphy Sarawak Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	SK311	Malaysia	27/01/1999	2007	25.5%	Oil, natural gas, and condensate	29 years
Murphy Sarawak Oil Co. Ltd.	Murphy Sarawak Oil Co. Ltd. Petronas Carigali Sdn. Bhd.	SK314A	Malaysia	07/05/2013	Exploration stage	25.5%	-	27 years
Mnazi Bay Exploration Mnazi Bay Development/ Production	M&P (Operator); TPDC	Mnazi Bay	Tanzania	October 2006	August 2015	60.075% & 48.06%	Gas	2031 and can be extended up to 2051
Enzanga Production	M&P (Operator); The Gabonese Republic; Tullow	Ezanga	Gabon	January 1, 2014	2007	80%	Oil	2034 and can be extended up to 2054
Seplat Petroleum Development Company Plc	Seplat (Operator); NPDC	OML 4, 38, 41	Nigeria	June 30, 1989	July 2010	45%	Oil and gas	October 2038
	Pillar Oil (Operator); Seplat	OPL 283	Nigeria	2009	May 2012	40%	Oil	Oktober 2028
	Seplat dan NNPC (Joint Operators)	OML 53	Nigeria	1997	1978	40%	Oil	June 2027
	Seplat and BelemaOil (Joint Operators); NNPC	OML 55	Nigeria	1997	February 2017	n/a*)	Oil	June 2027
Petroregional del Lago Mixed Company	Petroleos de Venezuela S.A. & PDVSA Social	Urdaneta West Field	Venezuela	2006	1974	40%	Oil	2026

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

- 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 commence-ment of production	Percentage of participation	Production	Contract period
West Qurna 1 Field Operating Division	ExxonMobil Iraq Limited, Shell Iraq B.V. PetroChina International Iraq FZE, Oil Exploration Company of Iraqi Ministry of Oil	West Qurna 1 Block	Iraq	25/01/2010	25/01/2010	10%	Oil	35 years

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

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 commence-ment of production	Percentage of participation	Production	Contract period
El Merk ("EMK")	Talisman (Algeria) B.V., Sonatrach, Anadarko, Eni, Maersk, Company	405a Block	Algeria	March 2007	2013	16.90%	Oil, Condensate, and LPG	25 years
Ourhoud	Talisman (Algeria) B.V., . Sonatrach, Anadarko, Eni, Maersk, Company	405a Block	Algeria	December 1997	2002	3.56%	Oil	25 years

2. Malaysia

Parties	Operator	Unit field	PMEP's percentage of participation	Effective date of contract	Date of commencement of production	Production	Contract period
Shell, Conoco Phillips, Carigali Murphy, PMEP	Shell	Gumusut Kakap Field	3.2%	20/09/2004	18/11/2012	Oil and natural gas	Not specified
Shell, Conoco Phillips, Carigali, Murphy, PMEP	Murphy	Siakap North Petai Field	9.6%	01/01/2007	28/02/2014	Oil and natural gas	Not specified

i. PGN Cooperation Agreement

As of 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.

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

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.

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

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

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

			Non-cash changes			
	Dec 31, 2016	Cash flows	Dividends declared	Foreign exchange	Others	Dec 31, 2017
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**

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

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				
	Fair value through profit or loss	**Avalable-for-sale**	**Loans and receivables**	**Held to maturity**	**Total**
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.

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

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.

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

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)

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.

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

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					
	Floating rate		Fixed rate			
	Maturity less than one year	Maturity more than one year	Maturity less than one year	Maturity more than one year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	5,045,495	-	4,062,697	-	4,120	9,112,312
Restricted cash	21,344	-	87,571	-	-	108,915
Short-term investments	677	-	132,430	-	92,092	225,199
Trade receivables	-	-	-	-	3,231,106	3,231,106
Due from the Government	-	-	-	-	4,758,409	4,758,409
Other receivables	-	-	-	-	883,490	883,490
Other investments	-	-	-	-	80,171	80,171
Long-term investments	-	391,307	-	14,989	143,595	549,891
Other non-current assets	-	-	-	-	1,149,976	1,149,976
Total financial assets	**5,067,516**	**391,307**	**4,282,698**	**14,989**	**10,342,959**	**20,099,469**
Liabilities						
Short-term loans	(4,347,035)	-	-	-	-	(4,347,035)
Trade payables	-	-	-	-	(3,676,558)	(3,676,558)
Due to the Government	-	-	(25,247)	(795,082)	(1,182,496)	(2,002,825)
Accrued expenses	-	-	-	-	(1,902,515)	(1,902,515)
Other payables	-	-	-	-	(407,196)	(407,196)
Long-term liabilities	(361,855)	(1,703,996)	(58,722)	(101,304)	-	(2,225,877)
Bonds payable	-	-	-	(11,094,096)	-	(11,094,096)
Other non-current payables	-	-	-	-	(149,428)	(149,428)
Total financial liabilities	**(4,708,890)**	**(1,703,996)**	**(83,969)**	**(11,990,482)**	**(7,318,193)**	**(25,805,530)**

	December 31, 2017					
	Floating rate		Fixed rate			
	Maturity less than one year	Maturity more than one year	Maturity less than one year	Maturity more than one year	Non-interest bearing	Total
Assets						
Cash and cash equivalents	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)**

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

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 Pemeringkat 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**

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

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
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**

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

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
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

	December 31, 2018	December 31, 2017
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**

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

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.

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

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

	December 31, 2018	December 31, 2017
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
	943,049	1,282,966
Impairment	(260,731)	(258,353)
Net	**682,318**	**1,024,613**
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
	1,723	1,577
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
	28,810	34,167
	30,533	35,744
Impairment	(19,567)	(20,017)
Net	**10,966**	**15,727**

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

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)

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

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

	December 31, 2018	December 31, 2017
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) pruducts	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	4,347,185	1,928,843

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

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.

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

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**

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

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:

	December 31, 2018	December 31, 2017
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:

	Level 1	Level 2	Level 3	Total
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:

	Carrying amount		Fair value	
	December 31, 2018	December 31, 2017	December 31, 2018	December 31, 2017
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.

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

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:

	December 31, 2018	December 31, 2017
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	**1,086,464**	**1,061,653**

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.

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 variuos 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.

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.

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.

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

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/PDTT/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).

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)

	December 31, 2018	December 31, 2017
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	**17,762,788**	**13,656,806**
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	**35,006,668**	**30,445,059**
TOTAL ASSETS	**52,769,456**	**44,101,865**

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
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**

**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), 133,090,697 shares (2017)	16,191,204	13,417,047
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**

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**

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**

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)

				Other equity components	
	Issued and paid-up capital	Additional paid-in capital	Government contributed assets pending final clarification of status	Difference arising from translation of financial statements	Other equity
Balance as of January 1, 2017/ December 31, 2016 (as restated)	**13,417,047**	**2,736**	**1,361**	**(304,201)**	**968,818**
Differences arising from translation of financial statements	-	-	-	1,225	-
Other comprehensive income from associate	-	-	-	-	(55,421)
Remeasurement of net defined benefit liability	-	-	-	-	(122,722)
Dividends declared	-	-	-	-	-
Appropriation of other reserves	-	-	-	-	-
Profit for the year	-	-	-	-	-
Balance as of December 31, 2017 (as restated)	**13,417,047**	**2,736**	**1,361**	**(302,976)**	**790,675**

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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)

				Other equity components		Retained earnings		
	Issued and paid-up capital	Additional paid-in capital	Government contributed assets pending final clarification of status	Difference arising from translation of financial statements	Other equity	Appropriated	Unappropriated	Total equity
Balance as of January 1, 2018/ December 31, 2017	**13,417,047**	**2,736**	**1,361**	**(302,976)**	**790,675**	**6,871,101**	**2,540,195**	**23,320,139**
Changes in 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**

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)**

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**

(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:

	Previously reported	Reclassification	Restatement
<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

GLOSSARY OF TERMS

Abbreviation	Definition
PPE	Personal Protective Equipment
BBK	Special Fuel
bbl	Barrel Oil
BBM	Fuel
BBTUD	Billion British Thermal Unit per Day
BOPD	Barrel Oil Per Day
BSCF	Billion Standard Cubic Feet
BSCFG	Billion Standard Cubic Feet of Gas
CIP	Continuous Improvement Program
CNG	Compressed Natural Gas
COCO	Company Owned Company Operated
CODO	Company Owned Dealer Operated
Conco Delco	Contracting Company Delivery Company
CSS	Corporated Shared Service
CSMS	Contractor Safety Management System
DPPU	Depot Pengisian Pesawat Udara | Aviation Fuel Terminal
EOR	Enhancement Oil Recovery
ERM	Enterprise Risk Management
ERP	Enterprise Resource Planing
FSRU	Floating Storage Regasification Unit
GCG	Good Corporate Governance
GRR	Grass Root Refinery
CBM	Coal Bed Methane
GWh	Gigawatt hours
GTL	Gas to Liquid
HBM	Capital Goods
HSD	High Speed Diesel
ICoFR	Internal Control over Financial Reporting
ICP	Indonesian Crude Price
ICT	Information and Communication Technology
I-P2P	Integrated Procure to Pay
ISC	Integrated Supply Chain
ISRS	International Sustainability Rating System
JOB	Joint Operation Body
HSSE	Health, Safety, Security, and Environment
KLH	State Ministry of Environment
KMSS	System Standards Management Committee
KOMET	Knowledge Management Pertamina
KSO	Joint Operation
LHKPN	State Official Wealth Report
LNG	Liquefied Natural Gas
LPG	Liquefied Petroleum Gas
LPP	Legal Preventive Program

Abbreviation	Definition
LOBP	Lube Oil Blending Plant
MBOEPD	Million Barrel Oil Equivalent Per Day
MDGs	Millennium Development Goals
MoEMR	Ministry of Energy and Mineral Resources
MMBO	Million Metric Barrel of Oil
MMbbl	Million Barrel Oil
MMBTU	Million British Thermal Unit
MMSCFD	Million Standard Cubic Feet per Day
MOPS	Mid Oil Platts Singapore
MRU	Mobile Refueling Unit
MT	Metric Ton
MW	Mega Watt
NBBM	Non-BBM
ONWJ	Offshore Northwest Java
PCU	Pertamina Corporate University
PDSI	PT Pertamina Drilling Service Indonesia
PEP	PT Pertamina EP
PEPC	PT Pertamina EP Cepu
Pertagas	PT Pertamina Gas
Petral	Pertamina Energy Trading Limited
PGE	PT Pertamina Geothermal Energy
PHE	PT Pertamina Hulu Energi
PLBC	Cilacap Blue Sky Project
CLA	Collective Labor Agreement
PKBL	Partnership Program and Community Development
PROPER	Program Penilaian Peringkat Kinerja Perusahaan I Corporate Environmental Performance Rating
PSC	Production Sharing Contract
PSO	Public Service Obligation
RDMP	Refinery Development Master Plan
RFCC	Residual Fluid Catalytic Cracking
RFM	Retail Fuels Marketing
RJPP	Long-term Corporate Plan
RKAP	Corporate Budget and Plan
RU	Refinery Unit
GMS	General Meeting of Shareholders
SKK Migas	Special Task Force for Upstream Oil and Gas Business Activities
SPBG	Fuel Gas Filling Station
SPBU	Public Fuel Filling Station
STS	Ship to ship
TAC	Technical Assistance Contract
VHS	Vendor Held Stock
VLGC	Very Large Gas Carrier
KTA	Kilo Tons per Annum


PERTAMINA

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