

ATTACHMENT
QUESTION AND ANSWER SUMMARY
PUBLIC EXPOSURE OF INCIDENTAL (INCIDENTAL PUBLIC EXPOSE) 2019
PT GARUDA INDONESIA (PERSERO) TBK

1. Name : Juwita
Institution : Antara
Question :

- I. After this restatement, Garuda Indonesia Group (GA) still recorded a net profit of USD19.7 Million dollars in the Q1 period of 2019. The achievement occurred because of the efforts done to cost efficiency, what are the efforts made to create cost efficiency (cost structure, ticket price adjustment, fuel consumption) and is there any impact on route trimming, increasing prices in domestic and international?

Answer :

- I. Based on Q1 2019 report, GA cost structure mainly consists of 26% from aircraft rental costs, 27% fuel, and 11% maintenance. For the cost efficiency of renting an airplane, we extend the current operating lease by 3 to 4 years, especially for leasing aircraft that will expire in near future. When extending the lease period, GA gets a reduction in aircraft rental costs by 25% - 30%. At the moment, we have extended the lease period of 10-15 aircrafts. This GA strategy was also supported by the government and jointly met with ICBC Leasing to negotiate.
- The Company's fuel costs are strongly influenced by market prices and volume of use. Fuel prices have increased around 10% in 2019 but the amount of fuel use has dropped by 14% until June 1, 2019. In the performance of Q1 of 2019, the fuel burden also decreased by 10% because the company optimized production and no longer maximized aircraft utilization, but adjusted to existing demand.
- This strategy helped GA to record a net profit of USD19.7 million in Q1 of 2019.
- Regarding ticket prices, since the new management was appointed in September 2018, GA has never violated the Upper Limit Rate (TBA) set by the government. The price of GA and Citilink (QG) has always been in the TBA tariff corridor and the Lower Limit Rate (TBB) of the government.
- Besides, the management also has other strategies to improve financial performance by expanding cargo through "Tau Beres", which is a market place that provides retail and corporate freight or cargo shipping services to be launched on August 17, 2019. In the aircraft repair business, management also plans to open an aircraft tire manufacturer and is finalizing this initiative in the next 2-3 months through the Garuda Maintenance Facility (GMF). We will conduct a groundbreaking laying of the first stone for the construction of the tire factory.

2. Name : Ridwan
Institution : Bisnis Indonesia
Question :

- I. Based on the restated report, for the FY2018 period, GA posted a loss of USD175 Million, and in the period 1Q2019 posted a profit of USD19.7 Million, whether or not Garuda can generate profit according to this year's projection?
- II. Regarding the cancellation of the Mahata transaction with Citilink (QG), what are the effects of canceling the contract with GA and what is the value of the contract with this cancellation?

Answer :

- I. For guidance on FY2019, the Company has an internal net profit target of USD70 Million and up to the period of Q1 of 2019, GA has posted a profit of USD19.7 Million, and this performance is fully derived from improved operational performance. We cannot inform you the results from Q2 of 2019 period, but we will submit the June performance report to the Otoritas Jasa Keuangan and the capital market at the latest on Wednesday July 31, 2019 following the regulations.
GA is optimistic that the performance will have a better result on June 2019, and the GA equity projection has been above USD800 Million so there is no breach covenant even though based on the GA certificate, the Waiver has been obtained from Export Development Canada (EDC) up to June 30, 2019. Overall, our financial performance will be better than the previous year up to this YTD June period. The financial performance of the Q3 of 2019 period will be better and has been since July 2019. In addition, Hajj income will be booked in the 3Q2019 quarter, so that the financial performance in the 3Q2019 and 4Q2019 periods will also be much better.
- II. For the cancellation of the QG contract with Mahata, the canceled contract is valued at USD239 Million (including the Garuda Indonesia Group and Sriwijaya Group), at the time of cancellation including the addendum in it which also canceled all Mahata contracts with GA, QG, and SJ.

3. Name : EGA
Institution : Tribun Jakarta
Question :

- I. Regarding 15% TBA adjustment, does it affect the company's revenue from the operating side, and what is the airline's strategy for the next quarter?

Answer :

- I. The adjustment of TBA is very influential for the Company's financial performance but the management will not stop. We will try to apply cost efficiency as I explained earlier regarding fuels which are also implemented through hedging with foreign banks in Singapore and Hong Kong because Bank Indonesia regulations have not allowed these transactions to be carried inside of Indonesia.

Other than that, the company also extends aircraft leases with lessors, improving the performance of routes that are still experiencing deficits. For example, Denpasar (DPS) - London Heathrow (LHR) is no longer operating but flights are carried out through Kualanamu (KNO), with the Cengkareng (CGK) - KNO - LHR route, this step is significant enough to experience losses that occur on international routes

4. Name : Bobby
Institution : Nikkei
Question :

- I. What is the background of GA in cooperating with Mahata?
- II. What kind of liability will be carried out by GA with the occurrence of investor confidence deficit towards GA?
- III. The Mahata contract with QG is terminated, is there a plan for GA to continue this inflight connectivity business?

Answer :

- I. In terms of the composition of ancillary revenue, when compared to foreign airlines, GA has a significant difference, where foreign airlines have a composition of 10% -15% and GA of 5%. Currently, the WIFI service in GA is a paid and quite expensive service, where GA is supplied by Panasonic and GA charges to customers. When there is a business model offered with zero investment costs, in which GA does not make payments but collects payment and increase the company's ancillary revenue, it made the decision on why GA takes the business offer. In the future, the Company has no plans but is still open to exploring several business model options, not necessarily the same as Mahata so that it is not mistakenly re-perceived. For the Company, the preferred form of business is centered towards a value-adding and giving the latest customer experience for GA customers, and income from ancillary revenue.
- II. Regarding investor confidence, investors who meet GA management have a strong level of trust in GA performance. Transactions with Mahata are a proven one-time transaction and during the low season of Q1 2019 with only operating income, we can book a net profit of USD20 Million. This shows that the strategy carried out by GA management is appropriate. With the strategy implemented, GA is optimistic about the business model and additional improvements in terms of revenue and service side, for the end of 2019 GA will get a profit of 70 million USD.

5. Name : Reni
Institution : Indo Aviation
Question :

- I. Is it effective for GA to extend its aircraft leases related with the company's long term debts, what are GA solutions about this leasing of aircrafts? Does the government also support the rental of the aircraft so that no outside rental financing is carried out?
- II. Regarding the optimal production level of GA Group, using demand as its base and not its utilization, can this year's performance stay at this level because utilization is important for the aircraft and because of high utilization, productivity is also high? Referring to the negative impact that is related to passenger trust regarding routes on demand, will it damage the credibility of GA in the eyes of passengers?

Answer :

- I. To clarify about the rent of aircrafts, GA does not owe. GA carries out an operating lease transaction or leases with lessors where at the end of the lease period, the aircraft will be returned to the lessor. However, some financially solid airlines do not have as many operating lease transactions as GA. The best option for GA is to finance in the form of rent. Because the number of aircraft currently in the world is experiencing an oversupply, the initial price of aircraft becomes more expensive and the market value drops faster than the depreciation of the book value.
For our funding strategy, in the 4Q2019 period, the Company plans to reduce a portion of its short-term debt with reprofiling debt so that we expect this strategy to be greater than short-term debt, and will be more attractive to investors and some banking groups.
- II. To optimize our production, we do not reduce at all routes on an average so indeed for routes that are fat or busy routes we are still served as before. As a state-owned company and a company that is owned by the public, we must have the best possible route. So that the route that experiences continuous losses the first step that we take is to reduce the frequency if indeed after being reduced in frequency it still loses, it does not rule out if we have to close the route and divert the aircraft to more profitable routes for GA both domestically and internationally.

6. Name : Rian
Institution : Panin Sekuritas
Question :

- I. The first thing I want to ask is about the passenger yield in June 2019 that was recorded to be lower compared to April 2019, especially domestic GA and Citilink, what happened? Then the current price position of GA in comparison of TBA percentage?
- II. Then I also want to ask for guidance in Q3 as to how the projection moving forward related to the upcoming passenger yield because the news on the government's 50% cheaper ticket program
- III. I also want to ask for an explanation regarding the switching mechanism of short term liabilities with long-term loans.

Answer :

- I. The yield decreased due to an adjustment of 15% TBA. The price position of each services is different.
 - a. Full service in GA 100% is positioned at 100% of TBA
 - b. Medium service in Sriwijaya is positioned at 90% of TBA
 - c. Low Costs Service in Citilink and Nam is positioned at 85% of TBA

So we focus more on cost efficiency and innovate in the ancillary revenue business.
- II. Regarding the 50% program, we are still waiting for directions because there is no official decision yet. As a state-owned company, a Tbk company needs to have the basis before establishing or following a rule.
- III. Then for the funding strategy, we are planning to do a debt reprofile but not fixed in the form of bonds / Sukuk / other instruments. Maybe we can explain in the Q4 period of 2018 using the audit book in July 2019.