Hedging Disclosure
February 2018

PRICE COMPARISON

Source: Bloomberg, February 2018

INDEX | UNITS
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Euro Brent | US$/L
Singapore Jet Kerosene | US$/L
Garuda Indonesia Group | US$/L
Pertamina | US$/L

Date | Pertamina | Garuda Indonesia Group | Singapore Jet Kerosene | Euro Brent
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February 2018 | 0.58 | 0.49 | 0.47 | 0.43
Average YTD February 2018 | 0.54 | 0.42 | 0.49 | 0.49
Average 2017 | 0.54 | 0.34 | 0.49 | 0.41

Notes:
“Pertamina” is the average value of domestic in to plane fuel prices paid to Pertamina, meanwhile “Garuda Indonesia Group” is the average value of domestic and international in to plane fuel prices paid to suppliers. And due to Pertamina’s one-month late price adjustments, Euro Brent and Sin Jet Kerosene prices used are adjusted one-month behind.
As per February 2018, it can be concluded that crude oil dropped from January highs but did not manage to find a clear direction afterward amid high volatility. However, it gave Garuda Indonesia an opportunity to hit the market to add more hedged volume as we add 500,000 bbl. for the Q3-18 to mitigate any risk of increasing fuel price during hajj flight. At the end of February 2018, Garuda Indonesia has hedged 4.3 million bbl. This amount is consist of 4.1 million bbl. which equivalent 26.28% of the estimated total fuel consumption along 2018. Therefore the average hedge price per February 2018 is 45.19 US¢/liter or 71.85 USD/bbl. The other 200,000 bbl. will be due in first quarter of 2019 with average hedge price 46.01 US¢/liter or 73.16 USD/bbl.

Going forward, Garuda sees that market may focus on numerous revision of US forecast by the EIA for the short and medium term. Thus, global financial markets turmoil added to bearish pressure on risky assets while OPEC good compliance put a floor on prices. Given this high volatility on the market, Garuda Indonesia will approach prudently on further entering the market towards 2018 by taking into account inherent aspects.

As the impact of the market condition, on the second week of February 2018 forward transaction has been executed by USD 15,000,000 as Garuda Indonesia can gain an advantage in avoiding the depreciation of USD/IDR to fulfill the need of USD in term of the cash flow aspect. On the other hand, in February 2018 Garuda Indonesia decided to get into the derivative market as well by executing cross currency swap transaction by USD 176.72 million with five months tenor. Given the fluctuation of USD/IDR which occurred in February 2018, Garuda believes by locking-in the value of non-USD items of liability will mitigate any risk of foreign exchange translation in the Garuda book.