Hedging Disclosure
December 2018

Source: Bloomberg, December 2018

INDEX | UNITS | 2017 | 2018 | 2018

<table>
<thead>
<tr>
<th>INDEX</th>
<th>UNITS</th>
<th>DEC</th>
<th>JAN</th>
<th>FEB</th>
<th>MAR</th>
<th>APR</th>
<th>MAY</th>
<th>JUN</th>
<th>JUL</th>
<th>AUG</th>
<th>SEP</th>
<th>OCT</th>
<th>NOV</th>
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<tbody>
<tr>
<td>Euro Brent</td>
<td>US$/L</td>
<td>0.39</td>
<td>0.40</td>
<td>0.43</td>
<td>0.41</td>
<td>0.42</td>
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<td>0.47</td>
<td>0.46</td>
<td>0.50</td>
<td>0.51</td>
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<tr>
<td>Singapore Jet Kerosene</td>
<td>US$/L</td>
<td>0.46</td>
<td>0.46</td>
<td>0.49</td>
<td>0.49</td>
<td>0.48</td>
<td>0.51</td>
<td>0.55</td>
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<td>0.53</td>
<td>0.56</td>
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<tr>
<td>Garuda Indonesia Group</td>
<td>US$/L</td>
<td>0.53</td>
<td>0.54</td>
<td>0.57</td>
<td>0.56</td>
<td>0.57</td>
<td>0.56</td>
<td>0.62</td>
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<td>0.61</td>
<td>0.62</td>
<td>0.63</td>
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<tr>
<td>Pertamina</td>
<td>US$/L</td>
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<td>0.54</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.57</td>
<td>0.62</td>
<td>0.61</td>
<td>0.60</td>
<td>0.62</td>
<td>0.63</td>
<td>0.67</td>
<td>0.71</td>
</tr>
</tbody>
</table>

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.
Oil prices moved in uncertainties throughout December 2018 mostly caused by the global balance in short and medium term for supply and economic outlook on demand. Based on EIA report, US monthly report confirmed that the US is world’s number one producer, ahead of Saudi Arabia and Russia with latest weekly data report showed US domestic output reached back 11.7 Mbd during the last week of the year. On the demand side, factory activity weakened across Asia including China due to a trade war. And there was pressure on fuel oil due to incoming arbitrage cargoes and seasonal efforts to lower stocks before year end. As a result, Singapore stockpile dipped 1.2% on a weekly basis.

Given the more bearish possibility, therefore, Garuda Indonesia decided to not enter the market along December 2018. As a result, the total hedged volume of Garuda Indonesia per December 2018 is 7.5 million bbl. This amount consists of 4.64 million bbl equivalent to a 31% ratio from estimated total fuel consumption with average hedge price in 2018 at 46.54 US¢/liter or 74 USD/bbl and other 2.86 million bbl to cover 2019.

Further, the potential production cut leading to a decrease in global inventory is believed to remain to exist. Hence, Garuda Indonesia thinks it is not on the supply side, but it is indeed the uncertainty on oil prices that will be the crucial factor in the movement of the market. Therefore, Garuda Indonesia will carefully select the right time in case of entering the market.

FX HEDGING

The geopolitical issue became the main factor of dynamic movement on USD against major currencies in December 2018. However, the market reaction on dovish outlook caused USD remained flat and partial shutdown triggered by Trump affect the slowdown on the industrial sector which slowing down global growth.

Domestically, IDR strengthened for the second day last Friday along with most Asian emerging market currencies as partial shutdown weighs on USD. However, IDR trimmed its earlier gains after a surprise drop in Chinese industrial profit tempered the optimism.

At the end of December 2018, Garuda Indonesia decided to enter into the derivative market by executing call spread and domestic non-deliverable forward (DNDF) transaction. The volatility of the FX market at that time was one of the consideration to mitigate any risks coming from the movement of the FX and together with the compliance of PBI 16/21. BRI and CIMB have been selected as winners for call spread transaction while Mandiri Bank won DNDF transaction.

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INDEX | UNITS | DEC-18 | Δ 1-MONTHS | Δ 3-MONTHS | Δ 6-MONTHS | Δ 12-MONTHS
---|---|---|---|---|---|---
Singapore Jet Kerosene | US$/BBL | 83.75 | 93.37 | (10.30) | 84.54 | (0.93) | 86.65 | (3.35) | 72.40 | 15.68
Euro Brent | US$/BBL | 65.17 | 80.47 | (19.01) | 73.13 | (10.88) | 76.63 | (14.95) | 62.58 | 4.14

FUEL HEDGING

The geopolitical issue became the main factor of dynamic movement on USD against major currencies in December 2018. However, the market reaction on dovish outlook caused USD remained flat and partial shutdown triggered by Trump affect the slowdown on the industrial sector which slowing down global growth.

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