

BUSINESS UPDATES

PT Garuda Maintenance Facility Aero Asia Tbk.

AUGUST 2022

Easing restrictions met with high demand in Asia Pacific

Travel and entry policies within the Asia Pacific region have evolved disparately since the beginning of this year. At the regional level, international connectivity is recovering at an accelerating pace. However, among the countries in the region, widely different outcomes can be seen as some major markets remain closed. The pace of the air traffic recovery is primarily driven by eased entry conditions. Countries that ease travel restrictions benefit from a steep increase in bookings. In Indonesia, bookings have reached 84% of 2019 levels in June 2022 thanks to the lifting of travel restrictions from January this year.

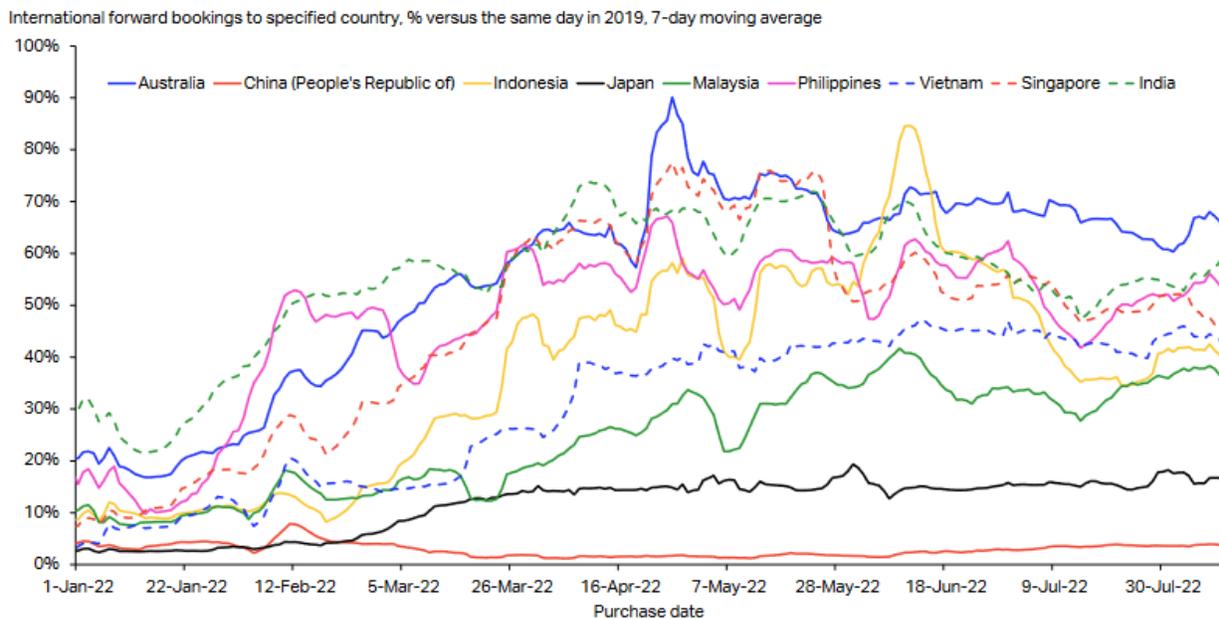


Figure 1 IATA Economics

Line Maintenance segment records slight improvement

Line maintenance events were recorded Month-on-month (MoM) slight improvement with 2% increase in term of number of events. Furthermore, In line with recovery of domestic aviation industry, there was increase of 35% (YoY) in number of line maintenance events which was impact from increasing number of passengers.

	Aug '21	Jul '22	Aug '22	MoM	YoY	YTD Aug '21	YTD Aug '22	YoY
Airframe	18	18	17	-6%	-6%	171	129	-25%
Engine	0	10	5	-50%	n.m	16	47	194%
Component	2,299	3,417	3,097	-9%	35%	21,802	24,323	12%
Line	10,743	12,205	12,456	2%	16%	105,548	89,257	-15%

Table 1 Maintenance Production Events

In August 2022, GMF was welcoming two Boeing 747 cargo Series and one Airbus A330 mostly for light check. For narrow body aircraft, GMF also welcomed one Boeing B737 Series, two Airbus A320 Series, and one ATR42 series from vary customer for various maintenance scope.

GMF Outlook for 2022

According to the United Nations World Economic Situation and Prospects, global output is projected to grow by only 4% in 2022. With the highly transmissible Omicron variant of COVID-19 unleashing new waves of infections, the human and economic toll of the pandemic are projected to increase again. Furthermore, Oliver Wyman predicted MRO Market will grow by 4.9% in Asia-Pacific and will return to pre-pandemic level in 2023. However, the growth of MRO market won't be as optimistic as pre-pandemic due to adjustment in fleet size by Airlines around the world. These encouraging projections is in line with GMFs expectation of modest recovery in 2022.

As government encourages booster vaccination for the public in 2022, there are optimism on economic recovery and uptrends in air travel demands. Nevertheless, governments remain cautious in relaxing travel restrictions to keep COVID-19 transmission level as low as possible. As governments regulation and policy adapt to the dynamic global situation, GMF acknowledges that there will be challenges and uncertainties moving forward. The progressive rollout of COVID-19 booster vaccines offers hope of a gradual recovery of the aviation industry and the MRO business.

Until now, GMF have received approval to restructure various bank facilities, including waiver covenant and adjustment of principal payment. Negotiation with vendors or suppliers was also initiated to ease the financial burden.

The company is pressing ahead with its Transformation efforts to emerge stronger in the post-COVID-19 future. This will complement efforts in reshaping the portfolio of business process to strengthen its ability to be sustainable company amidst a changing business environment. GMF key strategies focuses in ensuring business sustainability during low-demand period, maintaining high quality and safety standards, and making sure of the company's capability to optimize business opportunities post-COVID. To ensure the achievements of these objectives, GMF's will implement the following key strategies:



GMF AeroAsia

GARUDA INDONESIA GROUP

1. **Cash is king**

Efficiency measures on staff expenses, contract renegotiation with supplier to lower material expenses, restructuring short-term liabilities, and prioritizing high liquidity customers.

2. **Business Diversification**

Diversify business towards high margin and liquidity segments which are minimally affected by the pandemic, such as the Defense Industry sector, Private/Business Jets, Trading & Leasing, as well as non-aviation sector such as Industrial Gas Turbine Engine (IGTE).

3. **Global Consolidation**

Explore Strategic Partnership with business partner to enhance effectivity and efficiency.

As potential for future outbreaks and emergence of COVID-19 variants triggers uncertainty for future demands. In 2022, GMF remain focus on improving liquidity and profitability through various business initiatives. GMF expects to record positive EBITDA by the end of the year.

Employee's health and safety has always been the company's priority. GMF implements strict health protocols within the Company's premises In line with the Indonesian Government's health protocol to prevent the spread of COVID-19. These precautionary measures are vital in ensuring the sustainability of GMFs operation amid the Pandemic.

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