

BUSINESS UPDATES

PT Garuda Maintenance Facility Aero Asia Tbk.

January 2022

Air Travel Recovery Continued Amid The New Outbreak

2021 remained challenging for the airline industry though it showed considerable improvement over 2020. Progress on vaccination and improved testing efficiency helped lift domestic lockdowns and reopen some international markets. This pushed global RPKs to 41.6% of 2019 levels in 2021, versus 34.2% in 2020. (Ref. to IATA)

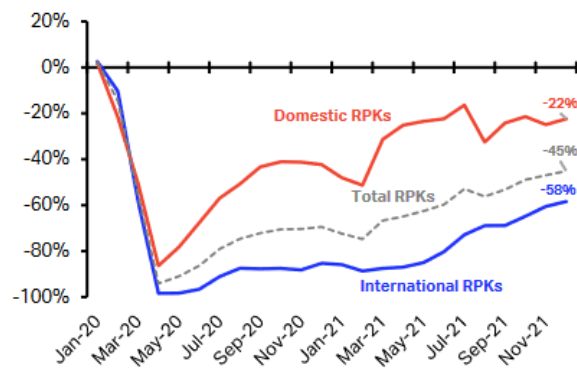


Figure 1 RPKs, % ch. vs. the same month in 2019 (IATA Monthly Statistics)

Due to the spreading of COVID-19 new variant in Indonesia, the numbers of daily case were rising to nearly 10,000 cases per day by the end of January. This new wave of COVID-19 outbreak was predicted to reach the peak around February to March. Amid the pandemic and to reach economy recovery, government encouraged public who fully vaccinated to do leisure travel by following COVID-19 prevention protocols. Furthermore, government also enacted booster vaccination program in order to improve herd immunity, hopefully this will increase passenger confidence to travel and give positive impact to the MRO industry.

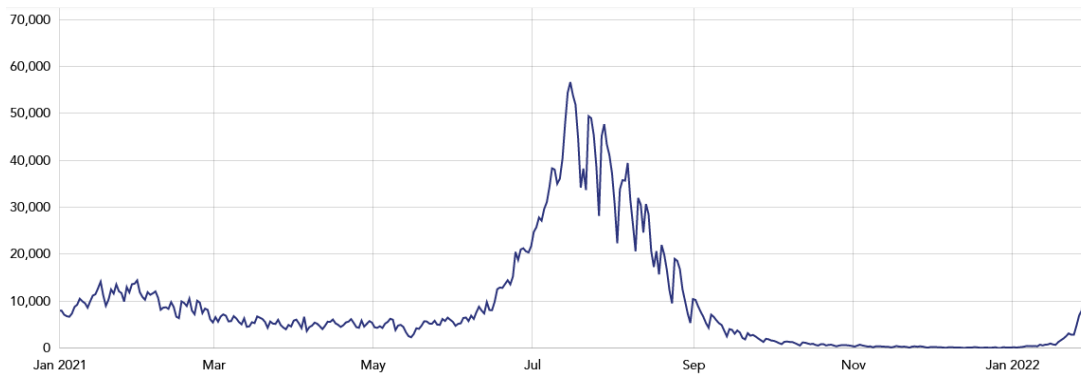


Figure 2 Daily Cases of Covid-19 (Ref. Covid19.go.id)

Significant Increase of Income in IGTE Segment

Production events still records Year-on-Year (YoY) decline, relatively inline with declining flight activities throughout the year. Airframe Maintenance record a modest 11% MoM increase in events, mainly driven by light check and maintenance from lessors.

	Jan '21	Dec '21	Jan '22	YoY	MoM	YTD Jan '21	YTD Jan '22	YoY
Airframe	33	18	20	-39%	11%	33	20	-39%
Engine	3	4	4	33%	0%	3	4	33%
Component	2,452	2,371	2,377	-3%	0%	2,452	2,377	-3%
Line	16,986	11,271	10,286	-39%	-9%	16,986	10,286	-39%

Table 1 Maintenance Production Events

In addition to welcoming the first C130 aircraft for modernization, on January 2022 there were two Boeing 747 cargo Series for D-Check and Minor Modification. Furthermore, GMF also welcome five Airbus A320 Series and three Boeing 737 series for maintenance with various scope of works from lessor and international customer.

As GMF is thriving through business expansion in IGTE segment, there was a significant increase of income in 2021 compared to 2020 from this segment. GMF also secured several IGTE projects from state-owned companies for 2022.

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:

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 other aviation business partner to enhance effectivity and efficiency in Aircraft Maintenance.

As potential for future outbreaks and emergence of Omicron 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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