

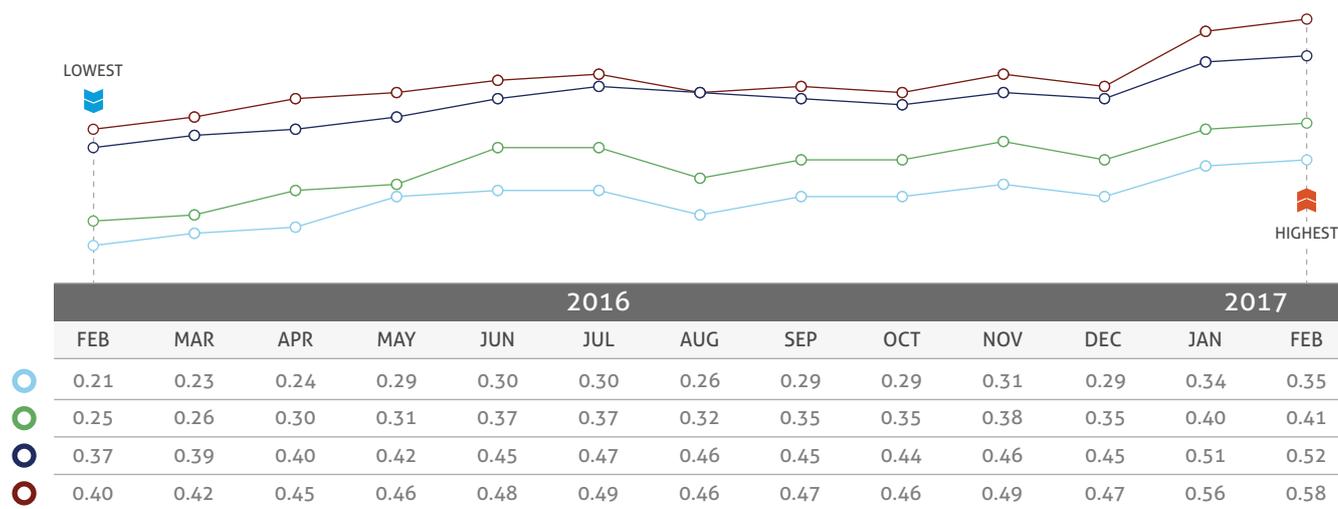
# Hedging Disclosure

February 2017

## FUEL PRICE COMPARISON

All data is presented in US\$/L, except stated otherwise

○ BRENT ○ SIN JETKERO ○ GA GROUP ○ PERTAMINA

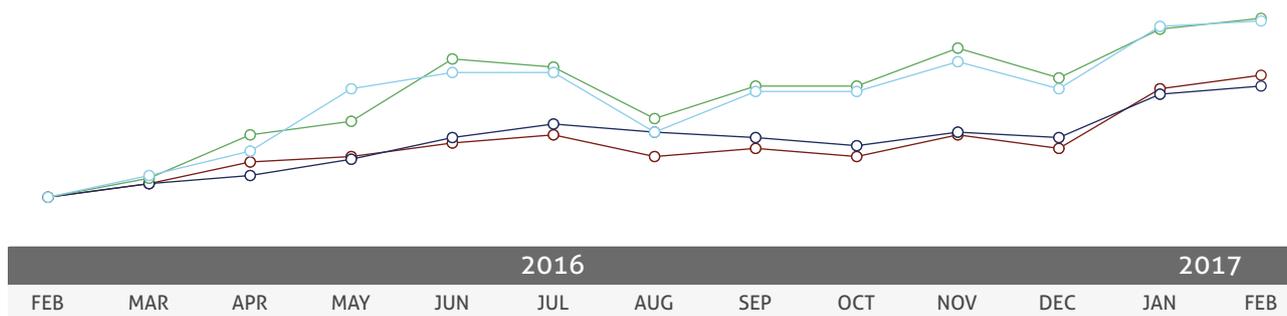


Source: Bloomberg, January 2017

## FUEL PRICE 1-YEAR GROWTH

(N=1 MOVEMENT)

○ BRENT 65.34% ○ SIN JETKERO 65.66% ○ GA GROUP 40.54% ○ PERTAMINA 45.00%



## PRICE GAP

(Pertamina vs. Brent vs. Sin JetKero)

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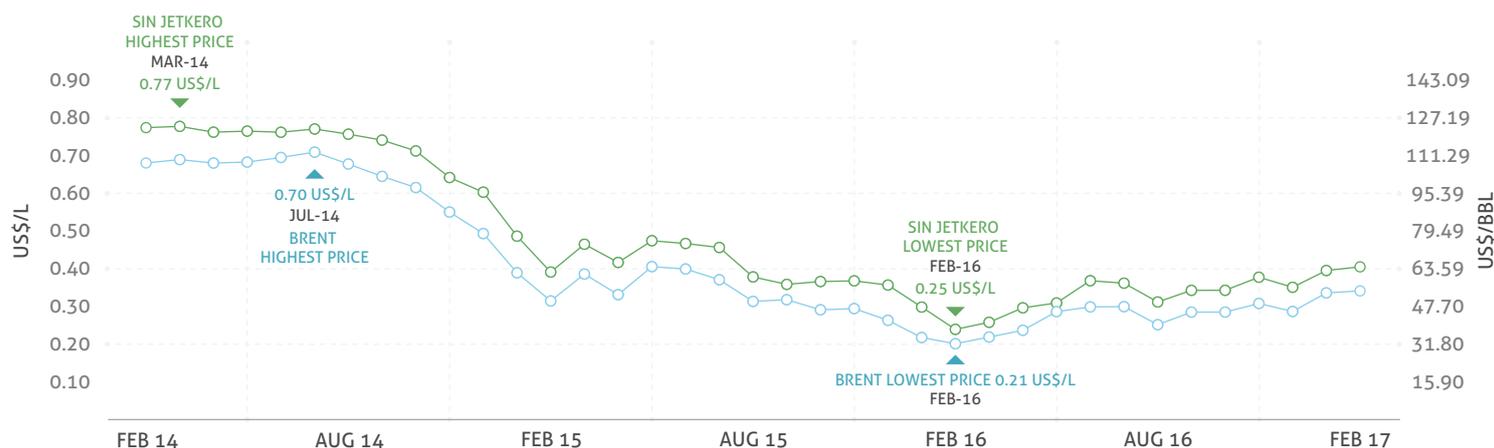
BRENT	GAP	PERTAMINA	GAP	SIN JETKERO
<b>FEB 2017</b>				
0.35	23.47 USc (67.99%)	0.58	17.26 USc (42.36%)	0.41
<b>AVERAGE 2016</b>				
0.28	17.56 USc (62.69%)	0.46	12.20 USc (36.55%)	0.33

### Note:

- Pertamina: The average of domestic fuel prices paid to Pertamina.
- GA Group: The average of domestic and international fuel prices paid to suppliers.
- Due to Pertamina's one-month late price adjustments, Brent and Sin JetKero prices used are adjusted one month behind.

## HISTORICAL PRICE

○ BRENT ○ SIN JETKERO



Source: Bloomberg, February 2017

PRICE (US\$/BBL)	FEB 17	Δ1 MONTH	Δ3 MONTHS	Δ6 MONTHS	Δ12 MONTHS
SIN JETKERO (Δ%)	64.77	63.27 (2.38%)	60.51 (7.05%)	50.34 (28.67%)	39.10 (65.66%)
BRENT (Δ%)	54.89	54.07 (1.53%)	49.73 (10.38%)	41.01 (33.85%)	33.20 (65.34%)

## FUEL HEDGING

For 2017 fuel hedging program, the company is allowed to hedge for the proportion of 50% or 7.5 million bbl. out of the estimated 15 million bbl. of total fuel consumption, totaling from all Garuda Indonesia and Citilink flights. With the 2017 target of market fuel price at 44.27 Usc/liter, hence maintaining the average uplifting price at 54.27 Usc/liter, the company will conduct the fuel hedging activities through the swap.

In addition, the company is also experiencing a change in the fuel hedging policy which the company is now able to hedge for the period beyond a current fiscal year with the maximum contract of 12-month. The change of the policy and the choice of instrument will be expected to lead the company to grab more market opportunities, give more certainty and mitigate more risks of an increasing fuel price especially when the market is under the uncertainty between bullish and bearish given the situation of OPEC compliance on the production cut and the rising of US Shale oil.

Up to February 2017, the company has hedged volume by 1.2 million bbl. spreading within the second half of 2017 (1 million bbl. due within 2017 at Usc 42.20/litre) and Q1-2018 (200k bbl. due within Q1-2018 at Usc 43.02/litre) of Garuda's fuel consumptions at the level of market price is at 42.34 Usc/liter. The company welcomes new counterparties for fuel hedging by engaging the working relationships with HSBC and Totsa, the subsidiary of Total Oil Company. With having more active counterparties, the company ensures that the price offered by each counterparty will be competitive and brings the benefit for the company itself.

## FX HEDGING (US\$)

Regarding the FX hedging program, the company will still engage in cash flow hedge, in order to meet the needs of USD and the requirement of Peraturan Bank Indonesia No. 16/21/PBI/2014 imposed by Indonesian Central bank, and also value hedge, due to the exposure of the company's book value in USD. The company appreciates the new instrument imposed by the Indonesian Central Bank in the form of Call Spread and will consider the instrument to be potentially used for the company's FX hedging activities, besides Value Today, FX Spot and FX Forward. The trend of the IDR movement will determine the choice of the instrument as the company has always been monitoring the movement of IDR market by engaging in both fundamental and technical aspects. Up to February 2017, amid the appreciation of IDR, there were no activities conducted in regard to the FX hedging activities. The company prefers purchasing USD with the Value Today rate to FX Spot or Forward.

The effort to mitigate exposures of the company's 2017 book value in USD, the company will still engage in value hedge by conducting the cross-currency swap transactions. Moreover, this year, the company also urges the subsidiaries, such as Citilink, GMF and Garuda Angkasa to be more active as well in the hedging activities with the expectation that Garuda Group as a whole can minimize the exposure of book value in USD.

The exposure of book value has already been minimized by the effects of previous Cross Currency Swap transactions and the restructuring of other IDR item in the company's liability side. At the moment, the company is not at the position to enter more Cross Currency Swap transactions amid the appreciation of IDR and the rising of the Fed's rate while BI seems to maintain its rate as it narrows the gap between those two interest differential.