

BUSINESS UPDATES

PT Garuda Maintenance Facility Aero Asia Tbk.

May 2022

Asia Pacific lags behind international connectivity recovery

International air connectivity recovery among regions and different key markets is uneven, recovery paces diverge between Asia Pacific and the rest of the world. While the air transport industry is a key contributor to the tourism sector, restoring air connectivity in this region could support economic recovery. International air connectivity between countries within Asia Pacific is still at only 22% of its level in 2019. While this is an improvement on the ~10% level seen for most of 2021, more substantial recovery is still being impeded by lingering travel restrictions, notably in China which is still effectively closed to international travel.

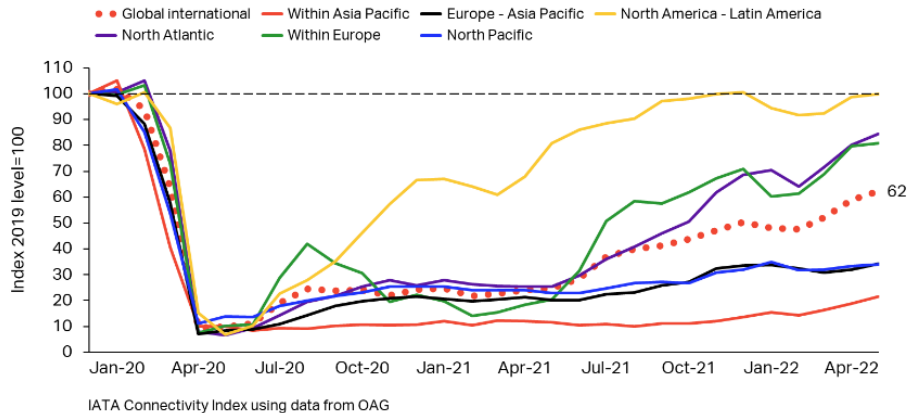


Figure 1 IATA International Air Connectivity Index for selected route areas, monthly Jan 20 – May 22 (IATA)

Recorded by Badan Pusat Statistik (BPS) Number of Indonesia domestic passengers was 3.8 millions passengers in April or 4.53% lowered compared to a month before. However, in cumulative total domestic passengers was 14.5 million year to date, it was still 49.59% above last year figure. This figure indicated that recovery of Indonesia domestic airlines market starts to recover. Furthermore, this recovery will give MRO positive impact.

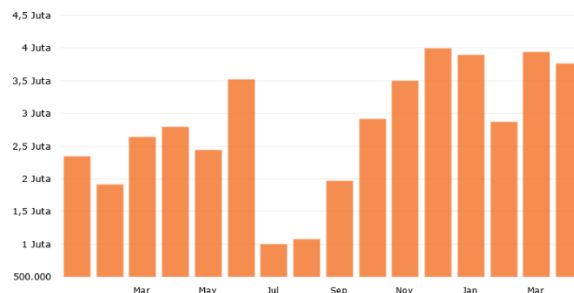


Figure 2 Total Indonesia Domestic Passenger Jan '21 - Apr '22

Recovery in Engine Maintenance Segment

Engine maintenance events recorded Year-on-Year (YoY) improvement with more than 100% increase in number of events. Furthermore, until May '22, there were noticeable increase maintenance events as airlines was preparing for their fleet serviceability. In line with recovery of domestic aviation industry, there was increase of 35% in number of line maintenance events which was impact from increasing number of passengers.

	May '21	Apr '22	May '22	MoM	YoY	YTD May '21	YTD May '22	YoY
Airframe	31	13	11	-15%	-65%	121	79	-35%
Engine	1	5	5	0%	400%	13	28	115%
Component	2,413	3,207	2,747	-14%	14%	13,698	14,168	3%
Line	8,875	11,764	11,986	2%	35%	70,915	53,289	-25%

Table 1 Maintenance Production Events

In May 2022, GMF was welcoming one Boeing 747 cargo Series for minor maintenance. GMF also welcome three Airbus A320 Series, two Boeing 737 series, and one ATR72 for various maintenance from varied customer segments.

GMF affiliated airlines committed to serve 47,915 Hajj passengers with 7 widebody aircrafts. This event was an opportunity for GMF to give additional services to support the airlines.

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 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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