PEFINDO
CREDIT RATING AGENCY

Press Release
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PT Garuda Indonesia (Persero) Tbk

Analysts: *Yogie Surya Perdana / Martin Johannes Pandiangan*
Phone/Fax/E-mail: *(62-21) 72782380 / 72782370 / yogie.perdana@pefindo.co.id / martin.pandiangan@pefindo.co.id*

CREDIT PROFILE

Corporate Rating *idBBB+/Stable*

Rated Issues
Bond I 2013 *idBBB+*

Rating Period
February 12, 2018 – February 1, 2019

Rating History
SEP 2017 *idBBB+/Stable*
FEB 2017 *idBBB+/Stable*

FINANCIAL HIGHLIGHTS

As of/for the year ended	Sep-2017 (Unaudited)	Dec-2016 (Audited)	Dec-2015 (Audited)	Dec-2014 (Audited)
Total Adjusted Assets [USD Mn]^	10,002.2	10,671.8	9,391.4	8,947.9
Total Adjusted Debt [USD Mn]^	8,019.7	8,634.6	7,443.6	7,015.9
Total Adjusted Equity [USD Mn]	798.1	1,003.6	943.9	868.0
Total Sales [USD Mn]	3,111.6	3,863.9	3,815.0	3,933.5
EBITDA [USD Mn]^	785.9	1,250.1	1,166.2	592.2
Net Income after MI [USD Mn]	(222.0)	8.1	76.5	(370.1)
EBITDA Margin [%]^	25.3%	32.3	30.6	15.0
Adjusted Debt/EBITDA [X]^	*7.6	6.9	6.4	11.8
Adjusted Debt/Adjusted Equity [X]^	10.0	8.6	7.9	8.1
FFO/Adjusted Debt [%]^	*7.3	10.3	11.4	4.7
EBITDA/IFCCI [X]^	2.3	3.6	3.8	2.2
USD Exchange Rate [IDR/USD]	13,492	13,436	13,795	12,440

^ Present value of future lease commitement of aircrafts under operating lease, using the incremental borrowing rate as the discount rate, was added to fixed assets and debt with the rent expense on each current year was split between depreciation and interest components
FFO = EBITDA – IFCCI + Interest Income – Current Tax Expense
EBITDA = Operating Profit + Depreciation Expense + Amortization Expense
IFCCI = Gross Interest Expense + Other Financial Charges + Capitalized Interest; (FX Loss not included)
MI= Minority Interest ** = Annualized*
The above ratios have been computed based on information from the company and published accounts. Where applicable, some items have been reclassified according to PEFINDO's definitions.

PEFINDO affirms "idBBB+" rating to PT Garuda Indonesia (Persero) Tbk

PEFINDO has affirmed its **"idBBB+"** ratings to PT Garuda Indonesia (Persero) Tbk (GIAA) and its outstanding Bond I 2013 amounting to IDR2 trillion. The outlook for the Company's corporate rating is **"stable"**.

An obligor rated idBBB has an adequate capacity to meet its long-term financial commitments relative to that of other Indonesian obligors. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The plus (+) sign indicates that the rating is relatively strong within the respective rating category.

The ratings reflect our view of the strong support provided by the government to GIAA, its strong business position in the domestic airline industry, and its comprehensive route network. However, the ratings were constrained by its high financial leverage, intense competition that weakened profitability, and its participation in the highly cyclical airline industry.

The rating could be raised if GIAA is able to improve its financial profile substantially, indicated by improvement in its profitability and increased debt repayment, resulting in its adjusted financial leverage ratios to reduce to less than 5.0x on a prolonged basis. However, we could lower the rating if we view that there is a reduction in government support, such as through material divestment of the government's ownership, which may change our view on the high likelihood of support being provided by the government in the event of financial distress. We could also lower the rating if GIAA's financial profile deteriorates stemming from weaker pricing power, an impaired demand environment, a significant and sustained loss of market share, and inability to effectively hedge exposure to potentially rising fuel prices. The rating could also be under pressure if it incurs larger-than-expected debt-funded capital expenditure (capex) without being compensated by stronger revenue.

Originally founded in 1949, GIAA is the national flag carrier of Indonesia, providing air passenger, air cargo, and airline related services, with its main hub at the Soekarno-Hatta International Airport, near Jakarta. It operates a full-service carrier (FSC) through its main brand Garuda Indonesia, and a low-cost carrier (LCC) through its wholly owned subsidiary PT Citilink Indonesia. The maintenance, repair, and overhaul (MRO) of its aircraft is carried out by subsidiary, PT Garuda Maintenance Facility Aero Asia Tbk (GMFI), which recently went public in October 2017. Ground services, reservations and ticketing, and in-flight catering services are also provided by its principal subsidiaries. As of September 30, 2017, the Indonesian government owned 60.5% of its shares, followed by Trans Airways (25.6%), and the public including key management (13.9%).