

## IMPORTANT NOTICE

**NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY, IN OR INTO THE UNITED STATES (INCLUDING ITS TERRITORIES AND POSSESSIONS, ANY STATE OF THE UNITED STATES AND THE DISTRICT OF COLUMBIA).**

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**RESTRICTIONS:** NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY NOR SHALL THERE BE ANY SALE OF THE SECURITIES IN THE UNITED STATES, THE REPUBLIC OF INDONESIA OR ANY OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL. THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "SECURITIES ACT") OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES, OR INDONESIAN LAW NO. 8 OF 1995 ON CAPITAL MARKETS, OR OTHER JURISDICTION AND THE SECURITIES LAWS MAY NOT BE OFFERED, SOLD, RESOLD, TRANSFERRED OR DELIVERED, DIRECTLY OR INDIRECTLY, WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. THIS OFFERING IS MADE SOLELY IN OFFSHORE TRANSACTIONS PURSUANT TO REGULATIONS UNDER THE SECURITIES ACT.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON WITHOUT THE PRIOR WRITTEN CONSENT OF THE MANAGERS (AS DEFINED BELOW) AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND, IN PARTICULAR, MAY NOT BE FORWARDED TO ANY U.S. ADDRESS. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THE ATTACHED OFFERING CIRCULAR IN WHOLE OR IN PART IS UNAUTHORIZED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE SECURITIES LAWS OF OTHER JURISDICTIONS.

THIS OFFERING CIRCULAR IS NOT BEING DISTRIBUTED TO, AND MUST NOT BE PASSED ON TO, THE GENERAL PUBLIC IN THE UNITED KINGDOM. RATHER, THE COMMUNICATION OF THIS OFFERING CIRCULAR AS A FINANCIAL PROMOTION IS ONLY BEING MADE TO THOSE PERSONS FALLING WITHIN ARTICLE 19(5) OR ARTICLE 49 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005, OR TO OTHER PERSONS TO WHOM THIS DOCUMENT MAY OTHERWISE BE DISTRIBUTED WITHOUT CONTRAVENTION OF SECTION 21 OF THE FINANCIAL SERVICES AND MARKETS ACT 2000, OR ANY PERSON TO WHOM IT MAY OTHERWISE LAWFULLY BE MADE. THIS COMMUNICATION IS BEING DIRECTED ONLY AT PERSONS HAVING PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS COMMUNICATION RELATES WILL BE ENGAGED IN ONLY WITH SUCH PERSONS. NO OTHER PERSON SHOULD RELY ON IT.

**Confirmation of your representation:** The attached Offering Circular is delivered to you at your request and on the basis that you have confirmed to Al Hilal Bank P.J.S.C., Australia and New Zealand Banking Group Limited, Deutsche Bank AG, Singapore Branch, Dubai Islamic Bank P.J.S.C., Emirates NBD P.J.S.C., First Gulf Bank P.J.S.C., Maybank Investment Bank Berhad, National Bank of Abu Dhabi P.J.S.C., Noor Bank P.J.S.C., Sharjah Islamic Bank P.J.S.C., Standard Chartered Bank and Warba Bank K.S.C.P. (together, the "Joint Lead Managers"), PT BNI Securities, PT Mega Capital Indonesia and PT Trimegah Securities, Tbk (the "Co-Managers", and together with the Joint Lead Managers, the "Managers"), Garuda Indonesia Global Sukuk Limited (the "Trustee"), PT Garuda Indonesia (Persero) Tbk. (the "Obligor" or "Garuda"), The Hongkong and Shanghai Banking Corporation Limited (the "Delegate") and the Agents (as defined in the terms and conditions) that (i) you are located outside the United States; (ii) you consent to delivery by electronic transmission; (iii) you will not transmit the attached document (or any copy of it or part thereof) or disclose, whether orally or in writing, any of its contents to any other person except with the prior written consent of the Joint Lead Managers; and (iv) you acknowledge that you will make your own assessment regarding any credit, investment, legal, taxation or other economic considerations with respect to your decision to subscribe or purchase any of the Certificates.

This Offering Circular has been made available to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of the Trustee, the Obligor, the Managers, the Delegate, the Agents nor any person who controls or is a director, officer, employee or agent of the Trustee, the Obligor, the Managers, the Delegate, the Agents nor any of their respective affiliates, accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version. By accessing this Offering Circular, you consent to receiving it in electronic form. A hard copy of the Offering Circular will be made available to you only upon request to the Managers.

You are reminded that the attached Offering Circular has been delivered to you on the basis that you are a person into whose possession this Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not be you authorised to deliver this Offering Circular, electronically or otherwise, to any other person. Failure to comply with this directive may result in a violation of the Securities Act or the applicable laws of other jurisdictions.

Neither the Managers, the Delegate, the Agents nor any of their respective affiliates accepts any responsibility whatsoever for the contents of this document or for any statement made or purported to be made by any of them, or on any of their behalf, in connection with the Trustee, the Obligor, the Delegate, the Agents or the offer. The Managers, the Delegate, the Agents and their respective affiliates accordingly disclaim all and any liability whether arising in tort, contract or otherwise which they might otherwise have in respect of such document or any such statement. No representation or warranty, express or implied, is made by any of the Managers, the Delegate, the Agents or their respective affiliates as to the accuracy, completeness, verification or sufficiency of the information set out in this document.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where such offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Managers or any affiliate of the Managers is a licensed broker or dealer in that jurisdiction the offering shall be deemed to be made by the Managers or such affiliate on behalf of the Obligor and the Trustee in such jurisdiction.

Under no circumstances shall this Offering Circular constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of securities in any jurisdiction in which such offer, solicitation or sale would be unlawful.

If you received this document by e-mail, you should not reply by e-mail to this communication. Any reply e-mail communications, including those you generate by using the "Reply" function on the e-mail software, will be ignored or rejected. Your receipt of the electronic transmission is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.



Garuda Indonesia

## GARUDA INDONESIA GLOBAL SUKUK LIMITED

(incorporated with limited liability under the laws of the Cayman Islands)

### U.S.\$500,000,000 Trust Certificates due 2020

**Issue Price: 99.256 per cent.**

The U.S.\$500,000,000 trust certificates due 2020 (the “**Certificates**”) of Garuda Indonesia Global Sukuk Limited (in its capacity as issuer and in its capacity as trustee, the “**Trustee**”) will be constituted by a declaration of trust (the “**Declaration of Trust**”) dated 3 June 2015 (the “**Issue Date**”) entered into between the Trustee, PT Garuda Indonesia (Persero) Tbk (the “**Obligor**” or “**Garuda**”) and The Hong Kong and Shanghai Banking Corporation Limited as the delegate of the Trustee (the “**Delegate**”). The Certificates confer on the holders of the Certificates from time to time (the “**Certificateholders**”) the right to receive certain payments (as more particularly described herein) arising from an undivided ownership interest in the assets of a trust declared by the Trustee pursuant to the Declaration of Trust (the “**Trust**”) over the Trust Assets (as defined herein) which will include, *inter alia*: (i) the Rights to Travel (as defined herein); and (ii) the Trustee’s rights under the Transaction Documents (as defined herein).

Periodic Distribution Amounts (as defined herein) shall be payable subject to and in accordance with the terms and conditions of the Certificates (the “**Conditions**”) on the outstanding face amount of the Certificates from (and including) the Issue Date to (but excluding) 3 June 2020 (the “**Scheduled Dissolution Date**”) at a rate of 5.95 per cent. per annum. Payments on the Certificates will be made free and clear of, and without deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the Republic of Indonesia or any authority therein or thereof having power to tax to the extent described under Condition 10 (*Taxation*).

The Certificates will be redeemed on the Scheduled Dissolution Date unless the Certificates are redeemed before the Scheduled Dissolution Date (i) at the option of the Trustee in whole but not in part at their Dissolution Distribution Amount (as defined in the Conditions) in the event of certain changes affecting taxes of the Cayman Islands or the Republic of Indonesia; (ii) at the option of the relevant Certificateholder at their Change of Control Dissolution Distribution Amount following a Change of Control (each as defined in the Conditions); or (iii) following a Dissolution Event at their Dissolution Distribution Amount (each as defined in the Conditions).

Each payment of a Periodic Distribution Amount will be made by the Trustee **provided that** the Obligor shall have paid amounts equal to such Periodic Distribution Amount pursuant to the terms of the Service Agency Agreement and/or the Purchase Undertaking, as the case may be (each as defined in the Conditions).

The Certificates will be limited recourse obligations of the Trustee. An investment in the Certificates involves certain risks. For a discussion of these risks, see “*Risk Factors*”.

Application has been made to the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) for the listing and quotation of the Certificates on the SGX-ST. There is no assurance that the application to the SGX-ST for the listing and quotation of the Certificates will be approved. Admission and listing of the Certificates on the SGX-ST are not to be taken as an indication of the merits of the Obligor, its subsidiaries (together with the Obligor, the “**Group**”), the Trustee or the Certificates. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular.

The Certificates have not been and will not be registered under the United States Securities Act of 1933, as amended (the “**Securities Act**”) or with any securities regulatory authority of any state or other jurisdiction of the United States and may not be offered or sold within the United States except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act and applicable state securities laws. Each purchaser of the Certificates is hereby notified that the offer and sale of Certificates to it is being made in reliance on the exemption from the registration requirements of the Securities Act provided by Regulation S under the Securities Act (“**Regulation S**”).

The Certificates will be represented by interests in a global certificate in registered form (the “**Global Certificate**”) deposited on or before the Issue Date with, and registered in the name of a nominee for, a common depository (the “**Common Depository**”) for Euroclear Bank S.A./N.V. (“**Euroclear**”) and Clearstream Banking, *société anonyme* (“**Clearstream, Luxembourg**”). Interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream, Luxembourg. Definitive Certificates evidencing holdings of interests in the Certificates will be issued in exchange for interests in the Global Certificate only in certain limited circumstances described herein.

The Certificates may only be offered, sold or transferred in registered form in minimum face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

*Sole Global Coordinator*

**National Bank of Abu Dhabi P.J.S.C.**

*Joint Structuring Banks*

**National Bank of Abu Dhabi P.J.S.C.**

**Dubai Islamic Bank P.J.S.C.**

*Joint Lead Managers and Joint Bookrunners*

**Al Hilal Bank PJSC  
Dubai Islamic Bank PJSC  
Maybank  
Sharjah Islamic Bank**

**Australia and New Zealand Banking Group  
Emirates NBD Capital  
National Bank of Abu Dhabi PJSC  
Standard Chartered Bank**

**Deutsche Bank  
First Gulf Bank  
Noor Bank PJSC  
Warba Bank**

*Co-Managers*

**PT Mega Capital Indonesia**

**PT BNI Securities**

**PT Trimegah Securities, Tbk**

The date of this Offering Circular is 27 May 2015

The Trustee and the Obligor accept responsibility for the information contained in this Offering Circular. To the best of the knowledge of each of the Trustee and the Obligor, each having taken all reasonable care to ensure that such is the case, the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

To the best of the knowledge and belief of the Trustee and the Obligor, the information contained in this Offering Circular is true and accurate in every material respect and is not misleading and this Offering Circular, insofar as it concerns such matters, does not omit to state any material fact necessary to make such information not misleading. The opinions, assumptions, intentions, projections and forecasts expressed in this Offering Circular with regard to the Trustee and the Obligor are honestly held by the Trustee and the Obligor and are based on reasonable assumptions and are not misleading in any material respect.

This Offering Circular does not constitute an offer of, or an invitation by or on behalf of the Trustee, the Obligor, the Co-Managers or the Joint Lead Managers to subscribe or purchase, any of the Certificates. None of the Joint Lead Managers, the Co-Managers, the Trustee, the Delegate, the Agents or the Obligor makes any representation to any investor in the Certificates regarding the legality of its investment under any applicable laws. Any investor in the Certificates should be able to bear the economic risk of an investment in the Certificates for an indefinite period of time.

The distribution of this Offering Circular and the offering and sale of the Certificates in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Trustee, the Obligor, the Joint Lead Managers or the Co-Managers to inform themselves about and to observe any such restrictions. None of the Trustee, the Delegate, the Agents, the Obligor, the Joint Lead Managers or the Co-Managers represents that this Offering Circular may be lawfully distributed, or that the Certificates may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Trustee, the Delegate, the Agents, the Obligor, the Joint Lead Managers or the Co-Managers which is intended to permit a public offering of the Certificates or distribution of this Offering Circular in any jurisdiction where action for that purpose is required.

Accordingly, the Certificates may not be offered or sold, directly or indirectly, and neither this Offering Circular nor any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

For a description of further restrictions on offers and sales of Certificates and distribution of this Offering Circular, see “*Subscription and Sale*” below.

The Certificates have not been and will not be registered under the Securities Act or with any security regulatory authority of any state or other jurisdiction of the United States. Subject to certain exceptions, the Certificates may not be offered, sold or delivered within the United States. The Certificates are being offered and sold outside the United States in reliance on Regulation S. For a description of these and certain further restrictions on offers, sales and transfers of Certificates and distribution of this Offering Circular, see “*Subscription and Sale*”.

No person is authorised to give any information or to make any representation not contained in this Offering Circular and any information or representation not so contained must not be relied upon as having been authorised by or on behalf of the Trustee, the Delegate, the Agents, the Obligor, the Joint Lead Managers or the Co-Managers. Neither the delivery of this Offering Circular nor any sale made in connection herewith shall, under any circumstances, create any implication that there has been no change in the affairs of the Trustee or the Obligor since the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change in the financial position of the Trustee or the Obligor since the date hereof or the date upon

which this Offering Circular has been most recently amended or supplemented or that the information contained in it or any other information supplied in connection with the Certificates is correct as of any time subsequent to the date on which it is supplied or, if different, the date indicated in the document containing the same.

Neither this Offering Circular nor any other information supplied in connection with the issue of the Certificates (a) is intended to provide the basis of any credit or other evaluation or (b) should be considered as a recommendation by the Trustee, the Delegate, the Agents, the Obligor or any of the Joint Lead Managers or the Co-Managers that any recipient of this Offering Circular or any other information supplied in connection with the issue of the Certificates should purchase any Certificates. Each investor contemplating purchasing any Certificates should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Trustee and the Obligor. Furthermore, no comment is made or advice given by the Trustee, the Delegate, the Agents, the Obligor, the Joint Lead Managers or the Co-Managers in respect of taxation matters relating to any Certificates or the legality of the purchase of Certificates by an investor under applicable or similar laws. None of the Joint Lead Managers or the Co-Managers undertakes to review the financial condition or affairs of the Trustee or the Obligor during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Certificates of any information coming to the attention of any of the Joint Lead Managers or the Co-Managers.

Each potential investor in the Certificates must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- i. have sufficient knowledge and experience to make a meaningful evaluation of the Certificates, the merits and risks of investing in the Certificates and the information contained in this Offering Circular;
- ii. have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Certificates and the impact such investment will have on its overall investment portfolio;
- iii. have sufficient financial resources and liquidity to bear all of the risks of an investment in the Certificates, including where the currency for Dissolution Distribution Amount or Periodic Distribution Amount is different from the potential investor's currency;
- iv. understand thoroughly the terms of the Certificates and be familiar with the behaviour of any relevant indices and financial markets; and
- v. be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Certificates are complex financial instruments. Sophisticated institutional investors generally do not purchase complex financial instruments as stand-alone investments. They purchase complex financial instruments as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. A potential investor should not invest in the Certificates unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Certificates will perform under changing conditions, the resulting effects on the value of such Certificates and the impact this investment will have on the potential investor's overall investment portfolio.

This Offering Circular does not describe all of the risks and investment considerations (including those relating to each investor's particular circumstances) of an investment in the Certificates.

**EACH PROSPECTIVE INVESTOR IS ADVISED TO CONSULT ITS OWN TAX ADVISER, LEGAL ADVISER AND BUSINESS ADVISER AS TO TAX, LEGAL, BUSINESS AND RELATED MATTERS CONCERNING THE PURCHASE OF CERTIFICATES.**

None of the Joint Lead Managers, the Delegate, the Agents, the Co-Managers or any of their respective directors, employees, representatives, affiliates or advisors have independently verified the contents of this Offering Circular. To the fullest extent permitted by law, none of the Joint Lead Managers, the Delegate, the Agents and the Co-Managers accept any responsibility whatsoever for the contents of this Offering Circular, or for any other statement made or purported to be made by a Joint Lead Manager or Co-Managers or on its behalf in connection with the Trustee, the Obligor or the issue and offering of the Certificates. Each Joint Lead Manager, the Delegate, the Agents and Co-Managers accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. No representation or warranty, expressed or implied, is made or given by or on behalf of the Joint Lead Managers, the Delegate, the Agents, the Co-Managers nor any person who controls them, or any director, officer, employee or agent of them, or affiliate of any such person, as to the accuracy, completeness or fairness of the information or opinions contained in this document and such persons do not accept responsibility or liability for any such information or opinions.

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the *Shari'a* advisory boards/committees of Dubai Islamic Bank P.J.S.C., Maybank Investment Bank Berhad, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank. Prospective Certificateholders should not rely on such approvals in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers/boards/committees as to whether the proposed transaction described in such approvals is in compliance with their individual standards of compliance with *Shari'a* principles.

**STABILISATION**

In connection with the issue of the Certificates, Standard Chartered Bank (the “**Stabilising Manager**”) (or persons acting on behalf of the Stabilising Manager) may, after consultation with the other Joint Lead Managers and Co-Managers and to the extent permitted by applicable laws and regulations, over-allot Certificates or effect transactions with a view to supporting the market price of the Certificates at a level higher than that which might otherwise prevail, but in so doing, the Stabilising Manager shall act as principal and not as agent of the Trustee or the Obligor. However, there is no assurance that the Stabilising Manager (or persons acting on behalf of the Stabilising Manager) will undertake stabilisation action. Any stabilisation action or over-allotment may begin on or after the Issue Date and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the Issue Date and 60 days after the date of the allotment of the Certificates. The Stabilising Manager (or persons acting on behalf of the Stabilising Manager) must conduct such stabilisation or over-allotment in accordance with all applicable laws and rules.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This Offering Circular contains “forward-looking statements” which are statements related to future, not past, events. In this context, forward-looking statements often address the Obligor’s expected future business and financial performance, results of operations, financial conditions, cash flow, future expansion plans, objectives and business strategy. These forward-looking statements often contain words such as “expect”, “anticipate”, “estimate”, “intend”, “may”, “plan”, “believe”, “seek”, “future”, “objective”, “goal”, “contemplate”, “project” or “will” or, in each case, their negative or other variations or comparable terminology. However, these words are not exclusive means of identifying forward-looking statements. In addition, all statements other than statements of historical fact included in this Offering Circular, including, without limitation, those regarding the Obligor’s financial position and results, business strategy, plans and objectives of management for future operations (including expansion plans) are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the

Obligor's actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Obligor's present and future business strategies and the environment in which it will operate in the future. For the Obligor, particular uncertainties that could adversely affect its future results include: fluctuations in interest and exchange rates, rises in jet fuel prices, changes in general political, social and economic conditions, and the impact of regulation and regulatory, investigative and legal actions. Although the Obligor believes that the expectations, estimates and projections reflected in the Obligor's forward-looking statements are reasonable, if one or more of the risks or uncertainties materialise including those which the Obligor has identified in the Offering Circular, or if any of the Obligor's underlying assumptions prove to be incomplete or inaccurate, the Obligor's actual future results may be materially different than those expressed in its forward-looking statements.

The forward-looking statements in this Offering Circular speak only as of the date of this Offering Circular.

Additional factors that could cause actual results, performance or achievements to differ materially include, but are not limited to, those discussed under "*Risk Factors*". Without prejudice to any requirements under applicable laws and regulations, the Obligor expressly disclaims any obligation or undertaking to disseminate, publicly or otherwise, after the date of this Offering Circular any updates or revisions to any forward-looking statements contained herein to reflect any change in expectations thereof or any change in events, conditions, assumptions or circumstances on which any forward-looking statement is based.

## **PRESENTATION OF CERTAIN FINANCIAL AND OTHER INFORMATION**

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

The financial statements relating to the Group included in this document are the audited consolidated financial statements as of and for the financial years ended 31 December 2014 (the "**2014 Audited Financial Statements**") and 31 December 2013 (the "**2013 Audited Financial Statements**" and, together with the 2014 Audited Financial Statements, the "**Audited Annual Financial Statements**"), and the reviewed consolidated financial statements as of and for the three-month period ended 31 March 2015 and 31 March 2014 (the "**Interim Financial Statements**"). The Group's financial year ends 31 December and references in this document to a "financial year" are to the twelve-month period ended on 31 December of the year so referenced. The Group's financial statements, have been prepared in accordance with Indonesian Financial Accounting Standards ("**Indonesian FAS**") issued by the Board of Financial Accounting Standards of the Indonesian Institute of Accountants. See *Summary of Certain Principal Differences between Indonesian FAS and IFRS*.

### **Non-Indonesian FAS Financial Measures**

This Offering Circular contains non-GAAP financial measures that are not required by, or presented in accordance with, Indonesian IFAS. As used in this Offering Circular, a non-Indonesian IFAS financial measure is one that purports to measure historical financial performance, financial position or cash flows, but excludes or includes amounts that would not be so excluded or included in the most comparable Indonesian FAS measures. From time to time, reference is made in this Offering Circular to such "non-Indonesian FAS financial measures". For example, "Adjusted EBITDAR" is used to provide additional information about the Group's operating performance. Adjusted EBITDAR is defined as income from operations plus depreciation and amortization and aircraft rental expenses incurred in respect of scheduled passenger services. Adjusted EBITDAR is not a standard measure under either IFRS or Indonesian FAS. As a measure of the Group's operating performance, the Group believes that the most directly comparable Indonesian FAS and IFRS measure to Adjusted EBITDAR is net profit. Adjusted EBITDAR is used in addition to net income because net income includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating

items, such as interest income and interest expense, financial charges, foreign exchange gains and losses, gain on sale and leaseback, employee severance cost, provision for impairment losses and minority interest. These accounting items may vary between companies depending on the method of accounting adopted by each company. Funds depicted by Adjusted EBITDAR may not be available for debt service or to serve other sukuk obligations (such as the Certificates) due to covenant restrictions, capital expenditure requirements and other commitments.

### **ENFORCEABILITY OF FOREIGN JUDGMENTS IN INDONESIA**

The Obligor is incorporated under the laws of Indonesia and all of its commissioners, directors and substantially all of its executive officers reside in Indonesia. Substantially all of the Obligor's assets and the assets of such persons are located in Indonesia. As a result, it may be difficult for the Certificateholders to effect service of process outside of Indonesia upon the Obligor or such persons or to enforce against the Obligor judgments obtained in courts outside of Indonesia. The Obligor has been advised by its Indonesian legal advisor, Ginting & Reksodiputro, that judgments of courts outside Indonesia are not enforceable in Indonesian courts and, as a result, it may not be possible to enforce judgments obtained in non-Indonesian courts against the Obligor. A foreign court judgment could be offered and accepted into evidence in a proceeding on the underlying claim in an Indonesian court and may be given such evidentiary weight as the Indonesian court may deem appropriate in its sole discretion. As a result, Certificateholders may be required to pursue claims related to the Certificates in Indonesian courts under Indonesian law.

### **INDONESIAN REGULATION OF OFFSHORE BORROWINGS**

Under Presidential Decree No. 59/1972, as further regulated by Presidential Decree No. 120/1998 (“**PD No. 59/1972**”), offshore borrowings by a state-owned enterprise must be approved by the Minister of Finance of Indonesia. Further, under Presidential Decree No. 39/1991, the application for obtaining approval for offshore borrowings by a state-owned enterprise must be submitted to the Team of Offshore Commercial Borrowing (“**PKLN Team**”), led by the Coordinating Minister of Economic Affairs and whose members include, among others, the Minister of Finance of Indonesia and the Governor of Bank Indonesia.

Under PD No. 59/1972, the Obligor is also required to report particulars of its offshore borrowings to the Minister of Finance of Indonesia and the Governor of Bank Indonesia, on the acceptance, implementation, repayment of Dissolution Distribution Amount and Periodic Distribution Amount. Ministry of Finance Regulation No. KEP-261/MK/IV/5/73, as amended by Ministry of Finance Regulation No. 417/KMK.013/1989 and by Ministry of Finance Regulation No. 279/KMK.01/1991 as the implementing regulation of PD No. 59/1972, further requires that the Obligor submit reports to the Minister of Finance of Indonesia and the Governor of Bank Indonesia on the effective date of the contract and for each subsequent three-month period. In addition, under Presidential Decree No. 39/1991, all offshore commercial borrowers must submit reports to the PKLN Team upon the implementation of their offshore commercial borrowing. Presidential Decree No. 39/1991 does not stipulate the time frame, the format or the content of the reports that must be submitted.

On 31 December, 2014, Bank Indonesia issued Bank Indonesia Regulation No. 16/22/PBI/2014 on Reporting of Foreign Exchange Activities and Reporting of the Implementation of Prudential Principles on Management of on Offshore Loan of Non-Bank Corporations (“**PBI 16/22/2014**”), effective on 1 January 2015, which replaced Bank Indonesia Regulation No. 14/21/PBI/2012 (“**PBI 14/21/2012**”). PBI 16/22/2014 stipulates that Indonesian residents, such as the Obligor, performing activities that cause a movement in financial assets and liabilities between an Indonesian resident and non-resident, including the movement of offshore financial assets and liabilities between Indonesian residents, must submit a foreign exchange activities (*Lalu Lintas Devisa* — “**LLD**”) report to Bank Indonesia in complete, correct and timely manner. The foreign exchange activities report must cover:

- trade activities in goods, services and other transactions between residents and non-residents of Indonesia;

- the position and changes in the balance of offshore financial assets and/or offshore financial liabilities; and/or
- any plan to incur offshore loans (*utang luar negeri* — ULN) and/or its realization.

Offshore loans would include financing based on sharia principles which based on fatwa that is issued by an institution that has the authority to stipulate a fatwa in the field of sharia.

The foreign exchange activities report shall be submitted on a monthly basis and no later than the 15th day of the subsequent month. Any plan to incur offshore loans in the current year shall be submitted to Bank Indonesia at the beginning of the year and no later than 15 March of that year, and any change of the plan shall be reported to Bank Indonesia no later than 1 June of that year.

The following are reporting obligations which are further governed under the following Bank Indonesia Circulars:

- (i) Bank Indonesia Circular No. 15/16/DInt on Reporting of Foreign Exchange Activities in the form of Offshore Loan Realisation and Position dated 29 April 2013, requires an Indonesian company that obtains offshore loans to submit a report to Bank Indonesia, which consist of the main data report and/or its amendment and the monthly recapitulation data report. The main data report (realisation) must be submitted to Bank Indonesia no later than the 15th day of the subsequent month after the issuance date of the Certificates and the monthly recapitulation data report must be submitted to Bank Indonesia no later than the 15th day of the subsequent month, or on the next working day if the date falls on a holiday, until the Certificates have been repaid in full. Any changes to the recapitulation data report must be submitted at the latest by the 20th day of the respective month or on the next working day if the date falls on a holiday;
- (ii) Bank Indonesia Circular No. 15/17/DInt on Reporting of Foreign Exchange Activities in the form of Offshore Loan Plan, Amendment to the Offshore Loan Plan, and Financial Information dated 29 April 2013, requires an Indonesian company, that wishes to obtain a long-term offshore loan in foreign currency or Rupiah, to submit a report to Bank Indonesia by no later than 15 March of each year in relation to such loan, including (a) annual offshore loan plans, and (b) analysis on the company's risk management, and (c) rating (for the company which has been rated). In the event of a change to the company's plan to obtain an offshore loan, an amendment to such report must be submitted to Bank Indonesia by no later than 1 July of the year of such change. In addition, an Indonesian company having an offshore loan position must also submit annual and semi-annual financial information report to Bank Indonesia, which contains the financial performance of such company in the previous report period, where the relevant company will have short or long term offshore loan position, by no later than 15 June (for the annual financial information) and 15 December (for the semi-annual financial information) of each year, and
- (iii) Bank Indonesia Circular No.15/5/DSM/2013 on Reporting of Foreign Exchange Activities Other than Offshore Loan, dated 7 March 2013, an Indonesian company conducting foreign exchange activities other than offshore loans must submit monthly reports with respect to such foreign exchange activities other than offshore loans to Bank Indonesia no later than the 15th day of the subsequent month.

On 14 May, 2014, Bank Indonesia issued Bank Indonesia Regulation No.16/10/PBI/2014 concerning Export Proceeds Receipt and Offshore Loan Withdrawal in Foreign Exchange (“**PBI 16/10/2014**”) and revoked (i) Bank Indonesia Regulation No. 14/25/PBI/2012 concerning Export Proceeds Receipt and Offshore Loan Withdrawal in Foreign Exchange; and (ii) Bank Indonesia Regulation No. 13/22/PBI/2011 on Reporting Obligations of Offshore Loan Withdrawal. Under PBI 16/10/2014, each Indonesian debtor is required to withdraw its offshore loan (in foreign currencies) which originated from (i) a non-revolving loan agreement that is not used for refinancing purpose, (ii) a difference between the new loan and the refinanced loan, or (iii) debt securities (i.e. bonds, medium-term notes, floating rate notes, promissory notes and commercial paper) through foreign exchange banks located



in Indonesia, and such withdrawal must be reported, and the supporting documents of which must be submitted, to Bank Indonesia no later than the 15th day of the following month. Delay in submitting the supporting documents will subject such Indonesian debtor to a fine of Rp500,000.00 for each day of delay. PBI 16/10/2015 also stipulates that the accumulated amount of withdrawals for an offshore loan must be equal to the commitment amount of such offshore loan as stated under the relevant offshore loan agreement. If the difference between the accumulated amount of withdrawals and the commitment amount of the offshore loan exceed Rp50,000,000.00, the Indonesian debtor must provide a written clarification to Bank Indonesia before the expiration of the term of the respective loan. Failure to provide such written clarification will be deemed as a violation of PBI 16/10/2014. Any violation of PBI 16/10/2014 will subject Indonesian debtors to a fine of 0.25% of the amount of non-complying withdrawal in the maximum amount of Rp50,000,000 for each non-complying withdrawal.

### **BANK INDONESIAN REGULATIONS RELATING TO THE HOLDING OF OFFSHORE FOREIGN CURRENCY DENOMINATED DEBT BY NON-BANK CORPORATIONS**

On 29 December 2014, Bank Indonesia issued Bank Indonesia Regulation No. 16/21/PBI/2014 on Application of Prudential Principles on Management of Offshore Loan of Non-Bank Corporations (“**PBI 16/21/2014**”) which revoked Bank Indonesia Regulation No. 16/20/2014 and requires borrowers who are non-bank corporations in Indonesia (“**Non-Bank Corporations**”) to strengthen their risk management when obtain offshore foreign currency denominated debt, by ensuring that such entities adopt certain prudential principles to mitigate the risks related to such offshore foreign currency denominated debt (with respect to both loans and debt securities).

The specific new measures introduced include requiring Non-Bank Corporations which have offshore foreign currency denominated debt to:

- Comply with certain minimum hedging ratio requirements. An exemption for hedging liability takes place for export-oriented corporations with functional currency in US Dollar;
- Satisfy certain minimum liquidity ratio requirements; and
- Satisfy the minimum credit rating criteria equivalent to BB- rating issued by a rating agency recognised by Bank Indonesia.

Exemptions from the requirement to satisfy the minimum credit rating requirement apply to: (i) the refinancing of offshore loans in foreign currency; (ii) offshore loans in foreign currency from (a) international bilateral/multilateral institutions and (b) syndicated loan with the contribution of international bilateral/multilateral institution exceeding 50% in relation to financing for infrastructure projects; (iii) offshore loans in foreign currency in relation to government (central and regional) infrastructure project; (iv) offshore loans in foreign currency that are guaranteed by international bilateral/multilateral institution; (v) offshore loans in foreign currency that are in the form of trade credit, which refers to debt arising from credit that is granted by offshore suppliers over transactions relating to goods and/or services; and (vi) offshore loans in foreign currency that are in the form of other loans, which refer to any other loan than loan agreement, debt securities and trade credit that are, among others, payment of insurance claim and unpaid dividend.

The new measures will be introduced in two stages. At the first stage from 1 January 2015 the minimum hedging ratio requirements is 20% and for minimum liquidity ratio requirements is 50% and at the second stage, starting from 1 January 2016, the minimum hedging ratio will increase to 25% and minimum liquidity ratio will increase to 70%. The requirement to satisfy the minimum credit rating criteria will only apply to new offshore foreign currency denominated debt arising from facilities which are signed or debt securities which are issued on or after 1 January 2016. Furthermore, the regulation enforces a mandatory hedging implementation with domestic banks as of 1 January 2017.

The Obligor is to be in compliance with the hedging ratio and liquidity ratio requirements as the regulation has come into effect in 1 January 2015. However, there can be no assurance that in the future the Obligor will be able to maintain such ratios in every periodic report and whether or not it can obtain a minimum credit rating equivalent to BB- rating issued by a rating agency recognised by Bank Indonesia for all offshore foreign currency denominated debt incurred by the Obligor after 1 January 2016, including any drawdown under this Programme. Failure to comply with the requirements under PBI 16/21/2014 would subject the Obligor to warning letters by Bank Indonesia and Bank Indonesia disclosing the non-compliance to its offshore creditors and relevant regulators which may have an adverse effect on the Obligor going forward.

#### **LANGUAGE OF THE TRANSACTION DOCUMENTS**

Pursuant to Law No. 24 of 2009 on Flag, Language, Coat of Arms, and National Anthem that was enacted on 9 July 2009 (“**Law No. 24/2009**”), agreements to which Indonesian parties are a party are required to be executed in Bahasa Indonesia, although, when a foreign entity is a party, a dual-language document in English or the national language of the relevant party is permitted. The Obligor will execute dual English and Bahasa Indonesia versions of the Declaration of Trust and other documents entered into in connection with the issuance of the Certificates to which the Obligor is a party in accordance with Law No. 24/2009 and the Indonesian language version shall be deemed effective on the date the English versions of the Transaction Documents are executed. All of these documents will provide that in the event of a discrepancy or inconsistency, the parties intend the English version to prevail. Law No. 24/2009 is silent on which language should be the prevailing language if there is more than one language used in a single agreement. However, there can be no assurance, in the event of inconsistencies between the Bahasa Indonesia and English Language version of those documents, an Indonesian court would hold that the English versions of such documents prevail or even consider the English version. Some concepts in the English language may not have a corresponding term in the Indonesian language and the exact meaning of the English text may not be fully captured by the Indonesian language version. If this occurs, there can be no assurance that the terms of the Certificates, including the Declaration of Trust, will be as described in the Offering Circular, or will be interpreted and enforced by the Indonesian courts as intended. See “*Risk Factors — Risks Relating to Indonesia*”.

#### **CAYMAN ISLANDS NOTICE**

No invitation may be made (directly or indirectly) to any member of the public of the Cayman Islands to subscribe for any Certificates.

#### **INDONESIAN NOTICE**

This Offering Circular does not constitute a public offering in Indonesia under Law Number 8 of 1995 regarding Capital Market (the “**Capital Market Law**”). The Certificates may not be offered and/or sold directly or indirectly, in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents in a manner which constitutes a public offering under the Capital Market Law.

#### **NOTICE TO BAHRAIN RESIDENTS**

In relation to investors in the Kingdom of Bahrain, securities issued in connection with this Offering Circular and related offering documents may only be offered in registered form to existing account holders and accredited investors as defined by the Central Bank of Bahrain (the “**CBB**”) in the Kingdom of Bahrain where such investors make a minimum investment of at least U.S.\$100,000 or the equivalent amount in any other currency or such other amount as the CBB may determine.

This offer does not constitute an offer of securities in the Kingdom of Bahrain in terms of Article (81) of the Central Bank and Financial Institutions Law 2006 (decree Law No. 64 of 2006). This Offering Circular and related offering documents have not been and will not be registered as an Offering Circular with the CBB. Accordingly, no securities may be offered, sold or made the subject of an invitation for subscription or purchase, nor will this Offering Circular or any other related document or material be used in connection with any offer, sale or invitation to subscribe for or purchase securities, whether directly or indirectly, to persons in the Kingdom of Bahrain, other than to accredited investors for an offer outside the Kingdom of Bahrain. The CBB has not reviewed, approved or registered this Offering Circular or related offering documents and it has not in any way considered the merits of the securities to be offered for investment, whether inside or outside the Kingdom of Bahrain.

Therefore, the CBB assumes no responsibility for the accuracy and completeness of the statements and information contained in this Offering Circular and expressly disclaims any liability whatsoever for any loss howsoever arising from reliance upon the whole or any part of the content of this Offering Circular. No offer of securities will be made to the public in the Kingdom of Bahrain and this Offering Circular must be read by the addressee only and must not be issued, passed to, or made available to the public generally.

#### **NOTICE TO RESIDENTS OF THE STATE OF QATAR**

This Offering Circular does not, and is not, intended to constitute an offer, sale or delivery of Certificates or other debt financing instruments under the laws of the State of Qatar and has not been, and will not be, reviewed or approved by or registered with the Qatar Financial Centre, the Qatar Financial Centre Regulatory Authority (the “**QFCRA**”), the Qatar Financial Markets Authority or the Qatar Central Bank. The Certificates are not and will not be traded on the Qatar Exchange.

Neither this Offering Circular, nor any of the documents referred to herein have been reviewed or approved by the QFCRA, the Qatar Financial Markets Authority, the Qatar Central Bank or any other regulatory body.

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## RISK FACTORS

*Before making an investment decision, investors should carefully consider all of the information set out in this Offering Circular, including the risk factors set forth below. Any of the risks described below could materially and adversely affect the Trustee's or Garuda's ability to satisfy its obligations, including those under the Certificates, and have a material adverse effect on Garuda's or the Group's business, operations and prospects. In that event, the market price of the Certificates could decline, and investors may lose all or part of their investment in the Certificates. The risks and uncertainties described below are not the only risks and uncertainties that Garuda and the Group face. In addition to the risks described below, there may be other risks and uncertainties not currently known to Garuda or the Group or that Garuda or the Group currently deems to be immaterial which may in the future become material risks. The risks discussed below also include forward-looking statements and Garuda's and the Group's actual results may differ substantially from those discussed in these forward-looking statements. Sub-headings are for convenience only and risk factors that appear under a particular sub-heading may also apply to one or more other sub-headings.*

### **Risks Relating to the Trustee**

The Trustee is an exempted limited company incorporated in the Cayman Islands on 30 April 2015. The Trustee has not as at the date of this Offering Circular engaged, and will not engage, in any business activity other than the issuance of the Certificates, the acquisition of the Trust Assets as described herein, acting in the capacity as Trustee, and other activities incidental or related to the foregoing as required under the Transaction Documents.

The Trustee's only material assets, which will be held on trust for Certificateholders, will be the Trust Assets, including the right to receive amounts paid by the Service Agent under the Service Agency Agreement.

The ability of the Trustee to pay amounts due on the Certificates will be dependent upon receipt from Garuda of amounts paid under the Service Agency Agreement, the Purchase Undertaking and the Sale Agreement following exercise by Garuda of the Sale Undertaking (as applicable) (which in aggregate may not be sufficient to meet all claims under the Certificates and the Transaction Documents).

### **Risks Relating to Garuda's Business**

***Garuda suffered a consolidated loss from operations for the financial year ending 31 December 2014.***

For the financial year ended 31 December 2014, Garuda suffered a consolidated loss from operations of USD456.5 million as compared to consolidated income from operations of USD27.0 million for the financial year ended 31 December 2013. Garuda's results of operations for the financial year ended 31 December 2014 were negatively affected by a number of factors which may continue to affect Garuda's results of operations for the financial year ending 31 December 2015. These factors include the depreciation of the Indonesian Rupiah against the U.S. Dollar and the general weakening of Indonesia's economic growth.

In addition, during the financial year ended 31 December 2014, Garuda established several new domestic routes. A certain lead time is required for an airline to achieve positive profit margins on any new route it establishes as the high fixed-cost obligations required to establish a new route are usually accompanied by low passenger-load factors initially. Further, promotional "lead in" fares offered to build brand awareness and market share on new routes has an adverse impact on passenger yields. During the same period, Garuda also expanded its international network, including the operation of new flights to London as an extension of Garuda's Amsterdam flights. Garuda's international routes, especially those to European destinations, achieve a lower yield than domestic flights.

There can be no assurance that Garuda will not suffer loss of revenue, increased expenses or loss from operations for the year ended 31 December 2015 or during any other future period, or that Garuda will record net income during any future period.

***Garuda has in the past breached covenants in certain of its financing agreements and undertaken lengthy debt restructurings and future non-compliance with restrictions and breach of covenants in its financing agreements and/or restructurings could constitute a default under the terms of these agreements, which could cause repayment of loans made to Garuda under these agreements and repayment of the Certificates to be accelerated or for Garuda to otherwise not be able to satisfy its obligations under the Certificates.***

Certain of Garuda's financing agreements contain financial covenants that require it to provide compliance certificates on pre-determined dates setting forth its compliance with certain financial ratios. Previously, Garuda had breached such covenants in several Commercial Loans (together the "Loan Agreements"). For additional information on the breach of covenants, please refer to the section on "Description of Material Indebtedness". As of 31 March 2015, Garuda had obtained waivers in relation to the foregoing covenant breaches and defaults arising as a result of such breaches, from the lenders under the Loan Agreements. In the event of any future breach or default under any of Garuda's financing agreements, Garuda cannot assure investors that it will be able to obtain waivers with respect to such breach or default or that such breach or default would not cause enforcement actions to be taken under its financing agreements or the Certificates, including but not limited to the acceleration of repayment under the financing agreements or the Certificates.

Garuda has previously undertaken several debt restructuring exercises, the most recent of which concluded in 2009 and 2010 following four to five years of negotiations and collaboration. During this restructuring period, Garuda negotiated the conversion of its outstanding trade payments into long term loans with several of its creditors. If Garuda is required to undertake restructuring exercises in the future, Garuda cannot guarantee the outcome of such negotiations nor the length of time required to conduct negotiations with its creditors. In the event that Garuda is unable to undertake the necessary restructuring exercise, Garuda may not be able to satisfy its obligations under the Certificates in full or in a timely manner and a Certificateholder may lose all or part of its investment.

Garuda may fail to or may be unable to comply with the restrictions and covenants in other financing documents with respect to its current or future debt obligations, including the Certificates, which may result in a default under the terms of such obligations. Although Garuda has in the past obtained waivers in relation to certain restrictions and covenants in certain of its debt obligations, it cannot assure investors that it will be able to obtain such waivers for other current or future debt obligations. In the event of a default under these financing agreements, the holders or creditors of the debt could terminate their commitments to lend to Garuda, accelerate repayment of such debt and declare all outstanding amounts due and payable or terminate the relevant financing agreements, as the case may be. See "Description of Material Indebtedness" for further details.

***Garuda's high levels of indebtedness and fixed payment obligations could adversely affect its ability to implement its growth strategy.***

Garuda has a relatively high level of indebtedness and other fixed payment obligations. As of 31 March 2015, Garuda had total consolidated outstanding debt (including bonds payable, long-term loans, obligations under finance leases and short-term borrowing) of USD1,313.2 million, which represented 94.8% of its total capitalisation (calculated as total long-term debt net of current maturities and total equity). A portion of Garuda's long-term debt and all of its short-term debt is subject to floating rates. In addition to long-term debt, Garuda has a significant amount of fixed obligations under operating and finance leases related to its aircraft, airport terminal space, other airport facilities and office space. As of 31 March 2015, Garuda's future minimum lease payment under operating leases was approximately USD6.9 billion.

Between 2015 and 2023, Garuda has aircraft purchase commitments of approximately USD6.5 billion. The pre-delivery payments for Garuda's aircraft purchases are typically financed initially through operating cash flows and debt financings. Upon delivery, these aircraft purchases are typically converted to operating lease arrangements under sale and leaseback transactions with aircraft leasing companies, which allow Garuda to recover its pre-delivery payments and decrease its capital expenditures while increasing security deposits for operating leases and its aircraft rental expenses. Garuda's Commercial Loans limit its ability to incur additional indebtedness and accordingly Garuda cannot assure investors it will be able to incur additional debt financing for its remaining 112 firm aircraft deliveries (including for pre-delivery payments). Moreover, even if it is able to incur such additional debt financing, Garuda cannot assure investors that either debt or lease financing will be available for such aircraft deliveries (including for pre-delivery payments) on terms acceptable to Garuda or at all. Garuda's Commercial Loans and domestic bonds contain covenants that may, under certain circumstances, limit its ability to incur additional indebtedness and additional aircraft rental expense and, accordingly, Garuda cannot assure potential investors that it will be able to enter into additional loans or operating leases to increase the size of its fleet.

Garuda's high level of debt and fixed obligations could:

- impact its ability to obtain additional financing to support capital expansion plans and for working capital and other purposes on acceptable terms or at all;
- divert substantial cash flow from its operations and expansion plans in order to service its fixed obligations;
- require it to incur significantly more interest or rent expense than it currently does, since substantially all of its existing debt has floating rates and certain of its aircraft leases have variable-rate rent;
- place it at a possible competitive disadvantage compared to less leveraged competitors and competitors that have better access to capital resources; and
- subject it to restrictive financial and other covenants, including restrictions on its ability to declare dividends or incur additional indebtedness.

Garuda's ability to make scheduled payments on its debt, including the Certificates, and other fixed obligations will depend on Garuda's future operating performance and cashflow, which in turn will depend on prevailing economic and political conditions and financial, competitive, regulatory, business and other factors, many of which are beyond its control. For example, political instability, economic downturns, liquidity of the U.S. Dollar and Rupiah bank and debt capital markets, social unrest or changes in the regulatory environment could increase Garuda's cost of borrowing or restrict its ability to obtain debt financing. Garuda cannot assure investors that it will be able to generate sufficient cashflow from its operations to pay its debt, including the Certificates, and other fixed obligations as they become due, and Garuda's failure to do so could have a material adverse effect on its business, prospects, financial condition and results of operations and also on the possibility of Certificateholders receiving timely payments under the Certificates or at all.

To the extent Garuda finances its activities with additional debt, it may become subject to financial and other covenants that may restrict its ability to pursue its growth strategy. If it is unable to make payments on its current or future debt, including the Certificates, and other fixed obligations, it could be forced to again renegotiate those obligations, obtain additional equity or debt financing, its creditors may be able to declare a default, initiate enforcement proceedings and accelerate payments. Garuda cannot assure investors that future renegotiation efforts would be successful or timely or that it could refinance its obligations on acceptable terms, if at all.

***Garuda's inability to recruit, train, retain and motivate key personnel may adversely affect its business.***

Garuda's business depends to a significant extent upon the continued services of its executive officers and other key management personnel. The loss of any of Garuda's executive officers and other key management personnel to its competitors or otherwise, or failure to recruit suitable or comparable replacements, could have an adverse effect on the business.

There is a shortage of key personnel including pilots, flight attendants and maintenance, repair and overhaul ("MRO") engineers in the airline industry globally, including Indonesia. Garuda anticipates this shortage to increase as Garuda and its competitors, particularly in the Indonesian airline industry, increase the size of their aircraft fleets. Although Garuda believes its salary and benefit packages for pilots, flight attendants and MRO engineers are generally competitive with those of its competitors, as demand for pilots, flight attendants and MRO engineers increases in the Indonesian airline industry, Garuda and its competitors may need to increase salaries and other benefits in order to recruit, retain and motivate these key employees. Garuda will also need to increase its training operations in order to ensure that sufficient new personnel are available to meet Garuda's increased requirements for these key employees. As Garuda increases the size of its aircraft fleet, its ability to recruit, train and retain additional pilots, flight attendants and MRO engineers will be a critical factor in the maintenance and increase of Garuda's aircraft utilisation rates and improvement of its on-time performance. Garuda's inability to successfully recruit, train, retain and motivate these key personnel could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Limitations of Soekarno-Hatta International Airport and other Indonesian airports may inhibit Garuda's ability to increase its aircraft utilisation rates, improve its on-time performance and to provide safe and efficient air transportation.***

Although Indonesia's commercial aviation infrastructure has improved substantially in recent years, the resources of many segments of the commercial airline industry, including airport facilities and air traffic control systems, have been strained by the rapid increase in air traffic volume. Garuda's ability to increase utilisation rates, improve its on-time performance and to provide safe and efficient air transportation in the future depends in part on factors beyond its control, including:

- capacity of landing slots at existing airports that Garuda serves, particularly its hubs at Soekarno-Hatta International Airport near Jakarta, Juanda International Airport in Surabaya and Ngurah-Rai International Airport in Denpasar, Bali;
- limitations on operating hours at most Indonesian airports — the only Indonesian airports that operate 24 hours a day are Hang Nadim Airport in Batam, Soekarno-Hatta International Airport near Jakarta and Kualanamu International Airport near Medan;
- passenger capacity at terminals in major hub airports that Garuda serves, particularly at Soekarno-Hatta International Airport near Jakarta;
- air traffic congestion at major airports that Garuda serves, particularly Ngurah-Rai International Airport in Denpasar, Bali and Soekarno-Hatta International Airport near Jakarta;
- the quality of national air traffic control;
- the quality of navigational systems and ground control operations at Indonesian airports; and
- limitations on runway length and/or strength which restrict Garuda's aircraft payload.



If there is deterioration in any of these factors, Garuda's ability to expand its route network or to increase the frequency of flights on its existing routes, improve its on-time performance and provide safe air transportation will be compromised. As a result, Garuda's business prospects and results of operations may be materially and adversely affected.

***Garuda sources most of its fuel supply from Pertamina.***

Jet fuel costs represented 37.9%, 36.3% and 28.8% of Garuda's total consolidated operating expenses in 2013, 2014 and for the three-month period ended 31 March 2015 respectively. Garuda procures approximately 75% of its jet fuel, including all of the jet fuel required for its domestic operations, pursuant to agreements with PT Pertamina (Persero), the state owned oil and gas company ("**Pertamina**"). Garuda principally sources the remaining 25% of jet fuel used from other international jet fuel suppliers. Garuda typically enters into two-year supply agreements with Pertamina and one-to two-year supply agreements with each of its international jet fuel suppliers. The international jet fuel supply agreements provide for payment in U.S. dollars. Garuda's domestic jet fuel supply agreements with Pertamina provide for payment in Rupiah at prices denominated in U.S. dollars and other currencies. International jet fuel prices are generally set at a premium to the mean price of oil traded through Singapore, the Arab Gulf, Saudi Arabia and the Netherlands, as published by Platts under Mean of Platts Singapore ("**MOPS**"), Mean of Platts Arab Gulf ("**MOPAG**"), ARAMCO or Rotterdam. Domestic jet fuel prices are generally set at a fixed discount to a production posting price established by Pertamina in its sole discretion, which Garuda believes has historically been higher than MOPS. There can be no assurance that Garuda will continue to be able to obtain competitive pricing from Pertamina, and its failure to do so could have a material adverse effect on its business prospects and results of operations.

A proportion of Garuda's international jet fuel supply agreements require payment in advance or presentation of a letter of credit against delivery of jet fuel, while its domestic jet fuel supply agreements with Pertamina currently allow for payment to be made up to two weeks following delivery of the fuel. In the past, Garuda has incurred significant unpaid amounts that were due to Pertamina for the delivery of the fuel, which were then converted into long-term subordinated debt. There can be no assurance that Garuda will be able to meet its future jet fuel payment obligations to Pertamina, or that Pertamina will restructure any such future payment obligations that might become overdue, either of which could have a material adverse effect on Garuda's business, prospects and results of operations. Garuda may in the future be unable to provide payment in advance for its international jet fuel or to obtain a letter of credit against delivery, of jet fuel. Garuda's inability to obtain international jet fuel could have a material adverse effect on its business, prospects and results of operations.

***Garuda's failure to implement its growth strategy successfully could harm its business.***

Garuda's strategy involves increasing the size of its aircraft fleet, increasing frequency of flights to destinations it currently serves, increasing the number of destinations served and expanding the operations of Citilink. Achieving Garuda's growth strategies, in the FSC market and the LCC market served by Citilink, Garuda's subsidiary, is critical in order for Garuda's overall business to achieve economies of scale and increase Garuda's profitability.

Increasing the number of destinations that Garuda serves depends on its ability to access suitable airports located in its targeted geographic markets in a manner that is consistent with its cost strategy. Before Garuda can commence services to new destinations, it will need to obtain additional licensing permits, including air traffic rights and airport landing slots, all of which may not be available. Adding services to new destinations may require it to commit a substantial amount of financial and other resources, even before the new services commence, and it may initially experience low load factors and be required to offer promotional fares to new destinations, which will adversely affect the profitability of these new destinations. Increasing frequency of Garuda's flights to existing destinations may require it to obtain additional landing slots and gates at some of its existing destinations. Any condition that would deny, limit or delay Garuda's access to airports it seeks to serve in the future will constrain its ability to grow.

Furthermore, Garuda may also seek new routes with strategic or long-term value, even if they may not initially be profitable. When Garuda commences new routes, its load factors initially tend to be lower than those on its established routes and costs related to compliance with local regulations, as well as the start-up costs, tend to be higher, which may result in initial losses. Garuda has experienced a reduction in load factors in all sections in 2014 when compared against 2013. In addition, even if Garuda's market studies indicate that a new route may be profitable, there could be changes in market conditions. Actual market conditions may differ from Garuda's assumptions, and other factors may result in a route not being profitable initially or even at a later date. Garuda may also increase its advertising and promotion expenses, or offer promotional fares, in connection with the opening of new routes. Promotional fares may have the effect of increasing load factors but tend to reduce Garuda's yield on such routes during the periods in which they are in effect.

Garuda's growth strategy will also require additional skilled personnel, equipment and facilities. An inability to hire and retain skilled personnel or to secure the required equipment and facilities efficiently and cost-effectively may affect Garuda's ability to achieve its growth strategy. Garuda's growth strategy may also strain Garuda's existing management resources and operational, financial and management information systems to the point that they may no longer be adequate to support its operations, requiring Garuda to make significant expenditure in these areas. Garuda anticipates that it will need to develop further financial, operational and management controls, reporting systems and procedures to accommodate future growth. Garuda cannot assure investors that it will be able to develop these controls, systems or procedures on a timely basis, or at all.

Garuda's failure to successfully execute its growth strategy could also adversely affect its future operating performance and cashflow, which in turn could adversely affect its ability to make pre-delivery payments on new aircraft, restrict its ability to make payments on the additional debt and other fixed obligations required for the expansion of its aircraft fleet, and adversely affect Garuda's ability to comply with the terms of its aircraft and engine operating lease agreements. In addition, any delay in pre-delivery payments on new aircraft could result in additional payment obligations under the terms of Garuda's aircraft purchase agreements with the relevant aircraft manufacturer. Garuda's ability to expand its fleet in accordance with its growth strategy is also dependent upon the relevant aircraft manufacturer fulfilling Garuda's aircraft order on time.

Garuda cannot assure investors that it will be able to successfully execute its growth strategy, and its failure to do so could have a material adverse effect on Garuda's business, prospects, financial condition and results of operations.

***The Government is Garuda's controlling shareholder.***

The Government, through the Ministry of State-Owned Enterprises, holds approximately 60.5% of Garuda's outstanding shares. As Garuda's controlling shareholder, the Government effectively controls the outcome of matters requiring the vote of shareholders, including the composition of Garuda's boards of directors and commissioners, and determining the timing and amount of dividend payments. In addition to being Garuda's controlling shareholder, the Government, through the Ministry of State-Owned Enterprises, holds a share (the "**Special Share**"), which has special rights which are not available to holders of the Series B shares. The Special Share gives the Government the power to nominate all candidates for election to the Board of Commissioners and to the Board of Directors; elect and dismiss directors and commissioners; approve any amendments to Garuda's articles of association, including any change to Garuda's capital; approve any merger, consolidation, acquisition or spin-off of Garuda and approve any submission in relation to dissolution and liquidation or bankruptcy of Garuda. The Government has historically influenced, and is likely to continue to influence, Garuda's strategy and operations.

There can be no assurance that the Government will exercise its control and influence to the benefit of Garuda and the other shareholders. The Government may cause Garuda to take actions that are not in, or may conflict with, the best interest of Garuda or Garuda's other shareholders.

***Garuda's ability to set fares on certain segments of its domestic business is constrained by price caps set by the Government.***

Garuda is regulated by the Government through, among others, the Ministry of Transportation through the Directorate General of Civil Aviation (the "DGCA"). The Ministry of Transportation is an authority that is responsible for regulating the aviation sector in Indonesia. Garuda's revenue from domestic passenger services accounted for approximately 53.8%, 52.8% and 55.3% of its revenues from total operating revenue in 2013, 2014 and for the three-month period ended 31 March 2015, respectively. The DGCA issues permits required for flight operations, sets price determination for economy class fares on domestic routes sold in Indonesia, regulates additional fuel surcharge for domestic passengers and cargo services and approves international agreements relating to bilateral air transport with other countries.

Prior to April 2010, Garuda was allowed to impose an additional passenger fuel surcharge on top of economy class fares. However, since April 2010, Garuda is no longer allowed to add an additional fuel surcharge on top of a domestic economy class fare. In October 2014, the DGCA issued new regulations on economy class fares for domestic flights in October (as amended). The current cap on economy class fares can only be adjusted when fuel prices or the value of the Rupiah against the U.S. Dollar exceed a certain benchmark set by the DGCA for a period of three consecutive months, after which the DGCA will evaluate the cap on economy class fares or an application may be made to the DGCA for an increase in the cap on economy class fares. There may be substantial delays in obtaining such approvals, during which time Garuda will remain subject to the existing cap on economy class fares.

In addition, the price caps for domestic economy class fares set by the DGCA are different for FSCs and LCCs, with the LCC price cap currently set at 85% of the FSC price cap. As a result, Garuda's FSC and LCC businesses are subject to different economy class fare caps. With the lower operating cost structure for LCCs, the LCC economy class fare cap is relatively higher as a multiple of operating expenses than the FSC economy class fare cap, and therefore can result in higher profitability for domestic economy class fares operated by LCCs during peak periods when the fares Garuda would seek to charge for its FSC economy class fares are most often limited by the economy class fare caps.

The Indonesian National Air Carriers Association ("INACA") has requested the DGCA to increase the domestic economy class fare cap. Garuda will continue to have significant fuel expenses, which are subject to price fluctuations and fixed payment obligations denominated in U.S. Dollars. The continued requirement to obtain DGCA's approval in relation to an increase of the cap on economy class fare, or delays in obtaining such approval, or an adverse change in this policy, or to the cap on economy class fare, or an additional fuel surcharge, in addition to other rules and policies which govern flight operations, could materially and adversely affect Garuda's business, prospects, financial condition and results of operations.

***Labour activism could adversely affect Garuda, its customers and Indonesian companies in general, which in turn could affect Garuda's business, prospects, financial condition and results of operations.***

Garuda currently has three labour unions: one pilots' union, one flight attendants' union and one general employees' union.

Garuda cannot assure investors that major disruptions or work stoppages will not occur in the future. Any such disruptions or stoppages could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Garuda is dependent on the Ministry of Religious Affairs for the hajj flight operations.***

Revenues from *hajj* flight operations represent a significant majority of Garuda's non-scheduled airline service revenue. Garuda commenced its *hajj* flight operations in 1956. Garuda's *hajj* flight operations accounted for approximately 5.2% and 4.6% of its total operating revenues for 2013 and

2014, respectively and approximately 90.4% and 89.3% of its total operating revenues from non-scheduled services in 2013 and 2014 respectively. The Ministry of Religious Affairs is responsible for travel arrangements for *hajj* pilgrims, including flight arrangements to and from Saudi Arabia. Airfares for *hajj* pilgrims are paid to Garuda by the Ministry of Religious Affairs pursuant to agreements entered into between Garuda and the Ministry, and are renegotiated annually.

Airfares for *hajj* pilgrims are agreed by the Government through the Ministry of Religious Affairs after a negotiation process with Garuda approximately six months in advance of the actual period of travel each year. Garuda negotiates these airfares based on, among other things, its internal assumptions and projections of expected expenses and costs with respect to these flights, including, in particular, its charter expenses and jet fuel expenses. In the event that its internal projections are inaccurate, the airfares paid by the Ministry of Religious Affairs to Garuda may not cover the expenses incurred by Garuda in the provision of its *hajj* services, and business, prospects, financial condition and results of operations may be adversely affected. In 2013 Saudi Arabia's Ministry of Hajj issued a policy to reduce the *hajj* pilgrim quota by 20% for all member countries of the Organisation of the Islamic Conference ("**OIC**"), including Indonesia. The reduced *hajj* quota is expected to apply for the next two years, as a result of the renovation of the Grand Mosque in Saudi Arabia. The reduced quota has resulted in a reduction in the number of *hajj* pilgrims being transported by Garuda, and is reflected by a decrease in non-scheduled airline service revenue.

Garuda is currently the only Indonesian airline contracted by the Ministry of Religious Affairs for *hajj* travel. The Ministry may, however, invite other Indonesian or international airlines to tender for this business, and there can be no assurance that the Ministry of Religious Affairs will continue its contractual arrangements with Garuda in the future. There can be no assurance that Garuda will be able to maintain its arrangements with the Ministry of Religious Affairs, and its failure to do so could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Garuda has historically been dependent on the Government and entities owned and controlled by the Government for financial support and other key services.***

The Government has historically funded the acquisition of certain aircraft in Garuda's fleet through borrowings from external creditors and then leased the aircraft to Garuda for use in its flight operations. It has also made capital contributions and converted certain debt obligations owed by it into equity, thereby assisting it in improving its financial position.

A substantial number of Garuda's flights are operated from Soekarno-Hatta International Airport and Ngurah-Rai Airport, which are operated by Government-owned entities, PT Angkasa Pura II (Persero) ("**AP II**") and PT Angkasa Pura I (Persero) ("**AP I**"), respectively, which require Garuda to pay a monthly service fee. In the past, Garuda has benefitted from several of its trade accounts payable to Government-owned entities (including AP II and AP I) being converted into equity and/or long-term subordinated debt, in each case improving Garuda's financial position. Garuda cannot assure investors that it will continue to receive financial support and key services from the Government and entities controlled by the Government. If such financial support and key services are not provided to Garuda, or not provided on favourable terms, Garuda's business, prospects, financial condition and results of operations may be materially and adversely affected, which would limit its ability to compete effectively and expand its business and may affect its ability to satisfy obligations under existing and future debt obligations.

***Garuda has and may in the future have working capital deficits.***

Garuda has experienced working capital deficits. A working capital deficit means that Garuda's current liabilities exceed its current assets. Current liabilities include those that fall due for payment within one year of the statement of financial position date and include a portion of any of Garuda's indebtedness and fixed payment obligations. Current assets are assets that are expected to be converted to cash or otherwise utilised within one year of the statement of financial position date and, therefore, may be used to pay current liabilities as they become due during that period.

Due to the nature of its business, its current liabilities will generally exceed its current assets. As at 31 December 2013, 2014 and 31 March 2015, its consolidated current liabilities exceeded its consolidated current assets by USD162.6 million, USD408.9 million and USD622.0 million, respectively. These current liabilities primarily arise from accrued expenses, unearned revenues for Garuda's scheduled and *haji* flight operations and the current portion of long-term loans and lease liabilities incurred for the expansion of its aircraft fleet. The portion of the loan repayments and lease liabilities due in the next 12 months from a reporting date are reflected as current liabilities on Garuda's financial position.

In the years ended 2013, 2014 and for the three-month period ended 31 March 2015, Garuda had consolidated net cashflow from operating activities of USD150.3 million, USD(54.2) million and USD(26.0) million, respectively. In the years ended 2013, 2014 and for the three-month period ended 31 March 2015, Garuda had consolidated unearned revenue of USD169.3 million, USD210.5 million, and USD174.0 million, respectively.

Garuda may, however, incur additional indebtedness, including other fixed payment obligations, to finance all or a portion of its planned fleet expansion and the re-financing of existing financing arrangements. In addition, depending on Garuda's capital requirements, market conditions and other factors, Garuda may raise additional funds through debt or equity offerings or the sale or other disposition of notes or assets. Garuda cannot assure investors that it will be able to secure adequate capital to continue its business and its failure to do so could have a material adverse effect on Garuda's business, prospects, financial condition and results of operations.

***Garuda relies heavily on automated systems to operate its business and its failure to maintain and upgrade these systems could harm Garuda's business.***

Garuda depends on automated systems to operate its business, including, among others:

- a passenger service solutions system providing reservations, ticketing, seat inventory and departure control functions to enable it to manage flight scheduling and passenger seating, as well as providing Garuda with a distribution and ticketing platform;
- an internet booking engine and online payment system providing reservations, e-ticketing, an interface between the booking engine and the payment gateway and email notifications;
- a revenue management system providing market data analysis (including changes in the airfares of Garuda's partners and competitors) to enable Garuda to establish segmented pricing for its airfares and allocate its seat inventory across price segments in a manner that maximises passenger revenue; and
- a data warehouse system, designed to extract and integrate information from its financial, market and operating data.

Garuda normally issues electronic tickets to a substantial portion of its passengers except when there is irregularity with its reservation system in which it issues traditional paper tickets to its passengers. Garuda's website and reservation system must be able to accommodate a high volume of traffic and deliver important and reliable flight information. Substantial or repeated website, reservations system or telecommunication systems failures could reduce the attractiveness of Garuda's services and could cause its customers to purchase tickets from another airline. Any disruption in these systems could result in the loss of important data, loss of revenue, loss of passengers, increase its expenses and adversely affect its business, prospects, financial condition and results of operations.

Garuda also relies on third party registration systems to facilitate the booking and management of reservations of airline tickets. If these third parties experience difficulty meeting Garuda's requirements or standards, it could damage Garuda's reputation or make it difficult for Garuda to operate some aspects of its business. In addition, if such third party service providers were to cease

operations, temporarily or permanently, face financial distress or other business disruption, Garuda could suffer increased costs and delays in its ability to provide similar services until an equivalent service provider could be found or Garuda could develop replacement technology or operations. If Garuda is unsuccessful in choosing high quality third party registration systems or it ineffectively manages its relationships with such third parties, it could have an adverse impact on Garuda's operations and financial results.

Garuda's automated systems and the third party registration systems also involve the transmission of confidential information over public networks. Advances in computer capabilities, new discoveries in the field of cryptography or other events or developments could result in compromises or breaches of the security systems and personal data stored in these systems. Anyone who circumvents the security measures on these systems could misappropriate Garuda's confidential information or cause interruptions in its services or operations. The internet is a public network, and data is sent over this network from many sources. In the past, computer viruses or software programs that disable or impair computers have been distributed and have rapidly spread over the internet. Computer viruses could be introduced into Garuda's systems, or those of the third party registration systems, which could disrupt Garuda's operations or make its systems inaccessible to the third parties. Garuda may be required to expend significant capital and other resources to protect against the threat of security breaches or to alleviate problems caused by breaches. Garuda's security measures may be inadequate to prevent security breaches, and its business operations would be negatively impacted by cancellation of tickets if security breaches are not prevented.

***Garuda's internal controls and corporate governance policies and procedures may not be fully effective.***

The success of Garuda's business operations is dependent upon its internal controls and corporate governance policies and procedures, including compliance with certain Indonesian regulations for listed companies and those required by state-owned enterprises. Garuda's senior management and employees are expected to adhere to its internal controls and corporate governance policies and procedures, and receive periodic training in this regard. However, Garuda cannot assure investors that its personnel will not misinterpret, misunderstand or otherwise not comply with such internal controls, policies and procedures or other regulations that may be applicable to it from time to time.

Garuda cannot assure investors that Garuda's internal controls and corporate governance policies and procedures will be fully effective. Any incidents of misconduct, or failure to follow Garuda's internal controls and corporate governance policies and procedures, may adversely affect its business, prospects, financial condition and results of operations. In addition to potential financial losses, any misconduct of Garuda's senior management and employees, alleged or proven, could also subject it to third-party claims and regulatory investigations.

***Higher interest expense could adversely affect Garuda's profitability.***

Most of Garuda's outstanding indebtedness bears floating rate interest, which has caused, and will continue to cause, its interest expense to fluctuate with changes in interest rates. Accordingly, Garuda's profitability is affected by changes in U.S. Dollar LIBOR, due to the impact such changes have on its interest income and interest expenses from short-term deposits and other interest-bearing financial assets and liabilities. In addition, Garuda's indebtedness subject to both fixed and floating rates has a shorter tenor than its lease agreements, and Garuda is subject to risk of refinancing at higher interest rates. Interest expense accounted for 1.2% and 1.7% of its total operating revenues in the years ended 31 December 2013 and 2014, and 1.7% of Garuda's total operating revenues for the three-month period ended 31 March 2015. Floating rates on its outstanding indebtedness may increase for the future and thereby increase its interest expense, which could decrease its margins and have a material adverse effect on Garuda's business, prospects, financial condition and results of operations.

***Changes in commercial alliances with other airlines may affect Garuda's business.***

Garuda officially joined the SkyTeam in March 2014 with the aim of expanding its network globally by connecting with partner airlines' networks and which Garuda believes will, in the future, lead to incremental revenues on its trunk routes in addition to feeding passenger traffic from such partner airlines' networks that support its network. To join the SkyTeam, Garuda committed to various investments including the integration of its IT system and other related provisions. Garuda cannot assure investors, however, that it will not be affected by any future changes in the membership of SkyTeam or in its relationships with Garuda's partner airlines. Garuda cannot assure investors that the benefits derived from the SkyTeam global alliance will outweigh the initial investment cost or that such cost can be passed on to Garuda's customers. Garuda can provide no assurances as to the relative benefit of being in the SkyTeam global alliance compared with other alliances.

***Increases in inflation could adversely affect Garuda's fleet expansion.***

Garuda has commitments for a total of 112 aircraft to be delivered between 31 March 2015 and 31 December 2023, which include 50 Boeing 737 MAX 8, four Boeing 737-800NG, four Boeing 777-300ER, 13 Airbus 330-300, 21 Airbus 320-200, three Bombardier CRJ 1000 and 17 ATR 72-600 aircraft. In addition, Garuda also has options to purchase an additional 10 ATR72-600 and 18 Bombardier CRJ 1000 aircraft. Under the terms of Garuda's aircraft purchase agreements with Boeing, Airbus, Bombardier and ATR, the acquisition price is subject to adjustment for, among others, inflation and wage-related increases in the respective manufacturers' countries, as determined in accordance with pre-agreed formulae set out in each agreement. In the event of significant increase in inflation, Garuda's capital expenditure and aircraft pre-delivery payment commitments may be significantly increased, which may adversely affect its ability to take delivery of such aircraft in accordance with its fleet expansion plan.

***Garuda may expand its business through acquisitions of airlines or airline-related businesses, which exposes it to uncertainties and integration risks related to future acquisitions.***

Under Law No. 1 of 2009 on Aviation, all scheduled airlines are required to have a minimum fleet of ten aircraft, and that carriers must own at least five aircraft, rather than relying entirely on operating leases. This law, combined with strong competition, could result in consolidation in the Indonesian aviation market, with smaller players being forced to merge or close down. As a result, Garuda may acquire airlines or airline-related businesses to expand its business. Such acquisitions involve uncertainties and risks, including the following:

- difficulty with integrating the assets and operations of the acquired airlines or airline-related businesses, including their employees, corporate cultures, managerial systems, processes and procedures and management information systems and services;
- failure to achieve the anticipated synergies, cost savings or revenue-enhancing opportunities resulting from the acquisition of such airlines or airline-related businesses;
- difficulty with exercising control and supervision over the newly acquired operations; and
- increased financial pressure resulting from the assumption of recorded and unrecorded liabilities of the acquired airlines or airline-related businesses.

If Garuda is unable to manage or integrate the newly acquired airlines or airline-related businesses successfully without substantial expense, delay or other operational or financial problems, it may be unable to achieve the objectives or anticipated synergies of such acquisitions and such acquisitions may adversely impact the operations and financial results of its existing businesses. Garuda cannot assure investors that the acquired company will have a better performance.

## **Risks Relating To The Airline Industry**

### ***The airline industry is intensely competitive.***

The airline industry is intensely competitive. Garuda faces various degrees of competition from FSCs and LCCs in each of the markets it serves. Airlines compete primarily on price, schedule, route networks, type and age of aircraft, frequency, quality of service, brand recognition, safety, security, punctuality, passenger amenities, frequent-flyer programmes and the availability and convenience of other passenger services. In addition, some of the airlines with which Garuda competes are larger and have greater brand recognition, financial resources and penetration in key markets. Garuda faces competition on its principal international routes primarily from Middle Eastern carriers and LCCs. The intensity of competition varies from route to route, depending on the number of competitors and on the applicable regulatory environment. If Garuda is unable to compete effectively in this environment, its business prospects and profitability may be adversely affected.

The Government of Indonesia has eased restrictions on foreign LCCs serving Indonesia's four gateway airports in Jakarta, Surabaya, Denpasar and Medan. This easing of restrictions, as well as the growth of domestic LCCs, regional medium haul LCCs (e.g. Air Asia) have further increased competition. Any further changes in competitive conditions in the Indonesian and regional airline markets, in respect of FSCs or LCCs, including as a result of the introduction of "open skies" privileges — for instance, the implementation of the Association of Southeast Asian Nation (ASEAN) "Open Skies" policies, which will increase the number of gateway airports and destinations to which foreign carriers serving Indonesia can fly to in Indonesia, could significantly affect Garuda's results of operations.

From time to time, certain of Garuda's domestic and international routes also face significant fare discounting, or promotional pricing, which reduces its passenger yields. The entry of new airlines, particularly LCCs, has increased seat capacity and price competition on its existing routes. Garuda cannot assure investors that its present or future competitors will not engage in fare discounting or promotional pricing in an attempt to gain market share from its FSC or LCC businesses, which may have a material adverse effect on its financial condition and results of operations.

### ***Increases in fuel costs would adversely affect Garuda's business.***

The supply and price of jet fuel significantly impact Garuda's operating expenses and results of operations. Jet fuel costs represented 37.9% and 36.3% of Garuda's total operating expenses in 2013 and 2014, and 28.8% for the three-month period ended 31 March 2015. Historically, fuel costs have been subject to wide price fluctuations based on geopolitical issues and supply and demand. Fuel availability is also subject to periods of market surplus and shortage and can be affected by demand for both kerosene and gasoline. A shortage of jet fuel could impact Garuda's business prospects and profitability by causing delays and/or cancellations to flights resulting in consequential damage to Garuda's image. Garuda purchases a substantial portion of its jet fuel, including all of the jet fuel required for its domestic operations, from one source, Pertamina. Due to the variety of factors that affect the price and availability of fuel, the cost and future availability of fuel cannot be predicted with any degree of certainty. Although Garuda hedges 100% of its fuel requirements for *haji* flight operations, as of 31 March 2015 it has only hedged around 10% of its fuel requirements for its scheduled flight operations due to a decrease in fuel price. In addition, fuel hedges may be limited in fuel volume and duration. Garuda cannot assure investors that fuel hedging arrangements, if expanded to cover greater quantities of its scheduled flight operations, would be sufficient to fully protect Garuda against increases in the price of jet fuel. In addition, due to the intensely competitive nature of the airline industry and regulation in Indonesia and abroad, Garuda may be unable to pass future fuel cost increases on to its customers. Any of the foregoing could have a material adverse effect on Garuda's business, prospects, financial condition and results of operations.



***Changes in government regulations could harm Garuda's business.***

Airlines are subject to extensive regulatory and legal requirements, both domestically and internationally, that involve significant compliance costs. Garuda has incurred and expects to continue to incur expenses in connection with complying with government regulations. Additional laws, regulations, taxes and airport rates and charges have been proposed from time to time that could significantly increase the cost of airline operations or reduce the demand for air travel. For example, following the crash of an aircraft in 2014 in Indonesian air space, the MOT took several measures and introduced a new regulation (MOT Regulation No. 91 of 2014) to improve safety standards of airlines operating in Indonesia. The new regulation sets a price floor for scheduled low-cost airlines at 40% of the maximum price, up from 30% previously. The new regulation is expected to be tightly enforced unlike the previous base level which was not typically enforced against promotional rates offered by airlines.

The measures also include an overall review of the business and technical operations of all airlines operating in the country. These measures, and any additional laws that may be adopted in the future, could have the effect of raising ticket prices, reducing revenue and increasing costs. Garuda cannot assure investors that these and other laws or regulations enacted in the future will not harm its business.

***The airline business is characterised by high fixed costs and low profit margins.***

The airline business is generally characterised by high fixed costs and low profit margins, including fixed costs such as finance and operating lease payments for Garuda's aircraft and engines. The costs associated with operating Garuda's flights such as jet fuel costs, aircraft handling and navigation fees and labour costs for flight deck and cabin crew and ground personnel do not vary proportionately with the number of passengers carried, while revenues generated from a flight are directly related to the number of passengers carried, the amount of cargo carried and the fare structure of the flight. Aircraft rental and charter expenses (which predominantly comprise Garuda's aircraft rental expenses) accounted for 15.8% and 19.5% of its total operating revenue in the years ended 31 December 2013 and 2014, respectively, and 22.8% of its total operating revenue for the three-month period ended 31 March 2015. Accordingly, any change in the number of its passengers, its pricing, load factors or Garuda's traffic mix resulting in a minor shortfall in expected revenue levels could have a material adverse effect on Garuda's financial performance.

***The Group has only a limited number of suppliers for its aircraft and engines.***

Garuda's business strategy is to increase aircraft fleet synergies and reduce operating costs through its fleet modernisation and simplification programme. Garuda currently operates four types of wide-bodied aircraft, the Boeing 747-400, 777-300ER, Airbus A330-200 and A330-300 models, and four types of narrow-bodied aircraft, the Boeing 737-500 and 737-800NG, ATR72-600 and Bombardier CRJ-1000 models. Garuda intends to phase out the Boeing 747s and replace them with more fuel-efficient and longer-range Boeing 777-300ERs. It also intends to phase out the Boeing 737-300 and 737-500 aircraft and operate the more fuel-efficient Boeing 737-800NG and also sub-100 seat aircraft. The engines used on Garuda's aircraft are manufactured by CFM International S.A. (a joint venture of Snecma (SAFRAN Group) in France and General Electric in the U.S.) and Rolls-Royce Plc. Garuda intends to continue to rely on these aircraft manufacturers to supply future aircraft for its flight operations, and has entered into purchase agreements with Boeing and Airbus for the acquisition of additional aircraft. Garuda is currently reviewing its fleet requirements and the scheduled delivery of new aircraft under existing purchase agreements. If Garuda should seek to renegotiate its existing purchase agreements with Boeing or Airbus and be unable to conclude such negotiations amicably, or ultimately fail to perform its contractual obligations under the existing purchase agreements, Boeing or Airbus may refuse to continue to supply Garuda with further aircraft.

In addition, if either Boeing or Airbus is unable to perform its contractual obligations, or if Garuda is unable to acquire or lease new aircraft or engines from aircraft or engine manufacturers or lessors on acceptable terms, it would have to find other suppliers for similar types of aircraft or engines.

If Garuda had to lease or purchase replacement aircraft from an alternative supplier, it could lose the benefits it currently derives from its current fleet composition and may not realise the synergies and other benefits it expects to derive from its intended future fleet simplification. There can be no assurance that such replacement aircraft would have the same operating advantages as the Boeing and Airbus aircraft which make up the major part of its fleet, or that such replacement aircraft would be as reliable and efficient. Garuda may also incur substantial transition costs, including costs associated with re-training its employees, replacing its manuals and adapting its facilities, to the extent that such costs would not be covered by the alternative supplier. Garuda's operations could also be harmed by the failure or inability of Boeing, Airbus, CFM International S.A. or Rolls-Royce Plc to provide sufficient parts or related support services on a timely basis or at all.

Garuda's business would be significantly harmed if a design defect or mechanical problem were discovered with the Boeing or Airbus aircraft models, or the CFM International S.A. or Rolls-Royce engines, which make up Garuda's fleet, causing its aircraft to be grounded while any such defect or problem is being corrected, assuming it could be corrected at all. The use of Garuda's aircraft could be suspended or restricted in the event of any actual or perceived mechanical or design problems while investigations are being conducted. Garuda's business would also be significantly harmed if the public avoids flying on its aircraft due to an adverse perception of such aircraft models or engines because of safety concerns or other problems, whether real or perceived, or in the event of an accident involving any of these aircraft models or engines.

***Garuda's reputation and business could be adversely affected if Garuda experiences an aircraft accident or incident.***

An aircraft accident or incident could involve not only repair or replacement of a damaged aircraft and its consequent temporary or permanent loss from service, but also significant potential claims from injured passengers and relatives of deceased passengers. Although Garuda believes that it maintains sufficient insurance coverage comparable to other Indonesian airlines, its coverage levels may be inadequate and it may be forced to bear substantial losses arising from an accident or incident. Substantial claims resulting from an aircraft accident or incident in excess of related insurance coverage could have a material adverse effect on Garuda's results of operations and financial condition. Moreover, any aircraft accident or incident, even if fully insured, could create a public perception that Garuda is less safe or reliable than other airlines, which would harm its business, prospects, financial condition and results of operations.

Garuda has historically experienced major accidents. For example on 7 March 2007, Garuda Flight GA200 crashed on landing at Adisucipto International Airport in Yogyakarta with 21 fatalities. The NTSC accident investigation determined that the accident was the result of pilot error. The pilot was subsequently convicted of criminal negligence, although, this conviction was later overturned on appeal. As a result of the accident, Garuda has paid approximately USD82.4 million in compensation to passengers and families of deceased passengers, and incurred losses of USD21.6 million relating to the write-off of the aircraft. Garuda received an aggregate of USD104.0 million under its insurance policies.

***Garuda's results of operations may fluctuate from period to period due to the highly cyclical and seasonal nature of the airline industry.***

Since the airline industry is vulnerable to economic cycles, the airline industry has historically experienced significant financial losses during economic downturns and periods of political and social

instability. Any future general reduction in airline passenger traffic (which may be caused by economic, political and social factors that Garuda cannot control) may adversely affect Garuda's financial condition and results of operations. In addition, the airline industry tends to be seasonal in nature, with most of Garuda's revenues from passenger services generated during the second half of the year due to travel for tourism during summer school holidays and the year-end holiday season. Garuda's revenues from domestic passenger services are also affected by low demand during the Muslim Ramadhan holiday, which occurred during the late summer months in each of the years from 2013 to 2014. Garuda's revenue from *hajj* operations, which represented 90.4% and 89.3% of total operating revenues from non-scheduled flight services in 2013 and 2014, respectively, also varies annually with the Muslim lunar calendar. Its *hajj* flight operations in the period from 2013 to 2014 generally covered a 12-week period commencing in each year on a date moving forward from November to October during the period.

***An outbreak of avian influenza, severe acute respiratory syndrome ("SARS"), the influenza A (H1N1) virus, Middle East Respiratory Syndrome Corona Virus ("MERS") or other contagious diseases, or the perception that such outbreaks may occur, may adversely affect demand for air travel.***

The first human case of avian influenza in Indonesia was detected in July 2005. As of 31 May 2014, the Government reported 196 confirmed human cases of the disease in Indonesia, including 164 deaths. In spite of the implementation of avian influenza prevention and control measures, outbreaks in animals, particularly in birds, and in humans are expected to occur from time to time, as long as avian influenza remains endemic in many provinces in Indonesia. Human cases are, however, decreasing almost every year with 55 cases in 2006, 42 cases in 2007, 24 cases in 2008, 21 cases in 2009, nine cases in 2010, 12 cases in 2011, nine cases in 2012, three cases in 2013. For 2014 figures, please refer to publicly available information published by the WHO. To date, no human-to-human transmission of the avian influenza virus has been confirmed in Indonesia.

Worldwide, the WHO has indicated that MERS has been identified in as many as 19 countries with a total of 681 cases. While there is currently no vaccine available or any specific medication available for the treatment of MERS, the Government has nonetheless taken several steps in readiness to respond to any outbreak of MERS in Indonesia. There can be no assurance by Garuda that there will be no future reports of MERS within Indonesia or in any other material markets in which it operates.

An outbreak of SARS, H1N1, avian influenza, Ebola or another contagious disease with the potential to become a pandemic or the measures taken by the governments of affected countries against such potential outbreaks could also seriously disrupt Garuda's operations, which could have an adverse effect on its business. The perception that an outbreak of another pandemic may occur could also have an adverse effect on the economic conditions of countries in Asia, including Indonesia and other countries in which Garuda operates, which may also negatively impact its business, prospects, financial condition and results of operations.

***Future terrorist attacks, or the threat of such attacks, may increase the cost of Garuda's operations and reduce demand for its services.***

Since 2002, there have been various bombing incidents within Indonesia directed toward the Government, foreign governments, and public and commercial buildings frequented by foreigners, including international hotels and the Jakarta Stock Exchange Building. Most significantly, in Bali in October 2002, over 200 people were killed and in October 2005, over 23 people were killed. Further bombings occurred at the Marriott Hotel in Jakarta in August 2003, at the Australian Embassy in Jakarta in September 2004 and in the eastern Indonesian town of Tentena on the island of Sulawesi in May 2005. Demonstrations have also taken place in Indonesia in response to plans for and subsequent to U.S., British and Australian military action in Iraq. Most recently, on 17 July 2009,

bombs exploded at each of the Ritz Carlton and JW Marriott hotels in Jakarta, killing nine people and injuring more than 50 others. The Indonesian authorities have prosecuted and sentenced certain persons in connection with these incidents, and continue to investigate these incidents, and have suggested that they may be linked to the activities of certain Islamic militant groups.

The terrorist attacks on the United States on 11 September 2001, together with the military response by the United States and its allies in Afghanistan and military activities in Iraq and Syria, have resulted in substantial and continuing economic volatility and social unrest in Southeast Asia.

Terrorist attacks and their aftermath may negatively affect the Indonesian airline industry. The potential impacts on the airline industry include the substantial loss of passenger traffic and revenues, increased security and insurance costs, increased concerns about future terrorist attacks, airport delays due to heightened security, and reduced passenger yields resulting from lower demand for air travel. Additional terrorist attacks, even if not directed at or effected through the airline industry, or the fear of such attacks, could negatively affect the airline industry and result in further decreased passenger traffic and yields, increased flight delays or cancellations associated with new government mandates and increased security, fuel, insurance and other costs. Garuda cannot assure investors that these events will not harm the airline industry generally or its business.

***Garuda may be subject to increased costs and disadvantages associated with compliance with environmental legislation.***

Many aspects of Garuda's operations are subject to increasingly stringent international and local laws protecting the environment. Future environmental regulatory developments, such as those regarding climate change, in Indonesia and abroad could adversely affect operations and increase operating costs in the airline industry. Some climate change laws and regulations that have gone into effect apply to the aviation industry, including environmental taxes for certain international flights, such as the United Kingdom's Air Passenger Duty.

The EU has established the Emissions Trading Scheme (the "EU ETS") to regulate carbon dioxide emissions in the EU and has adopted a directive under which each EU member state is required to extend the EU ETS to aviation operations. This directive has required Garuda to, beginning in 2012, submit annual carbon certificates for carbon emissions from Garuda's flights operating to and from airports in the European Economic Area (the "EEA"). However, in an effort to allow the ICAO time to develop an alternative scheme to manage global aviation emissions, in April 2013 the EU suspended for one year the application of the EU ETS to flights entering and departing the EEA, limiting its application, for flights made in 2012, to intra-EEA flights only. The reduced scope of application of the EU ETS is referred to as "Stop the Clock". On 4 October 2013, the Assembly of the ICAO agreed on a roadmap for developing a global market-based mechanism (the "MBM"). In response to this progress and to promote momentum towards the successful establishment of the global MBM, for the period from 2014 to 2016, the EU has amended the EU ETS directive so that only emissions from flights within the EEA fall under the EU ETS. Full application of the EU ETS will then automatically resume in 2017 if there is no progress in relation to the ICAO's global MBM at the next Assembly of the ICAO in 2016.

Compliance with the ETS or similar emissions-related requirements could significantly increase Garuda's operating costs. Further, the potential impact of ETS or other emissions-related requirements on its costs will ultimately depend on a number of factors, including baseline emissions, the price of emission allowances and the number of future flights subject to ETS or other emissions-related requirements. These costs have not been accurately projected at present and could fluctuate.

***Insurance may become more difficult or expensive to obtain.***

Since the 11 September 2001 terrorist attacks in the United States, airline insurers have increased premiums, applied per passenger insurance surcharges and significantly reduced the maximum amount of third-party war liability insurance coverage for claims resulting from acts of terrorism, war or

similar events. In line with airline industry practice, Garuda leaves some business risks uninsured including business interruptions, loss of profit or revenue, and consequential business losses arising from mechanical breakdown. To the extent that such uninsured risks materialise, Garuda could be materially and adversely affected. There can be no assurance that its insurance will cover actual losses incurred. To the extent that actual losses incurred by Garuda exceed the amount insured, Garuda may have to bear substantial losses which will have a material adverse effect on Garuda's business.

As a result of terrorist attacks or other world events, certain aviation insurance could become more expensive, unavailable or available only for reduced amounts of coverage that are insufficient to comply with the levels of coverage required by Garuda's aircraft lessors or applicable government regulations. Any inability to obtain insurance, on commercially acceptable terms or at all, for Garuda's general obligations or specific assets, could have a material adverse effect on its business.

***Garuda may not be able to meet regulatory standards in the future or maintain its existing regulatory approvals and licences.***

Garuda's business relies on its maintaining the requisite licences, permits and approvals necessary to operate its portfolio of routes. The airline industry is subject to extensive regulation and Garuda has no control over the regulations that apply to it. Changes in the interpretation of current regulations or the introduction of new laws or regulations may have a material adverse effect on Garuda.

For each route Garuda operates, it is required to hold the requisite licences, permits and approvals from the countries to and over which Garuda flies. The validity of each licence, permit or approval varies by country. There is a risk that Garuda will not be granted every new licence, permit or approval it applies for. Further, if any licence, permit or approval is revoked or not renewed upon its expiry or if such renewal is on less favourable terms, Garuda may not be able to operate on the affected route or may have to operate at a reduced frequency.

To further improve safety in Europe, the European Commission may ban airlines that it finds to be unsafe from operating in European airspace or impose restrictions under specific conditions on such airlines. In deciding whether to ban or impose restrictions on an airline, the European Commission may consider certain common safety criteria, including the existence of safety deficiencies on the part of an air carrier, the lack of ability (or willingness) by an airline or authorities responsible for its oversight to address safety deficiencies, operating bans imposed by third countries, audit reports drawn up by third countries or international organisations and substantiated accident-related information. Although Garuda believes its safety standards satisfy European Commission requirements, it cannot assure investors that any future changes in regulations, or future lapses or deficiencies, will not cause Garuda to fall short of such standards.

***Garuda could be materially and adversely affected by a change in the availability or cost of airport facilities.***

The availability and cost of terminal space, time slots and aircraft parking are fundamental to Garuda's ability to operate. Furthermore, if Garuda is unable to lease, acquire or access airport facilities on reasonable terms or at preferred times, its operations and potential growth would be materially and adversely affected. Further, as old airports are modernised or new airports are constructed, this may lead to increases in the costs of using airport infrastructure and facilities, and may also result in an increase in related costs such as landing charges. Such increases may adversely affect Garuda's operating results. Its ability to pass on such increased costs to Garuda's passengers is limited by several factors, including economic and competitive conditions.

### **Risks Relating to Indonesia**

A significant portion of Garuda's operations and substantially all of its assets are in Indonesia. As a result, future political, economic and social conditions in Indonesia, as well as certain actions and policies the Government may take or adopt, or omit from taking or adopting, could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Domestic, regional or global economic changes may adversely affect Garuda's businesses.***

The economic crisis that affected Southeast Asia, including Indonesia, from mid-1997 was characterised in Indonesia by, among other effects, currency depreciation, a significant decline in real GDP, high interest rates, social unrest and extraordinary political developments. The economic crisis resulted in the failure of many Indonesian companies to repay their debts when due. These conditions had a material adverse effect on Indonesian businesses, including Garuda's business and financial conditions. Indonesia entered a recessionary phase with relatively low levels of growth between 1999 and 2002. The rate of GDP growth has stabilised at higher levels in recent years, at 5.8% in 2013 and 5.1% in 2014, according to the Indonesian Central Bureau for Statistics.

More recently, the global financial crisis, which was triggered in part by the subprime mortgage crisis in the United States, caused failures of large U.S. financial institutions and rapidly evolved into a global credit crisis. Consequently, unemployment in developed markets around the world increased and some major companies' experienced significantly diminished results and, in some cases, bankruptcy or a significant threat of bankruptcy. These extremely negative economic developments have adversely affected both developed economies and developing markets, including Indonesia and other ASEAN countries.

Indonesia and other ASEAN countries have been negatively affected, along with developing market countries globally, by the unprecedented financial and economic conditions in developed markets. Although the Government has taken a number of responses to these unprecedented conditions with the aim of maintaining economic stability and public confidence in the Indonesian economy, continuation of these unprecedented conditions may negatively impact economic growth, the Government's fiscal position, the Rupiah's exchange rate and other facets of the Indonesian economy.

In addition, the Government continues to have a large fiscal deficit and a high level of sovereign debt, its foreign currency reserves are modest, the Rupiah continues to be volatile and economic difficulties faced by Indonesia during the Asian economic crisis that began in 1997 resulted in, among other things, volatility in interest rates, which had a material adverse impact on the ability of many Indonesian companies to service their existing indebtedness. Garuda cannot assure investors that the recent improvement in economic conditions will continue or the previous adverse economic conditions in Indonesia and the rest of the Asia Pacific region will not occur in the future. In particular, a loss of investor confidence in the financial systems of emerging and other markets, or other factors, may cause increased volatility in the international and Indonesian financial markets and inhibit or reverse the growth of the global economy and the Indonesian economy.

The current global economic situation could deteriorate or have an impact on Indonesia and Garuda's business. Any of the foregoing could materially and adversely affect its business, prospects, financial condition and results of operations, and its ability to make payments under the Certificates.

***Political and social instability in Indonesia may adversely affect the economy, which in turn could have a material adverse effect on Garuda's business, prospects, financial condition and results of operations.***

Since the collapse of President Soeharto's regime in 1998, Indonesia has experienced a process of democratic change, resulting in political and social events that have highlighted the unpredictable nature of Indonesia's changing political landscape. In 1999, Indonesia successfully conducted its first free elections for parliament and president. In 2004, Indonesians directly elected the President, Vice-President and representatives in the Indonesian Parliament for the first time. At the lower governmental level, Indonesians have started directly electing their respective heads of local governments. In 2009 and 2014, again elections were held in to elect the President, Vice-President and representatives in the Indonesian Parliament. Increased political activity can be expected in Indonesia as a result of these democratic developments in its political system. Although the 2004, 2009 and 2014 elections were conducted peacefully, future political campaigns and elections may bring a degree of political and social uncertainty to Indonesia. As a newly democratic country, Indonesia continues to face various socio-political issues and has, from time to time, experienced political instability and

social and civil unrest. Such instances of unrest have highlighted the unpredictable nature of Indonesia's changing political landscape. Indonesia also has many political parties, without any one party winning a clear majority to date. These events have resulted in political instability, as well as general social and civil unrest on certain occasions in recent years.

Since 2000, thousands of Indonesians have participated in demonstrations in Jakarta and other Indonesian cities both for and against former President Wahid, former President Megawati and former President Yudhoyono, as well as in response to specific issues, including fuel subsidy reductions, privatisation of state assets, anti-corruption measures, decentralisation and provincial autonomy, actions of former government officials and their family members, the U.S.-led military campaigns in Afghanistan and Iraq and potential increases in electricity tariffs. Although these demonstrations were generally peaceful, some have turned violent. In June 2001, demonstrations and strikes affected at least 19 cities after the Government mandated a 26.1% increase in fuel prices. Similar demonstrations occurred in January 2003, when the Government again tried to increase fuel prices, as well as electricity rates and telephone charges. In both instances, the Government was forced to drop or substantially reduce the proposed increases. In March 2005, the Government implemented an approximately 32.6% increase in fuel prices. In October 2005, the Government terminated fuel subsidies on premium and regular gasoline and decreased fuel subsidies on diesel, which resulted in increases in fuel prices of approximately 87.5%, 104.8% and 185.7% for premium gasoline, regular gasoline, and diesel fuel, respectively. In response, several non-violent mass protests were organised in opposition to the increases in domestic fuel prices, and political tensions have resulted from the Government's decision. Although these demonstrations were generally peaceful, some have turned violent. Garuda cannot assure investors that this situation will not lead to further political and social instability.

Separatist movements and clashes between religious and ethnic groups have resulted in social and civil unrest in parts of Indonesia. In the provinces of Aceh and Papua (formerly Irian Jaya), there have been clashes between supporters of those separatist movements and the Indonesian military. In Papua, continued activity by separatist rebels has led to violent incidents, in Maluku, clashes between religious groups have resulted in casualties and displaced persons and in the province of Kalimantan, clashes between ethnic groups have produced fatalities and refugees in past years. In recent years, the Government has made progress in negotiations with these troubled regions, though with limited success. However, in the province of Aceh, the Government reached an agreement with the Aceh separatists in 2005 and peaceful local elections were held with some former separatists as candidates.

Political and social unrest may occur if the results of future elections are disputed or unpopular. Political and social developments in Indonesia have been unpredictable in the past and, as a result, confidence in the Indonesian economy has remained low. Any resurgence of political instability could lead to extended disruptions in Garuda's operations and/or adversely affect the Indonesian economy, which could adversely affect its business. Garuda cannot assure investors that social and civil disturbances will not occur in the future and on a wider scale, or that any such disturbances will not, directly or indirectly, materially and adversely, affect Garuda's business, prospects, financial condition and results of operations, and its ability to make payments under the Certificates.

***Bank Indonesia Regulations relating to the holding of offshore foreign currency denominated debt by non-bank corporations.***

On 29 December 2014, Bank Indonesia issued Bank Indonesia Regulation No. 16/21/PBI/2014 on Application of Prudential Principles in Management of Offshore Loan of Non-Bank Corporation ("**PBI 16/21/2014**") and on 30 December 2014, Bank Indonesia issued the implementing Circular Letter No.16/24/DKEM. PBI 16/21/2014 which revoked Bank Indonesia Regulation No. 16/20/2014 and which is an improvement of Bank Indonesia Regulation No. 16/20/PBI/2014, which requiring borrowers who are non-bank corporations in Indonesia ("**Non-Bank Corporations**") to strengthen their risk management when obtaining offshore foreign currency denominated debt, by ensuring that such entities adopt certain prudential principles to mitigate the risks related to such offshore foreign currency denominated debt (with respect to both loans and debt securities).

The specific new measures introduced include requiring Non-Bank Corporations which have offshore foreign currency denominated debt to:

- comply with certain minimum hedging ratio requirements (there is an exemption for hedging liability for export-oriented corporations with a functional currency in USD);
- satisfy certain minimum liquidity ratio requirements; and
- satisfy the minimum credit rating criteria equivalent to Standard & Poor (S&P) of “BB-” rating issued by a rating agency recognised by Bank Indonesia.

Exemptions from the requirement to satisfy the minimum credit rating requirement apply for (i) the refinancing of offshore loans in foreign currency; (ii) offshore loans in foreign currency from (a) international bilateral/multilateral institutions and (b) syndicated loan with the contribution of international bilateral/multilateral institution exceeding 50%; in relation to financing for infrastructure projects; (iii) offshore loans in foreign currency in relation to government (central and regional) infrastructure project; (iv) offshore loans in foreign currency that are guaranteed by international bilateral/multilateral institution; (v) offshore loans in foreign currency that are in the form of trade credit, which refers to debt arising from credit that is granted by offshore suppliers over transactions relating to goods and/or services; and (vi) offshore loans in foreign currency that are in the form of other loans, which refer to any other loan than loan based on loan agreement, debt securities and trade credit that are, among others, payment of insurance claim and unpaid dividend.

The new measures will be introduced in two stages. At the first stage from 1 January 2015 the minimum hedging ratio requirements is 20.0% and for minimum liquidity ratio requirements is 50.0% and at the second stage, starting from 1 January 2016, the minimum hedging ratio will increase to 25.0% and minimum liquidity ratio will increase to 70.0%. The requirement to satisfy the minimum credit rating criteria will only apply to new offshore foreign currency denominated debt arising from facilities which are signed or debt securities which are issued on or after 1 January 2016. Furthermore, the regulation enforces a mandatory hedging implementation with domestic banks as of 1 January 2017.

As of 31 March 2015, Garuda is in compliance with the hedging ratio and liquidity ratio requirements when the regulation became effective in 1 January 2015. However, there can be no assurance that in the future Garuda will be able to maintain such ratios in every periodic report and whether or not it can obtain a minimum credit rating of “BB-” issued by a rating agency recognised by Bank Indonesia for all offshore foreign currency denominated debt incurred by Garuda after 1 January 2016, including any drawdown under this Programme. Failure to comply with the requirements under PBI 16/21/PBI/2014 would subject Garuda to warning letters by Bank Indonesia and Bank Indonesia disclosing the non-compliance to its offshore creditors and relevant regulators which may have an adverse effect on Garuda going forward.

***The Declaration of Trust and the other Transaction Documents entered into in connection with the issue of the Certificates will be prepared in Bahasa Indonesia language and English language versions as required under Indonesian law. However, there can be no assurance that, in the event of inconsistencies between the Bahasa Indonesia and English language versions of the Transaction Documents, an Indonesian court would hold that the English language versions of such documents would prevail.***

Pursuant to Law No. 24 of 2009 on the National Flag, Language, Emblem and Anthem (“**Law No. 24**”), agreements between Indonesian entities and other parties must be set out in Bahasa Indonesia, the national language of Indonesia. When a foreign entity or individual is a party to the agreement, such agreement may be prepared in two versions, one in Bahasa Indonesia, and the other in the language of such foreign party or in English.



Law No. 24 is silent on which language should be the prevailing language if there is more than one language used in a single agreement. Article 40 of Law No. 24 states that further implementing regulation on the use of Bahasa Indonesia shall be regulated by a presidential regulation to be issued. To date, the Government has issued only one implementing regulation on the use of Bahasa Indonesia in the formal speech of the President and/or Vice President and other state officers. Accordingly, until the relevant presidential regulation is issued, it is unclear whether Bahasa Indonesia will be required to be the prevailing language of dual language agreements, and whether English will be recognised as the prevailing language of such agreements, even if agreed to by the contracting parties.

In addition, the Minister of State-Owned Enterprises issued Circular Letter No. SE-12/MBU/2009 dated 3 November 2009, which recommends that any state-owned enterprise must use Bahasa Indonesia in every memorandum of understanding or agreement to which such state-owned enterprise is a party.

In June 2013, the West Jakarta District Court found that a loan agreement entered into between a non-Indonesian party and an Indonesian party which was not executed in Bahasa Indonesia violated Law No. 24 and held that such agreement was null and void (the “**West Jakarta District Court Decision**”). The West Jakarta District Court held that, among other things (i) Law No. 24 explicitly requires the use of Bahasa Indonesia for an Indonesian party to enter into any agreement and (ii) any presidential regulation to be promulgated as the implementing regulation of Law No. 24 will not be able to waive the Bahasa Indonesia requirement under Law No. 24. Indonesian court decisions are generally not binding precedents and do not constitute a source of law at any level of the judicial hierarchy, as would typically be the case in common law jurisdictions. However, there can be no assurance that a court will not, in the future, issue a similar decision to the West Jakarta District Court Decision in relation to the validity and enforceability of agreements which are made only in the English language.

The Declaration of Trust and other Transaction Documents entered into in connection with the issue of the Certificates will be prepared in both English and Bahasa Indonesia versions in accordance with Law No. 24 no later than the third London business day following the date of the Subscription Agreement and the Indonesian language version shall be deemed effective on the date the English versions of the Transaction Documents are executed. Pursuant to Law No. 24, each version will be considered equally original. While these documents will expressly state that in the event of a discrepancy or inconsistency between the two versions, the English version will prevail, and the relevant Bahasa Indonesia version shall be deemed to be automatically amended to conform with and be consistent with the English version. However, there can be no assurance that in light of the ongoing uncertainty surrounding Law No. 24 and the West Jakarta District Court Decision, in the event of inconsistencies between the Bahasa Indonesia versions and English versions of the Transaction Documents, when bilingual versions have been prepared, an Indonesian court will hold that the English version of such documents prevails, or even consider the English version.

Some concepts in the English language may not have a corresponding term in Bahasa Indonesia, or may not be fully captured by the Bahasa Indonesia version. If this occurs, there can be no assurance that the terms and conditions of the Certificates will create the rights and obligations as described in this Offering Circular, or will be interpreted and enforced by the Indonesian courts as intended.

*Indonesian companies have filed suits in Indonesian courts to invalidate transactions involving offshore offering structures and have brought legal action against lenders and other transaction participants. These legal actions resulted in judgments against such defendants invalidating all obligations under the applicable debt instruments and in damages against such defendants in excess of the amounts borrowed.*

In several Indonesian court cases, Indonesian companies which had defaulted on notes, using a structure involving the issuance of notes through foreign entities, such as a Dutch subsidiary, and guaranteed by an Indonesian company, have successfully sued creditors and other transaction participants. The plaintiff companies obtained from the respective courts, among other forms of relief:

- a declaration that the entire debt obligation is null and void;
- disgorgement of prior payments made to noteholders on the notes;
- damages from lenders and other transaction participants in amounts exceeding the original proceeds of the debt issued; and
- injunctions prohibiting noteholders from enforcing rights under the Transaction Documents and trading in the notes.

In June 2006, the Indonesian Supreme Court affirmed a lower court judgment that invalidated U.S.\$500 million of notes issued through an offshore offering structure. The courts nullified the notes by reasoning that the contracts made in relation to the notes were signed without legal cause, and as such did not meet the provision of Article 1320 of the Indonesian Civil Code which requires a legal cause as one of the elements for a valid agreement. The Indonesian courts also ruled that the establishment of the plaintiff company's Dutch subsidiary was unlawful as it was intended to avoid Indonesian withholding tax.

Indonesian court decisions are not binding precedents and do not constitute a source of law at any level of the judicial hierarchy as would be the case in common law jurisdictions such as the United States and the United Kingdom. This means that lower courts are not bound by Indonesian Supreme Court decisions. Still, such decisions may have persuasive effect. Therefore, there can be no assurance that in the future a court will not issue a similar decision in relation to the validity and enforceability of the Certificates or grant additional relief to the detriment of the holders of the Certificates.

Although this Offering has different features compared to the case mentioned above (e.g. no guarantee made by Garuda and no Dutch subsidiary involved), and it is Garuda intention to pay Indonesian withholding tax at full rate so that it mitigates the argument that the transaction structure was intended to avoid Indonesian withholding tax), there can be no assurance that any cases similar to this Offering will be resolved in favour of the creditors nor that a successful appeal would constitute a legal precedent disabling future cases on the same basis from being brought at the district court level. Therefore, Certificateholders may have difficulty in enforcing any rights under the Certificates or the other Transaction Documents in Indonesia, where most of Garuda's assets are located. Moreover, depending on the recognition which non-Indonesian courts may grant to such Indonesian decisions, the Certificateholders may also be disabled from enforcing any rights under the Certificates or the other Transaction Documents, or collecting on Garuda's assets, anywhere else in the world. In sum, the Certificateholders may have no effective or practical recourse or any assets or legal process in Indonesia to enforce any rights against Garuda or the Group. In addition, the participation of the Certificateholders in this transaction may expose it to affirmative judgments by Indonesian courts against it (beyond the value of the Certificates such Certificateholder has purchased). Moreover, affirmative relief granted against the Certificateholders by Indonesian courts may be enforced by non-Indonesian courts against the assets of the Certificateholders (or other transaction participants) located outside of Indonesia (and each Certificateholder should consult its own lawyer in that regard).

***Certificateholders will be exposed to a legal system subject to considerable discretion and uncertainty and may have difficulty pursuing claims under the Certificates.***

Indonesian legal principles relating to the rights of debtors and creditors, or their practical implementation by Indonesian courts, may differ materially from those that would apply within the jurisdiction of the United States or European Union member states. Neither the rights of debtors nor the rights of creditors under Indonesian law are as clearly established or recognised as under legislation or judicial precedent in the United States and most European Union member states. In addition, under Indonesian law, debtors may have rights and defences to actions filed by creditors that such debtors would not have in jurisdictions with more established legal regimes such as those in the United States and European Union member states.

Indonesia's legal system is a civil law system based on written statutes in which judicial and administrative decisions do not constitute binding precedent and are not systematically published. Indonesia's commercial and civil laws, as well as rules on judicial process, were historically based on pre-independence Dutch law in effect prior to Indonesia's independence in 1945 and some have not been revised to reflect the complexities of modern financial transactions and instruments.

Indonesian courts are often unfamiliar with sophisticated commercial or financial transactions, leading in practice to uncertainty in the interpretation and application of Indonesian legal principles. The application of Indonesian laws depends, in large part, upon subjective criteria such as the good faith of the parties to the transaction and principles of public policy, the practical effect of which is difficult or impossible to predict. Indonesian judges operate in an inquisitorial legal system and have very broad fact-finding powers and a high level of discretion in relation to the manner in which those powers are exercised. In practice Indonesian court decisions may omit, or may not be decided upon, a legal and factual analysis of the issues presented in a case. As a result, the administration and enforcement of laws and regulations by Indonesian courts and governmental agencies may be subject to considerable discretion and uncertainty. Furthermore, corruption in the court system in Indonesia has been widely reported in publicly available sources. See, for example, World Bank, *Raising Investment in Indonesia: A Second Generation of Reforms* (2005); U.S. Department of State, *Indonesia: Country Reports on Human Rights Practices* (2009); and Transparency International, *International Corruption Perceptions Index* (2009).

There is also no assurance that Indonesian courts would enforce, or even consent to adjudicating, agreements that are governed by non-Indonesian law. In a decision dated 23 September 2013, the Jakarta Commercial Court ruled, among other things, that if the trust deed relating to the notes is governed by English law, all disputes arising out of or in connection with the trust deed must be settled by English courts and the Jakarta Commercial Court does not therefore have authority to examine and adjudicate the case.

As a result, it may be difficult for Certificateholders to pursue a claim against Garuda in Indonesia, which may adversely affect or eliminate entirely the holders' ability to obtain and enforce a judgment against Garuda in Indonesia or increase the Certificateholders' costs of pursuing, and the time required to pursue, claims against Garuda.

***Indonesia is located in an earthquake zone and is subject to significant geological risk and other natural disasters that could lead to property damage, loss of life, social unrest and economic loss.***

The Indonesian archipelago is one of the most seismically active regions in the world. Because it is located in the convergence zone of three major lithospheric plates, it is subject to significant seismic activity that can lead to destructive volcanoes, earthquakes and tsunamis, or tidal waves. On 26 December 2004, an underwater earthquake off the coast of Sumatra released a tsunami that devastated

coastal communities in Indonesia, Thailand, India and Sri Lanka. In Indonesia, more than 220,000 people died or were recorded as missing in the disaster. More recently an earthquake measuring 7.6 on the Richter scale struck Padang, Sumatra, killing at least 400 people and buried thousands of people under the rubble.

In November and December 2010, a volcanic eruption of Mount Merapi and Mount Bromo, two of the most active volcanoes in Indonesia, occurred, resulting in flight restrictions over Indonesia. Garuda had to cancel about 190 roundtrip flights to and from several destinations including Yogyakarta, Jakarta and other destinations in Central Java. Garuda also had to divert several flight routes and re-route several destinations both within Indonesia and abroad to avoid volcanic ash, resulting in longer flights. Flight cancellations adversely impact Garuda's revenue and passenger volume and the transfer of passenger service flights increased the Garuda's cost of fuel and other flight costs for the year ended 31 December 2010. In February 2014, Mount Kelud in Kediri, East Java, erupted and disrupted flights. Volcanic ash caused the temporary closure of six airports and the cancellation of hundreds of flights due to the volcanic ash potentially disrupting the performance of the aircraft engines. As a result of Mount Kelud's eruption, Garuda terminated the operation of 129 flights from airports that suffered the closure. Garuda also implemented a fee-waiver policy for the passengers who had to change their flight schedule or refund ticket.

There can be no assurance that existing insurance coverage will be sufficient to protect Garuda from potential losses due to natural disasters and other events which are beyond Garuda's control. In addition, Garuda cannot ensure that the premium to be paid for such insurance after the extension will not increase significantly, which may adversely affect Garuda's financial condition and results of operations. In addition, Garuda cannot assure that the geological events in the future will not have an impact on the Indonesian economy. A significant earthquake or other geological disturbance in any city in Indonesia may significantly disrupt the Indonesian economy and undermine investor confidence, and thereby materially and adversely affect the business, prospects, financial condition and results of operations of Garuda, and its ability to make payments under the Certificates.

***Depreciation or volatility in the value of the Rupiah may adversely affect Garuda's business, prospects, financial condition and results of operations.***

Substantially all of Garuda's debt obligations, lease payment obligations, maintenance and overhaul and fuel expenses are denominated in U.S. dollars, while approximately half of its revenues are denominated in Rupiah, with the remainder denominated in other foreign currencies.

Garuda's consolidated financial statements are reported in U.S. dollars. Accordingly, Garuda is exposed to exchange rate risk, in particular, exchange risk related to fluctuations in the U.S. dollar/Rupiah exchange rate.

One of the most important immediate causes of the economic crisis that began in Indonesia in mid-1997 was the depreciation and volatility of the value of the Rupiah as measured against other currencies, such as the U.S. dollar. Although the Rupiah has appreciated considerably from its low point of approximately IDR17,000 per U.S. dollar in January 1998, the Rupiah continues to experience significant volatility.

The Rupiah has generally been freely convertible and transferable. However, from time to time, Bank Indonesia has intervened in the currency exchange markets in furtherance of its policies, either by selling Rupiah or by using its foreign currency reserves to purchase Rupiah. Garuda cannot assure investors that the current floating exchange rate policy of Bank Indonesia will not be modified, that additional depreciation of the Rupiah against other currencies, including the U.S. dollar, will not occur, or that the Government will take additional action to stabilise, maintain or increase the value of the Rupiah, or that any of these actions, if taken, will be successful. Any adverse changes in the value of the Rupiah against the other currencies, including the U.S. dollar, could have a material adverse effect on Garuda's financial condition, results of operations or cash flows.

***Modification of the current floating exchange rate policy could result in significantly higher domestic interest rates, liquidity shortages, capital or exchange controls or the withholding of additional financial assistance by multinational lenders.***

This could result in a reduction of economic activity, an economic recession, and declining passenger volumes, and as a result, Garuda may also face difficulties in funding its fleet expansion and in implementing its business strategy. Any of the foregoing consequences could have a material adverse effect on its business, prospects, financial condition and results of operations.

***Downgrades of credit ratings of Indonesia and Indonesian companies could materially and adversely affect its and the market price of the Certificates.***

In 1997, certain internationally recognised statistical rating organisations, including Moody's, Standard & Poor's and Fitch, downgraded Indonesia's sovereign rating, the credit ratings of various credit instruments of the Government and the credit ratings of a large number of Indonesian banks and other companies. Currently, Indonesia's sovereign foreign currency long-term debt is rated (i) "Baa3 (stable)" by Moody's, (ii) "BB+ (stable)" by Standard & Poor's and (iii) "BBB-(stable)" by Fitch. These ratings reflect an assessment of the Government's overall financial capacity to pay its obligations and its ability or willingness to meet its financial commitments as they become due.

No assurance can be given that Moody's, Standard & Poor's, Fitch or any other statistical rating organisation will not downgrade the credit ratings of Indonesia or Indonesian companies. Any such downgrade could have an adverse impact on liquidity in the Indonesian financial markets, the ability of the Government and Indonesian companies, including Garuda, to raise additional financing and the interest rates and other commercial terms at which such additional financing is available and could have a material adverse effect on Garuda's business, prospects, financial condition and results of operations.

***Garuda's financial statements are prepared in accordance with the Indonesian Financial Accounting Standards ("Indonesian FAS"), which differs from International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB").***

Garuda is subject to financial reporting requirements that have significant differences from those applicable to companies in other countries, including the United States and the United Kingdom. Garuda's consolidated financial statements are prepared in accordance with Indonesian FAS, which differ in certain material respects to IFRS as issued by the IASB.

Neither the Bank nor its advisers has (i) performed a reconciliation of the consolidated financial statements included in this Offering Circular to IFRS as issued by the IASB, or (ii) quantified the differences between IFRS as issued by the IASB and Indonesian FAS with respect to such consolidated financial statements. If such a reconciliation or quantification had been performed, other material differences might have been identified and disclosed in the "Summary of Certain Principal Differences between Indonesian FAS and IFRS". Accordingly, there is no assurance that the identified differences in the "Summary of Certain Principal Differences between Indonesian FAS and IFRS" represent all material differences related to Garuda as of and for the years ended 31 December 2014 and as of and for the three-month period ended 31 March 2015.

***Labour activism and unrest may materially and adversely affect Garuda.***

In 2000, the Government issued Law No. 21 of 2000 on Labor Union (the "Labor Union Law"). The Labor Union Law permits employees to form unions without employer intervention. In March 2003, the Government enacted Law No. 13 of 2003 on Manpower Affairs ("Law No.13/2003") and has further issued implementing regulations which, among other things, increased the amount of

severance, service and compensation payments payable to employees upon termination of employment. Laws and regulations which facilitate the formation of labour unions combined with weak economic conditions has resulted, and will likely continue to result in, labour unrest and activism in Indonesia.

Labour unrest and activism in Indonesia could disrupt Garuda's operations and the operations of its suppliers, customers and contractors and could affect the financial condition of Indonesian companies in general, depressing the prices of Indonesian securities on the Indonesian or other stock exchanges and the value of the Rupiah relative to other currencies. Such events could materially and adversely affect Garuda's business, prospects, financial condition and results of operations, and its ability to make payments under the Certificates.

***The regulations and ratings of international aviation authorities that are applicable to Indonesia may materially and adversely affect Garuda.***

In April 2007, the U.S. Federal Aviation Authority ("FAA") downgraded the aviation safety ranking of Indonesia to Category 2 from the previous Category 1 rating. The lower Category 2 rating may adversely affect the ability of Indonesian airlines, including Garuda, to establish new routes to U.S. destinations and to other countries that base their decision on flight access on the FAA's ratings. There can be no assurance that such rating will not negatively affect Garuda's business, including its ability to successfully expand flight services to certain international destinations. Further, in June 2007, following a safety audit report conducted by the ICAO on Indonesia's aviation authority, the EU banned all Indonesian airlines from operating to and from Europe. While the EU lifted Garuda's ban from flying into Europe in July 2009, there can be no assurance that the ban will not be reinstated or reapplied to Garuda in the future, which could negatively affect Garuda's business. In particular, there can be no assurance that other countries to which Garuda currently operates flights or which Garuda may operate flights will not take similar regulatory action. Such events could materially and adversely affect Garuda's business, prospects, financial condition and results of operations, and its ability to make payments under the Certificates.

**Risks Relating to the Certificates**

***The Certificates are unsecured obligations and the claims of the Trustee or the Delegate (on behalf of the Certificateholders) will rank behind the claims of Garuda's secured creditors.***

Garuda finances the majority of its aircraft using operating leases and certain of its aircraft using finance leases. Under the terms of a finance lease, the financier is granted security interests in the aircraft in order to secure Garuda's obligations under the finance lease. As of 31 March 2015, (6 out of 174) of Garuda's aircraft were financed using finance leases. Under the terms of an operating lease, Garuda does not own the aircraft being leased and the aircraft does not appear as an asset on Garuda's balance sheet. As of 31 March 2015, (151 out of 174) of Garuda's aircraft were financed using operating leases.

Investors should be aware that if Garuda becomes insolvent, any of Garuda's assets which are the subject of a valid security arrangement (including those aircraft which are the subject of a finance lease granting such security) will not be available to satisfy the claims of any of Garuda's unsecured creditors, including the Trustee or the Delegate (on behalf of holders of the Certificates), and the claims of Garuda's secured creditors will rank ahead of the claims of such parties accordingly.

***The Certificates are limited recourse obligations.***

The Certificates are not debt obligations of the Trustee. Instead, the Certificates represent an undivided ownership interest solely in the Trust Assets. Recourse to the Trustee in respect of the Certificates is limited to the Trust Assets and the proceeds of such Trust Assets are the sole source of payments on the Certificates. Upon receipt by the Trustee of a Dissolution Notice in accordance with

the terms of Condition 12 (*Dissolution Events*), the sole rights of each of the Trustee and/or the Delegate (acting on behalf of the Certificateholders), will be (subject to Condition 13 (*Realisation of Trust Assets*)) against Garuda to perform its obligations under the Transaction Documents to which it is a party.

No Certificateholder shall be entitled to proceed directly against the Trustee or Garuda unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and Garuda shall be to enforce their respective obligations under the Transaction Documents to which they are a party.

Following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets to the Certificateholders in accordance with the Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person (including Garuda) to recover any such sum in respect of the Certificates or the Trust Assets.

After enforcing the Trust Assets and distributing the net proceeds of such Trust Assets in accordance with Condition 5(b) (*The Trust — Application of Proceeds from Trust Assets*), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

***Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.***

The denomination of the Certificates is U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof. Therefore, it is possible that the Certificates may be traded in amounts in excess of U.S.\$200,000 that are not integral multiples of U.S.\$200,000. In such a case, a Certificateholder who, as a result of trading such amounts, holds a principal amount of less than U.S.\$200,000 would need to purchase a principal amount of Certificates such that it holds an amount equal to at least U.S.\$200,000 to be able to trade such Certificates. Certificateholders should be aware that Certificates which have a denomination that is not an integral multiple of U.S.\$200,000 may be illiquid and difficult to trade.

***Legal investment considerations may restrict certain investments.***

The investment activities of certain investors are subject to investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) Certificates are legal investments for it, (ii) Certificates can be used as collateral for various types of borrowing, and (iii) other restrictions apply to its purchase or pledge of any Certificates. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Certificates under any applicable risk-based capital or similar rules.

***Absence of secondary market/limited liquidity.***

The Certificates may have no established trading market when issued, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Certificates easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. Illiquidity may have a severely adverse effect on the market value of Certificates.

***The Certificates are subject to modification by a majority of Certificateholders without the consent of all Certificateholders.***

The Conditions contain provisions for calling meetings of Certificateholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Certificateholders including Certificateholders who did not attend and vote at the relevant meeting or otherwise exercise their voting rights and Certificateholders who voted in a manner contrary to the majority. The Delegate may agree to modify the Conditions of the Certificates without the consent of the Certificateholders where the modifications are, in the opinion of the Delegate, of a formal, minor or technical nature or are made to correct a manifest error. For further details of such matters and the relevant majorities required at meetings of Certificateholders, see Condition 14 (*Meetings of Certificateholders, Modification, Waiver and Substitution*) and the corresponding provisions of the Declaration of Trust.

***Investors may not be able to reinvest redemption proceeds of the Certificates at the same or a higher rate than the profit rate applicable to the Certificates.***

The Certificates may be redeemed prior to the Scheduled Dissolution Date if: (i) the Trustee becomes obliged to increase the amounts payable in respect of the Certificates due to any withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Cayman Islands or any authority therein or thereof having power to tax, and such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) Garuda becomes obliged to pay additional amounts to the Trustee under the Transaction Documents due to any withholding or deduction for any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the Republic of Indonesia or any authority therein or thereof having power to tax, and such obligation cannot be avoided by the Trustee or Garuda, as the case may be, taking reasonable measures available to it, in each case in accordance with Condition 8(b) (*Early Dissolution for Taxation Reasons*).

If the Certificates are redeemed as described above, an investor may not be able to reinvest the redemption Dissolution Distribution Amount at an effective periodic distribution rate as high as the Periodic Distribution Amount on the Certificates being redeemed and may only be able to do so at a significantly lower periodic distribution amount. Potential investors should consider reinvestment risk in light of other investments available at that time.

***Exchange rate risks and exchange controls.***

The Trustee will make all payments on the Certificates in U.S. dollars. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than U.S. dollars. These include the risk that exchange rates may significantly change (including changes due to devaluation of U.S. dollars or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to U.S. dollars would decrease: (i) the Investor's Currency equivalent yield on the Certificates; (ii) the Investor's Currency equivalent value of the principal payable on the Certificates; and (iii) the Investor's Currency equivalent market value of the Certificates.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less amounts under the Certificates than expected, or no such amounts.



*A change of law may adversely affect the Certificates.*

The structure of the issue of the Certificates is based on English law and administrative practices in effect as at the date of this Offering Circular, and the Certificates and the Transaction Documents are governed by English law. No assurance can be given as to the impact of any possible change to English law or administrative practices after the date of this Offering Circular, nor can any assurance be given as to whether any such change could adversely affect the ability of the Trustee to make payments under the Certificates or of Garuda to comply with its obligations under the Transaction Documents.

*Obligations arising under the Currency Law and Bank Indonesia Regulation on the Mandatory Use of Rupiah may affect Garuda.*

On 28 June 2011, the Government of Indonesia enacted the Law Number 7 of 2011 on the National Currency (the “**Currency Law**”), which took immediate effect. Article 21(1) of the Currency Law requires the mandatory use of the Rupiah (as the local currency) in certain transactions conducted in Indonesia including

- (i) all transactions which have a purpose of payment,
- (ii) settlement of obligations which have to be satisfied with a cash payment and
- (iii) other financial transactions.

However, Article 21(2) provides exemptions for: (a) certain transactions related to the implementation of the State Budget, (b) receipt or grant of offshore grants, (c) international trade transactions, (d) bank deposits in foreign currency, or (e) international financing transactions. Article 23 of the Currency Law prohibits any party from refusing to accept Rupiah as payment or in fulfilment of its obligations, which must be satisfied in Rupiah, and for other financial transactions in Indonesia except where there is doubt as to the authenticity of the Rupiah paid. Failure to comply with the Currency Law may result in imprisonment of up to one year and fines of up to Rp200 million, and if the violation is committed by a company, the imprisonment term and fines will be increased by one-third.

On 31 March 2015, Bank Indonesia enacted Bank Indonesia Regulation No. 17/3/PBI/2015 on Mandatory Use of Rupiah within the Territory of the Republic of Indonesia (“**PBI 17/2015**”) as the implementation of Currency Law, which requires any party to use Rupiah for any transaction conducted within the territory of Indonesia. PBI 17/2015 stipulates that a recipient is prohibited from refusing to receive Rupiah as means of payment or for the settlement of Rupiah obligations or other financial transactions within Indonesia, unless there is doubt as to the authenticity of the Rupiah paid in a cash transaction and payment or the settlement of an obligation in a foreign currency is agreed in writing by the parties. Article 10 (3) of PBI 17/2015 further clarifies that the exemption applies only for:

- (a) agreements relating to transactions exempted from the mandatory use of Rupiah as referred to in PBI 17/2015 (e.g. international financing transactions); or
- (b) agreements for “Strategic Infrastructure Projects” which have been approved by Bank Indonesia.

As an exemption, PBI 17/2015 also stipulates that any agreement on payment or settlement of obligations in foreign currency which are made prior to 1 July 2015 are still valid until the expiry of the agreements. This exemption applies only for agreements relating to non-cash payment or settlement of obligations. However, the exemption will not be applicable for any extension or amendment of the agreements (particularly any amendments relating to the subject and/or object of the agreements).

Garuda has several payment obligations denominated in U.S. dollars within the territory of Republic of Indonesia under certain agreements, including its jet fuel supply agreements with Pertamina. Effectively, PBI 17/2015 (i) requires Garuda to adjust the relevant existing U.S. dollars denominated agreements to conform with the requirements under PBI 17/2015 (whenever there is an extension or amendment to those agreements) and (ii) prohibits Garuda from entering into new U.S. dollars denominated agreements with counterparties for transactions conducted within the territory of Republic of Indonesia after 1 July 2015. The elucidation of PBI 17/2015 further explains that an amendment relates to a change of “subject” and “object” of the written agreement. However, there is no further explanation on the object of the agreement itself. If Bank Indonesia adopt a conservative approach, all amendments after 1 July 2015 to such agreements will be subject to PBI 17/2015. A breach of the requirements of PBI 17/2015 will be subject to administrative, criminal or monetary sanctions up to Rp1 billion. The restrictions on Garuda’s ability to enter into, or renew or amend, its Rupiah denominated contracts may limit its ability to naturally hedge or service its non-Rupiah denominated liabilities or obtain or refinance non-Rupiah financing in the future.

***Investors in the Certificates must rely on Euroclear and Clearstream, Luxembourg procedures.***

The Certificates will be represented on issue by a Global Certificate that will be deposited with a common depository for Euroclear and Clearstream, Luxembourg. Except in the circumstances described in the Global Certificate, investors will not be entitled to receive Certificates in definitive form. Each of Euroclear and Clearstream, Luxembourg and their respective direct and indirect participants will maintain records of the ownership interests in the Global Certificate. While the Certificates are represented by the Global Certificate, investors will be able to trade their ownership interests only through Euroclear and Clearstream, Luxembourg and their respective participants.

While the Certificates are represented by the Global Certificate, the Trustee will discharge its payment obligation under the Certificates by making payments through the relevant clearing systems. A holder of an ownership interest in the Global Certificate must rely on the procedures of the relevant clearing system and its participants to receive payments under the Certificates. The Trustee has no responsibility or liability for the records relating to, or payments made in respect of, ownership interests in the Global Certificate.

Holders of ownership interests in the Global Certificate will not have a direct right to vote in respect of the Certificates so represented. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

***No assurance can be given as to Shari’a rules.***

The Shari’a advisory boards/committees of Dubai Islamic Bank P.J.S.C., Maybank Investment Bank Berhad, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank have confirmed that the Transaction Documents are, in their view, Shari’a compliant. However, there can be no assurance that the Transaction Documents or the issue and trading of the Certificates will be deemed to be Shari’a compliant by any other Shari’a advisory board/committee or Shari’a scholars. None of the Trustee, Garuda, the Delegate, the Agents, the Joint Lead Managers or the Co-Managers makes any representation as to the Shari’a compliance of the Certificates and/or any trading thereof and potential investors are reminded that, as with any Shari’a views, differences in opinion are possible.

In addition, prospective investors are reminded that the enforcement of any obligations of any of the parties would be, if in dispute, the subject of arbitration in London under the LCIA Rules.

***Shari'a requirements in relation to interest awarded by a court.***

In accordance with applicable Shari'a principles, each of the Trustee, the Delegate and any Agent will waive all and any entitlement it may have to interest awarded in its favour by any arbitral tribunal or court in connection with any dispute under any of the Transaction Documents. Should there be any delay in the enforcement of a judgment given against Garuda, judgment interest may accrue in respect of that delay and, as a result of the waiver referred to above, Certificateholders will not be entitled to receive any part of such interest.

***EU Savings Directive.***

EC Council Directive 2003/48/EC on the taxation of savings income (the "**Savings Directive**") requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State.

On 24 March 2014, the Council of the European Union has adopted a Directive (the "**Amending Directive**") which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

If a payment were to be made or collected through an EU Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment pursuant to the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to such Directive, neither Garuda nor any Paying Agent nor any other person would be obliged to pay additional amounts with respect to any Certificate as a result of the imposition of such withholding tax. Furthermore, once the Amending Directive is implemented and takes effect in EU Member States, such withholding may occur in a wider range of circumstances than at present, as explained above.

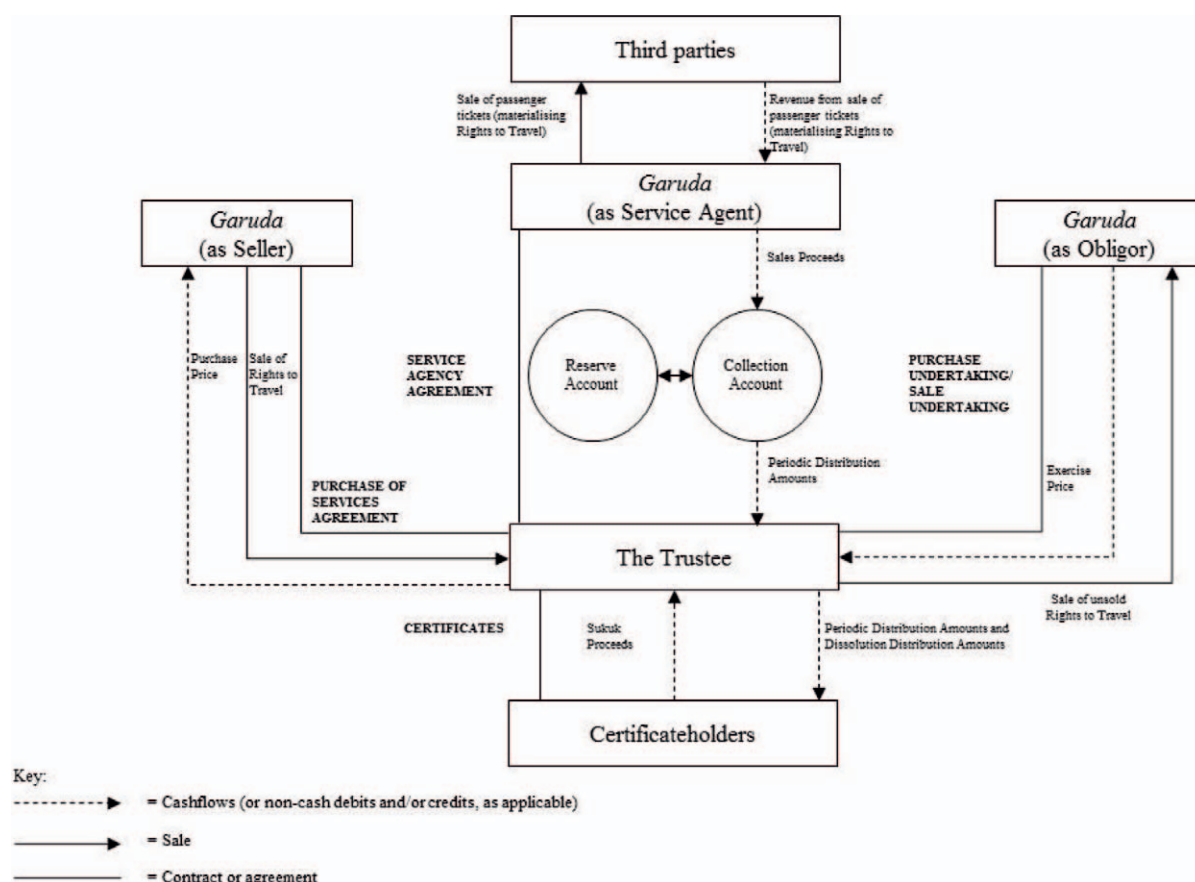
Garuda is required to maintain a Paying Agent with a specified office in an EU Member State that is not obliged to withhold or deduct tax pursuant to any law implementing the Savings Directive or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000. However, investors should be aware that any custodians or intermediaries through which they hold their interest in the Certificates may nonetheless be obliged to withhold or deduct tax pursuant to such laws unless the investor meets certain conditions, including providing any information that may be necessary to enable such persons to make payments free from withholding and in compliance with the Savings Directive, as amended.

Investors who are in any doubt as to their position should consult their professional advisers.

## STRUCTURE DIAGRAM AND CASH FLOWS

Set out below is a simplified structure diagram and description of the principal cash flows relating to the Certificates. This does not purport to be complete and is qualified in its entirety by reference to, and must be read in conjunction with, the more detailed information appearing under “*Terms and Conditions of the Certificates*” and “*Summary of the Principal Transaction Documents*” in this Offering Circular. Potential investors are referred to the Conditions and the detailed descriptions of the relevant Transaction Documents set out elsewhere in this Offering Circular for a fuller description of certain cash flows and for an explanation of the meaning of certain capitalised terms used below. Potential investors should read this entire Offering Circular carefully, especially the risks of investing in the Certificates discussed under “*Risk Factors — Risks Relating to the Certificates*”.

### Structure Diagram



### Principal cash flows

#### *Payments by the Certificateholders and the Trustee*

On the Issue Date, the Trustee will enter into a purchase of services agreement (the “**Purchase of Services Agreement**”) with the Obligor pursuant to which the Trustee will use the proceeds of the issue of the Certificates to purchase, on behalf of the Certificateholders, from the Obligor certain rights and services comprising: (i) the right and entitlement to travel on any air passenger route operated from time to time by the Obligor; and (ii) all services ordinarily provided by the Obligor to passengers travelling on such route except for any services relating to the sale of alcohol, pork or tobacco-related products, in each case subject to and in accordance with the Obligor’s prevailing terms of business (such rights and services being measured in ASKs) (the “**Rights to Travel**”). Such Rights to Travel shall be made available to the Trustee to be sold in specified periods.

For the purposes of the purchase of the Rights to Travel, each ASK will be ascribed a value of U.S.\$0.0650, representing the cost of each ASK (less such approximate amount determined by the Obligor in accordance with its operating data to be attributable to costs of any flight services that are not Shari'a- compliant) divided by 1.15 (the "**Base Price**"). The Rights to Travel purchased pursuant to the Purchase of Services Agreement will comprise: (i) the Allotted Rights to Travel (as defined below) in respect of each Profit Period; and (ii) certain additional Rights to Travel (the "**Additional Rights to Travel**").

### **Periodic Distribution Payments and Dissolution Distribution Payments**

Pursuant to a service agency agreement (the "**Service Agency Agreement**") to be entered into on the Issue Date between the Trustee (as principal) and the Obligor (as Service Agent) a specified portion of the Rights to Travel (measured in ASKs) will be designated for distribution and sale at a specified minimum sale price by the Service Agent on behalf of the Trustee during the periods from (and including) a Periodic Distribution Date (or the Issue Date, as applicable) to (but excluding) the next succeeding Periodic Distribution Date (or the Scheduled Dissolution Date, as applicable) (each such period, a "**Profit Period**") (the "**Allotted Rights to Travel**").

The Service Agent shall credit an amount equal to the proceeds of the distribution and sale of the Allotted Rights to Travel into a collection account (the "**Collection Account**"). If at any time the amount credited to the Collection Account exceeds the amount of the Periodic Distribution Amount payable on the immediately following Periodic Distribution Date or in the case of the final Profit Period, the Dissolution Distribution Amount payable on the Scheduled Dissolution Date, then **provided that** no Dissolution Event has occurred and is continuing the Service Agent shall be entitled to debit such excess from the Collection Account and credit it to a reserve account (the "**Reserve Account**").

Amounts standing to the credit of the Reserve Account may be used by the Service Agent for its own account, subject to re-crediting relevant amounts to the Collection Account if there is a shortfall in any amount payable to the Trustee on any Periodic Distribution Date or on the Scheduled Dissolution Date, as the case may be.

The Collection Account and the Reserve Account are internal records maintained by the Service Agent.

On the Business Day prior to each Periodic Distribution Date and the Scheduled Dissolution Date, the Service Agent will procure the payment to the Trustee (by way of a payment into the transaction account (the "**Transaction Account**") established for the Certificates (and as described further in the Conditions)) of the Periodic Distribution Amounts payable by the Trustee under the Certificates for that Profit Period or in the case of the final Profit Period, the Dissolution Distribution Amount payable on the Scheduled Dissolution Date, and such amounts will be applied by the Trustee for that purpose on the immediately following Periodic Distribution Date or the Scheduled Dissolution Date, as the case may be. Such amounts are expected to be funded by the proceeds from the sale of the Allotted Rights to Travel (measured in ASKs) for that Profit Period, save as described below.

The Service Agent shall not be entitled, during any Profit Period, to sell Rights to Travel at a price which is less than a specified minimum sale price.

If:

- (a) less than the specified number of Allotted Rights to Travel set out in the Service Agency Agreement are sold during a Profit Period, then the Obligor will purchase the unsold Allotted Rights to Travel from the Trustee for a specified minimum sale price pursuant to a purchase undertaking granted by the Obligor on the Issue Date in favour of the Trustee and the Delegate (the "**Purchase Undertaking**"); and/or

- (b) any Rights to Travel are sold for less than the specified minimum sale price, then the Service Agent will pay out of the Reserve Account and (if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts previously deducted by the Service Agent in accordance with the Service Agency Agreement) the Service Agent will indemnify the Principal for the shortfall in relation to the sale of the relevant Allotted Rights to Travel,

such that the proceeds of the sale of Rights to Travel during each Profit Period (together with any such payments in the case of (b) above) will always be sufficient to pay the relevant Periodic Distribution Amounts and, in respect of the final Profit Period only, the relevant Dissolution Distribution Amount due in respect of the Certificates.

### **Termination Payments by the Obligor**

Following the occurrence of a Dissolution Event, the Trustee and the Delegate will have the right to require the Obligor to purchase and accept the transfer of the aggregate unsold Allotted Rights to Travel held by the Trustee or by the Obligor on its behalf (the “**Outstanding Rights to Travel**”) and the Additional Rights to Travel (measured in ASKs) from the Trustee pursuant to the Purchase Undertaking. The price payable by the Obligor upon such exercise of the Purchase Undertaking shall be calculated as the product of: (i) the aggregate of the Outstanding Rights to Travel and Additional Rights to Travel (measured in ASKs); and (ii) the minimum sale price (collectively, the “**Exercise Price**”), which shall be credited to the Collection Account for immediate payment to the Transaction Account of an amount in cash sufficient to pay the outstanding face amount of the Certificates plus all due but unpaid Periodic Distribution Amounts.

Following the occurrence of a Change of Control (as defined in the Conditions) and the request by one or more Certificateholders to exercise a “put” right in respect of the Certificates held by it, the Trustee shall be entitled to exercise its rights under the Purchase Undertaking to require the Obligor to purchase and accept from the Trustee the transfer of the Change of Control Rights to Travel (such number of rights to be determined by dividing the aggregate outstanding face amount of the Certificates being redeemed at a particular time in respect of the Change of Control (the “**Redeemed Certificates**”) plus all due but unpaid Periodic Distribution Amounts relating to such Redeemed Certificates by the minimum sale price (the “**Change of Control Rights to Travel**”). The price payable by the Obligor in relation to the Redeemed Certificates shall be an amount in U.S. dollars equal to the aggregate of (a) an amount equal to the Change of Control Rights to Travel (measured in ASKs) multiplied by the minimum sale price and (b) an amount equal to one per cent. (1%) of the face amount of the Redeemed Certificates.

Upon the occurrence of a Tax Event, or if the Obligor wishes to cancel any Certificates held by or on behalf of the Trustee or the Obligor, pursuant to a sale undertaking granted by the Trustee in favour of the Obligor on the Issue Date, the Obligor will have the right to require the Trustee to sell, transfer and convey all or part of the Outstanding Rights to Travel to the Obligor. The price payable by the Obligor in relation to redemption on the requirement of tax gross-ups shall be an amount in U.S. dollars equal to the sum of: (i) the aggregate outstanding face amount of the Certificates; and (ii) all due but unpaid Periodic Distribution Amounts relating to such Certificates. The consideration to be provided by the Obligor upon the cancellation of Certificates held by or on behalf of the Trustee or the Obligor shall be the cancellation of such Certificates.

## OVERVIEW OF THE OFFERING

The following overview should be read as an introduction, and is qualified in its entirety by reference, to the more detailed information appearing elsewhere in this Offering Circular. This overview does not contain all of the information that an investor should consider before investing in the Certificates. Each investor should read the entire Offering Circular carefully, especially the risks of investing in the Certificates discussed under “*Risk Factors*”.

Words and expressions defined in the Conditions shall have the same meanings in this overview.

<b>Certificates:</b>	U.S.\$500,000,000 Trust Certificates.
<b>Trustee:</b>	Garuda Indonesia Global Sukuk Limited, an exempted company incorporated on 30 April 2015 under the laws of the Cayman Islands and formed and registered in the Cayman Islands with registered number 299311 with its registered office at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands.
<b>Ownership of the Trustee:</b>	The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 each, of which one share is fully-paid and issued at the date of this Offering Circular. The Trustee’s entire issued share capital is held on trust for charitable purposes by Elian Corporate Trustee (Cayman) Limited as share trustee under the terms of a declaration of trust.
<b>Administration of the Trustee:</b>	The affairs of the Trustee are managed by Elian Secretaries (Cayman) Limited, who has agreed to perform certain management functions and provide certain clerical, administrative and other services pursuant to an administration agreement dated on or before the Issue Date between Elian Secretaries (Cayman) Limited, Elian Fiduciary Services (Jersey) Limited and the Trustee (the “ <b>Administration Agreement</b> ”). The Trustee Administrator’s registered office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands.
<b>Obligor, Seller and Service Agent:</b>	PT Garuda Indonesia (Persero) Tbk (“ <b>Garuda</b> ”).
<b>Risk Factors:</b>	Certain factors may affect the Trustee’s ability to fulfil its obligations under the Certificates and the Obligor’s ability to fulfil its obligations under the Transaction Documents to which it is a party. In addition, certain factors are material for the purpose of assessing the market risks associated with the Certificates. These are set out under “ <i>Risk Factors</i> ”.
<b>Joint Lead Managers and Joint Bookrunners:</b>	Al Hilal Bank P.J.S.C. Australia and New Zealand Banking Group Limited Deutsche Bank AG, Singapore Branch Dubai Islamic Bank P.J.S.C.



Emirates NBD P.J.S.C.

First Gulf Bank P.J.S.C.

Maybank Investment Bank Berhad

National Bank of Abu Dhabi P.J.S.C.

Noor Bank P.J.S.C.

Sharjah Islamic Bank P.J.S.C.

Standard Chartered Bank

Warba Bank K.S.C.P.

**Co-Managers:**

PT Mega Capital Indonesia

PT BNI Securities

PT Trimegah Securities, Tbk

**Delegate:**

The Hongkong and Shanghai Banking Corporation Limited.

Pursuant to the Declaration of Trust, the Trustee shall delegate to the Delegate certain of the present and future duties, powers, authorities and discretions vested in the Trustee under the Declaration of Trust. In particular, the Delegate shall, subject to its being indemnified and/or secured and/or pre-funded to its satisfaction, take enforcement action against the Obligor following a Dissolution Event.

**Principal Paying Agent:**

The Hongkong and Shanghai Banking Corporation Limited.

**Registrar, Paying Agent and Transfer Agent:**

The Hongkong and Shanghai Banking Corporation Limited.

**Summary of the transaction structure and Transaction Documents:**

An overview of the structure of the transaction and the principal cashflows is set out under "*Structure Diagram and Cashflows*" and a description of the principal terms of certain of the Transaction Documents is set out under "*Summary of the Principal Transaction Documents*".

**Issue Date:**

3 June 2015.

**Issue Price:**

99.256 per cent.

**Scheduled Dissolution Date:**

Unless previously purchased and cancelled, or otherwise redeemed, the Certificates will be redeemed on 3 June 2020.

**Periodic Distribution Dates:**

3 June and 3 December every year, commencing on 3 December 2015.

**Periodic Distributions:**

Periodic Distribution Amounts shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date, in respect of the Return Accumulation Period ending on such date and shall accrue at the rate of 5.95 per cent. per annum.

**Early Dissolution for Taxation Reasons:**

The Conditions will contain a provision for optional redemption by the Trustee, at any time, in whole but not in part, if: (i) (A) the Trustee has or will become obliged to pay additional amounts as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 June 2015, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or (ii) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the Republic of Indonesia or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 June 2015, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it. The terms of exercise are further described in Condition 8(b) (*Early Dissolution for Taxation Reasons*).

**Dissolution at the Option of the Certificateholders upon a Change of Control Put Right:**

The Conditions will contain a provision for optional redemption by any Certificateholder, at the Change of Control Dissolution Amount, upon the occurrence of a Change of Control. A Change of Control shall occur if the Government of Indonesia ceases to be the ultimate owner (either directly or indirectly) of at least 51 per cent. of the Obligor's issued and paid-up share capital. The terms of exercise are further described in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

**Form of Certificates:**

The Certificates will be issued in registered form as described in "*Global Certificate*". The Certificates will be represented on issue by ownership interests in a Global Certificate which will be deposited with, and registered in the name of a nominee of, a common depository for Euroclear and Clearstream, Luxembourg. Ownership interests in the Global Certificate will be shown on, and transfers thereof will only be effected through, records maintained by each relevant clearing system and its participants. Definitive Certificates evidencing holdings of Certificates will be issued in exchange for interests in the Global Certificate only in limited circumstances.

**Clearance and Settlement:**

Certificateholders must hold their interest in the Global Certificate in book-entry form through Euroclear or Clearstream, Luxembourg. Transfers within and between Euroclear and Clearstream, Luxembourg will be in accordance with the usual rules and operating procedures of the relevant clearing systems.

**Denomination of the Certificates:**

The Certificates will be issued in registered form in face amounts of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

**Status of the Certificates:**

Each Certificate will represent an undivided ownership interest in the Trust Assets, will be a limited recourse obligation of the Trustee and will rank *pari passu* without any preference or priority with all other Certificates. See Condition 4 (*Status*).

The payment obligations of the Obligor under the Transaction Documents to which it is a party shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b) (*Obligor Covenants*), at all times, rank at least equally with all other unsecured and unsubordinated obligations of the Obligor, present and future.

**Trust Assets:**

The Trust Assets comprise:

- (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
- (ii) the interest, rights, benefits and entitlements, present and future, of the Trustee in and to the Rights to Travel which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);
- (iii) the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents); and
- (iv) all moneys standing to the credit of the Transaction Account from time to time,

and all proceeds of the foregoing, upon trust for the Certificateholders *pro rata* according to the face amount of Certificates held by each holder in accordance with the Declaration of Trust and the Conditions.

<b>Dissolution Events:</b>	Subject to Condition 12 ( <i>Dissolution Events</i> ) and Condition 13 ( <i>Realisation of Trust Assets</i> ), upon the occurrence of a Dissolution Event, the Trustee and/or the Delegate shall take the actions referred to in Condition 12(b) ( <i>Enforcement and Exercise of Rights</i> ).
<b>Withholding Tax:</b>	<p>Subject to Condition 9(b) (<i>Payments subject to Fiscal Laws</i>) and Condition 10 (<i>Taxation</i>), all payments in respect of the Certificates shall be made without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the Republic of Indonesia or any authority thereof having power to tax, unless such withholding or deduction is required by law. In such event, the Trustee will pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required.</p> <p>The Transaction Documents provide that payments thereunder by the Obligor shall be made free and clear of, and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature, unless such withholding or deduction is required by law and, in such case, provide for the payment by the Obligor of additional amounts so that the full amount which would otherwise have been due and payable is received by the Trustee.</p>
<b>Trustee Covenants:</b>	The Trustee has agreed to certain restrictive covenants as set out in Condition 6(a) ( <i>Trustee Covenants</i> ).
<b>Obligor Negative Pledge:</b>	The Obligor has agreed to certain negative pledge provisions as set out in Condition 6(b) ( <i>Obligor Covenants</i> ).
<b>Ratings:</b>	The Certificates will not be rated by any rating organisation upon their issue.
<b>Certificateholder Meetings:</b>	A summary of the provisions for convening meetings of the Certificateholders to consider matters relating to their interests as such is set out in Condition 14 ( <i>Meetings of Certificateholders, Modification, Waiver and Substitution</i> ).
<b>Tax Considerations:</b>	See “ <i>Taxation</i> ” for a description of certain tax considerations applicable to the Certificates.
<b>Listing and Admission to Trading:</b>	<p>Application has been made to the Singapore Exchange Securities Trading Limited (the “<b>SGX-ST</b>”) for the listing and quotation of the Certificates on the SGX-ST.</p> <p>The Certificates will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Certificates are listed on the SGX-ST and the rules of the SGX-ST so require.</p>

<b>Transaction Documents:</b>	The Declaration of Trust, the Agency Agreement, the Purchase of Services Agreement, the Service Agency Agreement, the Purchase Undertaking and the Sale Undertaking are referred to herein as the “ <b>Transaction Documents</b> ”.
<b>Governing Law:</b>	The Certificates and the Transaction Documents and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law.
<b>Waiver of Immunity:</b>	To the extent that the Obligor may, in any jurisdiction, claim for itself or its assets or revenues immunity from suit, execution, attachment (whether in aid of execution, before judgment or otherwise) or other legal process and to the extent that such immunity (whether or not claimed) may be attributed in any such jurisdiction to the Obligor or its assets or revenues, the Obligor has agreed not to claim and irrevocably and unconditionally waives such immunity to the full extent permitted by the laws of such jurisdiction.
<b>Limited Recourse:</b>	The proceeds of the Trust Assets are the sole source of payments on the Certificates. Save as otherwise provided in Condition 4(b) ( <i>Limited Recourse and Agreement of Certificateholders</i> ), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates. The proceeds of the Trust Assets are the sole source of payments on the Certificates. If the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers or shareholders) (other than the Trust Assets) or of the Delegate or the Agents or any of their respective affiliates, officers, directors or employees, in each case in respect of any shortfall or otherwise. See Condition 4(b) ( <i>Limited Recourse and Agreement of Certificateholders</i> ) for further details.
<b>Selling Restrictions:</b>	There are restrictions on the distribution of this Offering Circular and the offer or sale of Certificates in the United States, the United Kingdom, the United Arab Emirates (excluding the Dubai International Financial Centre), the Dubai International Financial Centre, the Cayman Islands, Hong Kong, the Kingdom of Bahrain, Kuwait, the Republic of Indonesia, Singapore and the State of Qatar. See “ <i>Subscription and Sale</i> ”.
<b>Use of Proceeds:</b>	The proceeds of the issue of the Certificates will be paid by the Trustee to the Obligor (as Seller) as the purchase price for the Rights to Travel as described in “ <i>Use of Proceeds</i> ”. The Obligor shall use the proceeds of the issue of the Certificates for its Shari’a compliant general corporate purposes, including the repayment of certain existing Islamic financing arrangements. See “ <i>Use of Proceeds</i> ”.

## TERMS AND CONDITIONS OF THE CERTIFICATES

*The following are the Terms and Conditions of the Certificates which (subject to completion and modification and except for the paragraphs in italics) will be incorporated by reference into each Global Certificate and each Definitive Certificate, in the latter case only if agreed by the Trustee and the relevant joint Lead Managers at the time of issue but, if not so permitted and agreed, such Definitive Certificates will have endorsed thereon or attached thereto such Terms and Conditions.*

Garuda Indonesia Global Sukuk Limited (in its capacity as issuer and as trustee, the “**Trustee**”) has authorised the issue of trust certificates (the “**Certificates**”) in an aggregate face amount of U.S.\$500,000,000.

The Certificates are constituted by a declaration of trust dated 3 June 2015 (the “**Issue Date**”) between the Trustee, PT Garuda Indonesia (Persero) Tbk (the “**Obligor**”) and The Hongkong and Shanghai Banking Corporation Limited as the Trustee’s delegate (the “**Delegate**”, which expression shall include all persons for the time being the delegate or delegates under the Declaration of Trust) (the “**Declaration of Trust**”).

An Agency Agreement (the “**Agency Agreement**”) dated the Issue Date has been entered into in relation to the Certificates between the Trustee, the Obligor, the Delegate, The Hongkong and Shanghai Banking Corporation Limited as initial principal paying agent, The Hongkong and Shanghai Banking Corporation Limited as the registrar and the other agents named in it. The principal paying agent, the other paying agents, the registrar and the transfer agents are referred to below respectively as the “**Principal Paying Agent**”, the “**Paying Agents**” (which expression shall include the Principal Paying Agent), the “**Registrar**” and the “**Transfer Agents**” (which expression shall include the Registrar), and together the “**Agents**”.

These terms and conditions (the “**Conditions**”) include summaries of, and are subject to, the detailed provisions of the Declaration of Trust, which includes the form of Certificates referred to below, the Agency Agreement and the remaining Transaction Documents (as defined below). The Certificateholders are bound by, and are deemed to have notice of, all the provisions applicable to them in the Transaction Documents. Copies of the Transaction Documents are available for inspection and collection during usual business hours with reasonable prior written notification at the specified office of the Principal Paying Agent.

Each initial Certificateholder, by its acquisition and holding of its interest in a Certificate, shall be deemed to authorise and direct the Trustee, on behalf of the Certificateholders: (a) to apply the proceeds of the issue of the Certificates towards the purchase from the Obligor of the Rights to Travel described in the Purchase of Services Agreement; and (b) to enter into each Transaction Document to which it is a party, subject to the provisions of the Declaration of Trust and these Conditions.

### 1. INTERPRETATION

Unless defined herein or the context otherwise requires, capitalised words and expressions used but not defined herein shall have the meaning given to them in the Declaration of Trust and the Agency Agreement. In addition, for the purposes of these Conditions, the following expressions have the following meanings:

“**ASKs**” has the meaning given to it in the Purchase of Services Agreement;

“**Authorised Representative**” means, in relation to the Trustee or the Obligor, any person who (i) is a director of the Trustee; or (ii) is duly authorised and in respect of whom a certificate has been provided to the Delegate signed by a director, secretary or another duly authorised person of the Trustee or the Obligor, as applicable, setting out (in each case) the name and signature of such person and confirming such person’s authority to act;

“**Business Day**” means a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in U.S. dollars;

“**Calculation Amount**” means U.S.\$1,000;

“**Certificateholder**” or “**holder**” has the meaning given to it in Condition 2 (*Form, Denomination and Title*);

“**Change of Control**” means the Government of Indonesia ceases to be the ultimate owner (either directly or indirectly) of at least 51 per cent. of the Obligor’s issued and paid-up share capital;

“**Change of Control Dissolution Distribution Amount**” means, in relation to each Certificate to be redeemed in accordance with Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*), the sum of:

- (a) 101 per cent. of the outstanding face amount of such Certificate; and
- (b) any due and unpaid Periodic Distribution Amounts for such Certificate;

“**Change of Control Exercise Notice**” has the meaning given to it in Condition 8(c);

“**Change of Control Notice**” has the meaning given to it in Condition 8(c);

“**Change of Control Put Period**” has the meaning given to it in Condition 8(c);

“**Change of Control Put Right**” means the right exercisable by Certificateholders pursuant to Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put right)*);

“**Change of Control Put Right Date**” shall be the tenth Business Day after the expiry of the Change of Control Put Period;

“**Day Count Fraction**” has the meaning given to it in Condition 7(b);

“**Delegation**” has the meaning given to it in Condition 15(a);

“**Dispute**” has the meaning given to it in Condition 19(b);

“**Dissolution Date**” means, as the case may be:

- (a) the Scheduled Dissolution Date;
- (b) any Early Tax Dissolution Date;
- (c) any Change of Control Put Right Date; or
- (d) any Dissolution Event Redemption Date;

“**Dissolution Distribution Amount**” means, in relation to each Certificate to be redeemed on the relevant Dissolution Date, the sum of:

- (a) the outstanding face amount of such Certificate; and
- (b) any due and unpaid Periodic Distribution Amounts for such Certificate;

“**Dissolution Event**” means an Obligor Event or a Trustee Event;

“**Dissolution Event Redemption Date**” has the meaning given to it in Condition 12(a);

“**Dissolution Notice**” has the meaning given to it in Condition 12(a);

“**Early Tax Dissolution Date**” has the meaning given to it in Condition 8(b) (*Early Dissolution for Taxation Reasons*);

“**Exercise Notice**” means an exercise notice given pursuant to the terms of the Purchase Undertaking or the Sale Undertaking (as the case may be);

“**Extraordinary Resolution**” has the meaning given to it in the Declaration of Trust;

“**Guarantee**” means, in relation to any Indebtedness of any Person, any obligation of another Person to pay such Indebtedness, including (without limitation):

- (a) any obligation to purchase such Indebtedness, as the case may be;
- (b) any obligation to lend money, to purchase or subscribe shares or other securities or to purchase assets or services in order to provide funds for the payment of such Indebtedness, as the case may be;
- (c) any indemnity against the consequences of a default in the payment of such Indebtedness; and
- (d) any other agreement to be responsible for such Indebtedness, as the case may be;

“**Indebtedness**” means any indebtedness of any Person for money borrowed or raised including (without limitation) any indebtedness for or in respect of:

- (a) amounts raised by acceptance under any acceptance credit facility;
- (b) obligations of such Person evidenced by bonds, notes, debentures or other similar instruments;
- (c) the amount of any liability in respect of leases or hire purchase contracts which would, in accordance with applicable law and generally accepted accounting principles, be treated as finance or capital leases;
- (d) the amount of any liability in respect of any purchase price for assets or services the payment of which is deferred for a period in excess of 60 days;
- (e) amounts raised under any other transaction (including, without limitation, any forward sale or purchase agreement) having the commercial effect of a borrowing; and
- (f) (to the extent not included above) any other financing arrangement intended to comply with the principles of *Shari'a*, to the extent such other financing is recorded as financial indebtedness in accordance with the relevant accounting standard;

“**Liability**” means any loss, damage, cost, charge, claim, demand, expense, fee, judgment, action, proceeding (whether arbitral or court) or other liability whatsoever (including, without limitations, in respect of taxes) and including any value added tax or similar tax charged or chargeable in respect thereof and legal or other fees and expenses on a full indemnity basis and references to “**Liabilities**” shall mean all of these;

“**Management Agreement**” means the management agreement entered into between the Trustee and the Trustee Administrator on or before the Issue Date;



“**Obligor Event**” means any of the following events:

- (i) **Non-payment:** the Obligor (acting in any capacity) fails to pay an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or a part of a Dissolution Distribution Amount payable by the Trustee on a Dissolution Date and the failure continues for a period of seven days, or the Obligor (acting in any capacity) fails to pay an amount payable by it pursuant to any Transaction Document to which it is a party which corresponds to all or a part of a Periodic Distribution Amount payable by the Trustee on a Periodic Distribution Date and the failure continues for a period of 14 days; or
- (ii) **Breach of Other Obligations:** the Obligor (acting in any capacity) does not perform or comply with any one or more of its covenants or other obligations under these Conditions or in the Transaction Documents to which it is a party, which failure is incapable of remedy or, being a failure which is capable of remedy, remains unremedied for 30 days after written notice of such failure shall have been given to the Obligor by the Trustee (or the Delegate) requiring the same to be remedied; or
- (iii) **Cross-default:** (A) any Indebtedness or Sukuk Obligation of the Obligor is not paid when due or (as the case may be) within any applicable grace period; or (B) any Indebtedness or Sukuk Obligation of the Obligor becomes due and payable (or becomes capable of being declared due and payable) prior to its stated maturity by reason of any event of default or the like (howsoever described); or (C) the Obligor fails to pay when due any amount payable by it under any Guarantee of any Indebtedness or Sukuk Obligation; or (D) any of the matters referred to in sub-paragraphs (A) to (C) above apply to a Subsidiary of the Obligor (rather than the Obligor itself) and the same remain unpaid or unsatisfied for a period of 14 days thereafter, **provided that** the amount of Indebtedness or Sukuk Obligation referred to in sub-paragraphs (A), (B) and (D) above, and/or the amount payable under any Guarantee referred to in sub-paragraph (C) and (D) above, in the aggregate, exceeds U.S.\$15,000,000 (or its equivalent in any other currency or currencies); or
- (iv) **Unsatisfied Judgment:** one or more judgment(s) or order(s) for the payment of an amount which in the aggregate exceeds U.S.\$15,000,000 (or its equivalent in any other currency or currencies) is rendered against the Obligor or any of its Subsidiaries and continue(s) unsatisfied and unstayed for a period of 30 days after the date(s) thereof or, if later, the date therein specified for payment; or
- (v) **Insolvency, etc.:** (A) the Obligor or any of its Principal Subsidiaries becomes (or is declared by a court of competent jurisdiction to be) insolvent or is or is deemed unable to pay its debts (or any class of its debts) as they fall due pursuant to or for the purposes of applicable law; (B) an administrator, liquidator, bankruptcy trustee (or other similar official), is appointed in respect of the Obligor or any of its Principal Subsidiaries or in relation to the whole or substantially the whole of the undertaking, assets and revenues of the Obligor (or application for any such appointment is made); (C) the Obligor or any of its Principal Subsidiaries takes any action for a readjustment or deferment of any of its obligations or makes a general assignment or an arrangement or composition with or for the benefit of its creditors or declares a moratorium in respect of any of its Indebtedness or Sukuk Obligation or any Guarantee of any Indebtedness or Sukuk Obligation given by it; (D) the Obligor or any of its Principal Subsidiaries ceases or threatens to cease to carry on all or substantially the whole of its business (otherwise than, for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent) or the Obligor stops or threatens to stop payment of any of its debts, (each such event in such paragraphs (A) to (D) above being an “**Insolvency Event**”); or (E) any Insolvency Event happens or applies to any Principal Subsidiary and such Insolvency Event is continuing for a period of 30 days thereafter; or

- (vi) **Security Enforced:** a secured party takes possession, or a receiver, manager or other similar officer is appointed in respect of the whole or a substantial part of the undertaking, assets and revenues of the Obligor or any of its Principal Subsidiaries; or
- (vii) **Winding-up, etc.:** an order is made or an effective resolution is passed for the winding-up, liquidation or dissolution of the Obligor or any of its Principal Subsidiaries (otherwise than for the purposes of or pursuant to an amalgamation, reorganisation or restructuring whilst solvent); or
- (viii) **Failure to take action, etc.:** any action, condition or thing at any time required to be taken, fulfilled or done in order: (A) to enable the Obligor lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under and in respect of the Transaction Documents to which it is a party; or (B) to ensure that those duties, obligations and undertakings are legal, valid, binding and enforceable is not taken, fulfilled or done; or
- (ix) **Operating Rights:** loss by the Obligor or any other member of the Obligor's group which from time to time holds the air operator's certificate (currently held by the Obligor issued by the Civil Aviation Authority of Indonesia, or any successor body) of such certificate, except where such certificate is within seven days of the date of such loss issued to another member of the Obligor's group; or
- (x) **Illegality:** it is or will become unlawful for the Obligor to perform or comply with any one or more of its duties, obligations and undertakings under any of the Transaction Documents or any duties, obligations or undertakings of the Obligor under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (xi) **Repudiation:** the Obligor repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or
- (xi) **Analogous events:** any event occurs which under the laws of the Republic of Indonesia or any other relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (v) and (vii) above, or any event occurs which under the laws of the jurisdiction under which the relevant Subsidiary is incorporated or constituted has an analogous effect to any of the events referred to in paragraphs (v) and (vii) above;

“**Outstanding**” shall have the meaning given to it in the Declaration of Trust;

“**Periodic Distribution Amount**” has the meaning given to it in Condition 7(a);

“**Periodic Distribution Date**” means 3 June and 3 December in each year, commencing on 3 December 2015, and subject to Condition 7(c);

“**Permitted Security Interest**” means:

- (a) any Security Interest securing the Relevant Indebtedness or Relevant Sukuk Obligation created by the Obligor or any Principal Subsidiary upon (i) any aircraft or aircraft engine acquired, purchased or owned, or (ii) aircraft, aircraft engine or aircraft simulator to be acquired, purchased or owned, by the Obligor or any Principal Subsidiary for the purpose of securing the payment of any sum due in respect of the Relevant Indebtedness or Relevant Sukuk Obligation or any payment under any guarantee of, or indemnity or other like obligation relating to the Relevant Indebtedness or Relevant Sukuk Obligation, the proceeds of which are to be applied towards (A) financing or refinancing the cost of the acquisition, purchase, development, construction, redevelopment and ownership of such aircraft or aircraft engine (including, without limitation, the equipping, alteration, repair or improvement of such aircraft or aircraft engine) or (B) financing the cost of the acquisition

or purchase of such aircraft simulator, **provided that** any Security Interest in respect of any such financing undertaken by the Obligor or any Principal Subsidiary is limited to the aircraft, aircraft engine or aircraft simulator so acquired, purchased, developed, constructed or redeveloped (as the case may be); or

- (b) any Security Interest existing on any property or assets prior to the acquisition thereof by the Obligor or any Principal Subsidiary and not created in contemplation of such acquisition; or
- (c) any renewal of or substitution for any Security Interest permitted by any of paragraphs (a) and (b) (inclusive) of this definition, **provided that** with respect to any such Security Interest the amount of Relevant Indebtedness or Relevant Sukuk Obligation secured has not increased and the Security Interest has not been extended to any additional assets (other than the proceeds of such assets);

**“Person”** means any individual, company, corporation, firm, partnership, joint venture, association, organisation, state or agency of a state or other entity, whether or not having separate legal personality;

**“Potential Dissolution Event”** means any condition, event or act which, with the giving of notice, lapse of time, declaration, demand, determination or fulfilment of any other applicable condition (or any combination of the foregoing) could constitute a Dissolution Event;

**“Principal Subsidiary”** means at any time a Subsidiary of the Obligor:

- (a) whose revenue and/or total assets (consolidated in the case of a Subsidiary which itself has Subsidiaries) represents in each case (or, in the case of a Subsidiary acquired after the end of the financial period to which the then latest audited consolidated accounts of the Obligor and its Subsidiaries relate, are equal to) not less than five per cent. of the consolidated revenue or, as the case may be, consolidated total assets, of the Obligor and its Subsidiaries taken as a whole, all as calculated respectively by reference to the then latest audited accounts (consolidated or, as the case may be, unconsolidated) of such Subsidiary and the then latest audited consolidated accounts of the Obligor and its Subsidiaries, **provided that** in the case of a Subsidiary of the Obligor acquired after the end of the financial period to which the then latest audited consolidated accounts of the Obligor and its Subsidiaries relate, the reference to the then latest audited consolidated accounts of the Obligor and its Subsidiaries for the purposes of the calculation above shall, until consolidated accounts for the financial period in which the acquisition is made have been prepared and audited as aforesaid, be deemed to be a reference to such first-mentioned accounts as if such Subsidiary had been shown in such accounts by reference to its then latest relevant audited accounts, adjusted as deemed appropriate by the Obligor;
- (b) to which is transferred the whole or substantially the whole of the undertaking and assets of a Subsidiary of the Obligor which immediately prior to such transfer is a Principal Subsidiary, provided that the transferor Subsidiary shall upon such transfer forthwith cease to be a Principal Subsidiary and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (b) on the date on which the consolidated accounts of the Obligor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited as aforesaid but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above of this definition or, prior to or after such date, by virtue of any other applicable provision of this definition; or

- (c) to which is transferred an undertaking or assets which, taken together with the undertaking or assets of the transferee Subsidiary, generated (or, in the case of the transferee Subsidiary being acquired after the end of the financial period to which the then latest audited consolidated accounts of the Obligor and its Subsidiaries relate, generate revenue equal to) not less than five per cent. of the consolidated revenue of the Obligor, or represent (or, in the case aforesaid, are equal to) not less than five per cent. of the consolidated total assets of the Obligor and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above of this definition, provided that the transferor Subsidiary (if a Principal Subsidiary) shall upon such transfer forthwith cease to be a Principal Subsidiary unless immediately following such transfer its undertaking and assets generate (or, in the case aforesaid, generate revenue equal to) not less than five per cent. of the consolidated revenue of the Obligor, or its assets represent (or, in the case aforesaid, are equal to) not less than five per cent. of the consolidated total assets of the Obligor and its Subsidiaries taken as a whole, all as calculated as referred to in subparagraph (a) above of this definition, and the transferee Subsidiary shall cease to be a Principal Subsidiary pursuant to this subparagraph (c) on the date on which the consolidated accounts of the Obligor and its Subsidiaries for the financial period current at the date of such transfer have been prepared and audited but so that such transferor Subsidiary or such transferee Subsidiary may be a Principal Subsidiary on or at any time after the date on which such consolidated accounts have been prepared and audited as aforesaid by virtue of the provisions of subparagraph (a) above of this definition or, prior to or after such date, by virtue of any other applicable provision of this definition;

“**Profit Rate**” means 5.95 per cent. per annum;

“**Purchase of Services Agreement**” means the purchase of services agreement dated the Issue Date and entered into between the Obligor and the Trustee;

“**Purchase Undertaking**” means the purchase undertaking dated the Issue Date and granted by the Obligor for the benefit of the Trustee and the Delegate and includes the form of sale agreement to be entered into in accordance with the terms of the Purchase Undertaking;

“**Record Date**” has the meaning given to it in Condition 9(a);

“**Register**” has the meaning given to it in Condition 2 (*Form, Denomination and Title*);

“**Relevant Date**” has the meaning given to it in Condition 10 (*Taxation*);

“**Relevant Indebtedness**” means any present or future Indebtedness which is in the form of or represented by any bond, note, debenture, debenture stock, loan stock, certificate or other instrument which is, for the time being, quoted or listed (with the consent of the Obligor), or ordinarily dealt in on any stock exchange, over-the-counter or other securities market other than any such bond, note, debenture, debenture stock, loan stock, certificate or other instrument incurred or issued by the Obligor or its Principal Subsidiaries where (a) more than 50 per cent. of the aggregate principal amount of which is initially distributed by or with the consent of the Obligor in Indonesia and (b) by its terms, is denominated or payable in the currency of Indonesia;

“**Relevant Powers**” has the meaning given to it in Condition 15(a);

“**Relevant Sukuk Obligation**” means any Sukuk Obligation, where the trust certificates or instruments, as the case may be, concerned are, or are intended to be, or are capable of being, quoted, listed, or ordinarily dealt in on any stock exchange, over-the-counter or other securities market other than any such Sukuk Obligation incurred or issued by the Obligor or its Principal Subsidiaries where (a) more than 50 per cent. of the aggregate principal amount of which is initially distributed by or with the consent of the Obligor in Indonesia and (b) by its terms, is denominated or payable in the currency of Indonesia;

**“Return Accumulation Period”** means the period beginning on (and including) the Issue Date and ending on (but excluding) the first Periodic Distribution Date and each successive period beginning on (and including) a Periodic Distribution Date and ending on (but excluding) the next succeeding Periodic Distribution Date;

**“Rights to Travel”** means certain rights and services comprising the following:

- (i) the right and entitlement to travel on any airline passenger route operated from time to time by the Obligor; and
- (ii) all services ordinarily provided by the Obligor to passengers travelling on such route except for services relating to the sale of alcohol, pork or tobacco related products,

in each case subject to and in accordance with the Obligor’s prevailing Terms of Business (such rights and services being measured in ASKs as described in the Purchase of Services Agreement);

**“Sale Undertaking”** means the sale undertaking dated the Issue Date and granted by the Trustee for the benefit of the Obligor and includes the form of sale/transfer agreement to be entered into in accordance with the terms of the Sale Undertaking;

**“Scheduled Dissolution Date”** means 3 June 2020;

**“Security Interest”** means any mortgage, charge, pledge, lien or other security interest including, without limitation, anything analogous to any of the foregoing under the laws of any jurisdiction (other than any mortgage, charge, lien, pledge or other security interest or anything analogous to any of the foregoing arising only by operation of law rather than arising out of or in connection with any act or omission of the Obligor or any of its Principal Subsidiaries);

**“Service Agency Agreement”** means the service agency agreement dated the Issue Date and entered into between the Obligor (in its capacity as Service Agent) and the Trustee;

**“Service Agent”** means PT Garuda Indonesia (Persero) Tbk in its capacity as service agent under the Service Agency Agreement;

**“Subsidiary”** means, in relation to any Person (the **“first Person”**) at any particular time, any other Person (the **“second Person”**) (i) whose affairs and policies the first Person controls or has the power to control, whether by ownership of share capital, contract or the power to appoint or remove members of the governing body of the second Person or otherwise; or (ii) whose financial statements are, in accordance with applicable law and generally accepted accounting principles, consolidated with those of the first person;

**“Sukuk Obligation”** means any undertaking or other obligation to pay any money given in connection with the issue of trust certificates or other instruments intended to be issued in compliance with the principles of *Shari’ a*, whether or not in return for consideration of any kind;

**“Terms of Business”** means the terms of business applied by the Obligor from time to time to passenger air travel generally and in accordance with its customary operating procedures;

**“Transaction Account”** means the account in the Trustee’s name held with the Principal Paying Agent, into which the Obligor will deposit all amounts due to the Trustee under the Transaction Documents;

**“Transaction Documents”** means:

- (i) the Certificates;
- (ii) the Declaration of Trust;

- (iii) the Agency Agreement;
- (iv) the Purchase of Services Agreement;
- (v) the Service Agency Agreement;
- (vi) the Purchase Undertaking; and
- (vii) the Sale Undertaking;

“**Trust**” means the trust constituted by the Declaration of Trust;

“**Trust Assets**” has the meaning given to it in Condition 5(a); and

“**Trustee Event**” means any of the following events:

- (i) **Non-Payment:** default is made for more than seven days in the payment of the Dissolution Distribution Amount (or any other amount in the nature of principal) on the date fixed for payment thereof or default is made for more than 14 days in the payment of any Periodic Distribution Amount on the due date for payment thereof; or
- (ii) **Breach of Other Obligations:** the Trustee does not perform or comply with any one or more of its other duties, obligations or undertakings in the Certificates or the Transaction Documents to which it is a party, which failure is incapable of remedy or, being a failure which is capable of remedy, remains unremedied for 30 days after written notice of such failure shall have been given by the Delegate to the Trustee requiring the same to be remedied; or
- (iii) **Enforcement Proceedings:** any distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Trustee and is not discharged or stayed within 90 days; or
- (iv) **Insolvency:** the Trustee is insolvent or bankrupt or unable to pay its debts as they fall due, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Trustee; or
- (v) **Winding-up:** an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Trustee, or the Trustee shall apply or petition for a winding-up or administration order in respect of itself or cease or through an official action of its board of directors threaten to cease to carry on all or substantially all of its business or operations, in each case except for the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation on terms approved by the Delegate or by an Extraordinary Resolution; or
- (vi) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order:
  - (x) to enable the Trustee lawfully to enter into, exercise its rights and perform and comply with its duties, obligations and undertakings under the Certificates and the Transaction Documents; (y) to ensure that those duties, obligations and undertakings are legally binding and enforceable; or (z) to make the Certificates and the Transaction Documents to which it is a party admissible in evidence in the courts of the Cayman Islands is not taken, fulfilled or done; or

- (vii) **Illegality:** it is or will become unlawful for the Trustee to perform or comply with any one or more of its duties, obligations and undertakings under any of the Certificates or the Transaction Documents or any duties, obligations or undertakings of the Trustee under the Transaction Documents are not or cease to be legal, valid, binding and enforceable; or
- (viii) **Repudiation:** the Trustee repudiates any Transaction Document or does or causes to be done any act or thing evidencing an intention to repudiate any Transaction Document; or
- (ix) **Analogous Events:** any event occurs that under the laws of the Cayman Islands has an analogous effect to any of the events referred to in paragraphs (iv) or (v) above.

For the purpose of sub-paragraph (i) above, all amounts payable in respect of the Certificates shall be considered due and payable (including any amounts expressed to be payable under Condition 7 (*Periodic Distribution Amounts*)) notwithstanding that the Trustee has at the relevant time insufficient funds or Trust Assets to pay such amounts (whether as a result of the application of Condition 5(b) or otherwise).

All references to the face amount of a Certificate shall be deemed to include the Dissolution Distribution Amount, any additional amounts (other than relating to Periodic Distribution Amounts) which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of face amounts payable pursuant to these Conditions.

All references to Periodic Distribution Amounts shall be deemed to include any additional amounts in respect of profit distributions which may be payable under Condition 10 (*Taxation*) and any other amount in the nature of a profit distribution payable pursuant to these Conditions.

All references to “U.S.\$ “, “U.S. dollars” and “\$” are to the lawful currency of the United States of America.

## 2. FORM, DENOMINATION AND TITLE

The Certificates are issued in registered form in denominations of U.S.\$200,000 and integral multiples of U.S.\$1,000 in excess thereof.

Certificates are represented by registered certificates and, save as provided in Condition 3(b), each Certificate shall represent the entire holding of Certificates by the same holder.

Title to the Certificates shall pass by registration in the register that the Trustee shall procure to be kept by the Registrar outside the United Kingdom in accordance with the provisions of the Agency Agreement (the “**Register**”). Each Certificate will be numbered serially with an identifying number which will be recorded on the relevant Certificate and in the Register. Except as ordered by a court of competent jurisdiction or as required by law, the registered holder of any Certificate shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or any interest in it, any writing on it or its theft or loss and no person shall be liable for so treating the holder. The registered holder of a Certificate will be recognised by the Trustee as entitled to his Certificate free from any equity, set—off or counterclaim on the part of the Trustee against the original or any intermediate holder of such Certificate.

In these Conditions, “**Certificateholder**” or “**holder**” means the person in whose name a Certificate is registered.

### 3. TRANSFERS

- (a) **Transfer of Registered Certificates:** Subject to Condition 3(d), one or more Certificates may be transferred upon the presentation and surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Certificates to be transferred, together with the form of transfer endorsed on such Certificate, (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Trustee), duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Certificates represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Certificates to a person who is already a holder of Certificates, a new Certificate representing the enlarged holding shall only be issued against presentation and surrender of the Certificate representing the existing holding. All transfers of Certificates and entries on the Register will be made subject to the detailed regulations concerning transfers of Certificates scheduled to the Agency Agreement. The regulations may be changed by the Trustee, with the prior written approval of the Registrar and the Delegate, **provided that** any such change is not materially prejudicial to the interests of the Certificateholders. A copy of the current regulations will be made available for inspection by the Registrar to any Certificateholder upon request.

*Transfers of interests in the Certificates evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.*

- (b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 3(a) shall be available for delivery within five business days of receipt of the form of transfer and presentation and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer or Certificate shall have been made or, at the option of the holder making such delivery or presentation and surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 3(b), “**business day**” means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).
- (c) **Transfers Free of Charge:** Transfers of Certificates on registration or transfer shall be effected without charge by or on behalf of the Trustee, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).
- (d) **Closed Periods:** No Certificateholder may require the transfer of a Certificate to be registered (i) during the period of 15 days ending on the due date for payment of any Dissolution Distribution Amount or Periodic Distribution Amount or any other date on which any payment of the face amount or payment of any profit in respect of that Certificate falls due, (ii) after any such Certificate has been called for redemption pursuant to Condition 8(b) or (iii) during the period of seven days ending on (and including) any Record Date.



#### 4. STATUS

- (a) **Status of Certificates:** The Certificates represent an undivided ownership interest in the Trust Assets and are limited recourse obligations of the Trustee. Each Certificate will constitute unsecured obligations of the Trustee and shall at all times rank *pari passu* and without any preference or priority with all other Certificates. The payment obligations of the Obligor (in any capacity) under the Transaction Documents shall, save for such exceptions as may be provided by applicable legislation and subject to the negative pledge provisions described in Condition 6(b), at all times rank at least equally with all other unsecured and unsubordinated obligations of the Obligor, present and future.
- (b) **Limited Recourse and Agreement of Certificateholders:** Save as provided in this Condition 4(b), the Certificates do not represent an interest in or obligation of any of the Trustee, the Delegate, the Obligor, any of the Agents or any of their respective affiliates.

The proceeds of the Trust Assets are the sole source of payments on the Certificates. The net proceeds of the realisation of, or enforcement with respect to, the Trust Assets may not be sufficient to make all payments due in respect of the Certificates. Certificateholders, by subscribing for or acquiring the Certificates, acknowledge that notwithstanding anything to the contrary contained in these Conditions or any Transaction Document:

- (i) no payment of any amount whatsoever shall be made by the Trustee or the Delegate or any of their respective directors, officers, employees or agents on their behalf except to the extent funds are available therefor from the Trust Assets and further acknowledge and agree that no recourse shall be had for the payment of any amount owing hereunder or under any Transaction Document, whether for the payment of any fee, indemnity or other amount hereunder or any other obligation or claim arising out of or based upon the Transaction Documents, against the Trustee to the extent the Trust Assets have been exhausted, following which all obligations of the Trustee shall be extinguished;
- (ii) the Trustee may not sell, transfer, assign or otherwise dispose of the Rights to Travel to a third party (save as permitted pursuant to the Service Agency Agreement), and may only realise its interest, rights, benefit and entitlements, present and future in, to and under the Rights to Travel by way of use of such Rights to Travel, sale by the Obligor of such Rights to Travel or purchase by the Obligor of such Rights to Travel, in each case in the manner expressly provided in the Transaction Documents;
- (iii) if the proceeds of the Trust Assets are insufficient to make all payments due in respect of the Certificates, Certificateholders will have no recourse to any assets of the Trustee (and/or its directors, officers or shareholders) (other than the Trust Assets) or of the Delegate or the Agents or any of their respective affiliates, officers, directors or employees in each case in respect of any shortfall or otherwise;
- (iv) no Certificateholders will be able to petition for, institute, or join any other person in instituting proceedings for, the reorganisation, arrangement, liquidation, bankruptcy, winding-up or receivership or other proceedings under any bankruptcy or similar law against the Trustee (and/or its directors), the Delegate, the Agents or any of their respective affiliates, officers, directors or employees as a consequence of such shortfall or otherwise;
- (v) no recourse (whether by institution or enforcement of any legal proceedings or assessment or otherwise) in respect of any breaches of any duty, obligation or undertaking of the Trustee or Delegate arising under or in connection with the Declaration of Trust by virtue of any customary law, statute or otherwise shall be had against any shareholder, officer, director or corporate service provider in their

capacity as such. The obligations of the Trustee and the Delegate under the Transaction Documents are corporate or limited liability obligations of the Trustee and/or the Delegate, as the case may be, and no personal liability shall attach to or be incurred by the shareholders, members, officers, agents, directors or corporate service providers of the Trustee and/or the Delegate (in each of their respective capacities as such), save in the case of their wilful default or fraud. Reference in these Conditions to wilful default or fraud means, in each case, a finding to such effect by a court of competent jurisdiction in relation to the conduct of the relevant party; and

- (vi) it shall not be entitled to claim or exercise any right of set-off, counterclaim, abatement or other similar remedy which it might otherwise have, under the laws of any jurisdiction, in respect of such Certificate. No collateral is or will be given for the payment obligations under the Certificates (without prejudice to the negative pledge provisions described in Condition 6(b)).

Pursuant to the terms of the Transaction Documents, the Obligor is obliged to make payments under the relevant Transaction Documents to which it is a party directly to, or to the order of, the Trustee. Such payment obligations form part of the Trust Assets and the Trustee and the Delegate will thereby have direct recourse against the Obligor to recover payments due to the Trustee from the Obligor pursuant to such Transaction Documents notwithstanding any other provision of this Condition 4(b). Such right of the Trustee and the Delegate shall (subject to the negative pledge provisions described in Condition 6(b)) constitute an unsecured claim against the Obligor. None of the Certificateholders, the Trustee and the Delegate shall be entitled to claim any priority right in respect of any specific assets of the Obligor in connection with the enforcement of any such claim.

## 5. THE TRUST

- (a) **Trust Assets:** Pursuant to the Declaration of Trust, the Trustee holds the Trust Assets upon trust absolutely for and on behalf of the Certificateholders *pro rata* according to the face amount of Certificates held by each holder. The term “**Trust Assets**” means:
  - (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;
  - (ii) the interest, rights, benefits and entitlements, present and future, of the Trustee in and to the Rights to Travel which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);
  - (iii) the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents); and
  - (iv) all moneys standing to the credit of the Transaction Account from time to time, and all proceeds of the foregoing.

- (b) **Application of Proceeds from Trust Assets:** On each Periodic Distribution Date and on any Dissolution Date, the Principal Paying Agent shall apply the monies standing to the credit of the Transaction Account in the following order of priority (in each case only if and to the extent that payments of a higher priority have been made in full):
- (i) *first*, to the Delegate in respect of all amounts owing to it under the Transaction Documents in its capacity as Delegate and to any receiver, manager or administrative receiver or any other analogous officer and any agent appointed in respect of the Trust by the Delegate in accordance with the Declaration of Trust;
  - (ii) *second*, only if such payment is due on a Periodic Distribution Date to pay *pro rata* and *pari passu* (A) the Trustee in respect of all amounts owing to it under the Transaction Documents in its capacity as Trustee; (B) the Trustee Administrator in respect of all amounts owing to it under the Transaction Documents and the Management Agreement in its capacity as trustee administrator; and (C) each Agent in respect of all amounts owing to such Agent on account of its fees, costs, charges and expenses and the payment or satisfaction of any liability incurred by such Agent pursuant to the Agency Agreement or the other Transaction Documents in its capacity as Agent;
  - (iii) *third*, only if such payment is due on a Periodic Distribution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Periodic Distribution Amounts due but unpaid;
  - (iv) *fourth*, only if such payment is due on a Dissolution Date, to the Principal Paying Agent for application in or towards payment *pari passu* and rateably of all Dissolution Distribution Amounts; and
  - (v) *fifth*, only on a Dissolution Date on which all Certificates are to be redeemed in full and **provided that** all amounts required to be paid on the Certificates hereunder have been discharged in full, in payment of any residual amount to the Obligor in its capacity as Service Agent as an incentive fee for its performance under the Service Agency Agreement.

## 6. COVENANTS

(a) **Trustee Covenants:**

The Trustee covenants that, for so long as any Certificate is outstanding, it shall not (without the prior written consent of the Delegate):

- (i) incur any indebtedness in respect of borrowed money or in respect of financing raised in accordance with the principles of *Shari'a*, or give any guarantee or indemnity in respect of any obligation of any person or issue any shares (or rights, warrants or options in respect of shares or securities convertible into or exchangeable for shares) except, in all cases, as contemplated in the Transaction Documents;
- (ii) secure any of its present or future indebtedness by any lien, pledge, charge or other security interest upon any of its present or future assets, properties or revenues (other than those arising by operation of law (if any) and other than under or pursuant to any of the Transaction Documents);

- (iii) sell, lease, transfer, assign, participate, exchange or otherwise dispose of, or pledge, mortgage, hypothecate or otherwise encumber (by security interest, lien (statutory or otherwise), preference, priority or other security agreement or preferential arrangement of any kind or nature whatsoever or otherwise) (or permit such to occur or suffer such to exist), any part of its interest in any of the Trust Assets except pursuant to any of the Transaction Documents;
- (iv) except as provided in Condition 14 (*Meeting of Certificateholders, Modification, Waiver and Substitution*), amend or agree to any amendment of any Transaction Document to which it is a party (other than in accordance with the terms thereof) or its constitutional documents;
- (v) except as provided in the Declaration of Trust, act as trustee in respect of any trust other than the Trust or in respect of any parties other than the Certificateholders;
- (vi) have any subsidiaries or employees;
- (vii) redeem any of its shares or pay any dividend or make any other distribution to its shareholders;
- (viii) use the proceeds of the issue of the Certificates for any purpose other than as stated in the Transaction Documents;
- (ix) put to its directors or shareholders any resolution for, or appoint any liquidator for, its winding-up or any resolution for the commencement of any other bankruptcy or insolvency proceeding with respect to it; or
- (x) enter into any contract, transaction, amendment, obligation or liability other than the Transaction Documents to which it is a party or as expressly contemplated, permitted or required thereunder or engage in any business or activity other than:
  - (A) as contemplated, provided for or permitted in the Transaction Documents;
  - (B) the ownership, management and disposal of the Trust Assets as provided in the Transaction Documents; and
  - (C) such other matters which are incidental thereto.

(b) **Obligor Covenants:**

(i) **Negative Pledge:**

the Obligor will not, and will ensure that none of its Principal Subsidiaries will, create or permit to subsist any Security Interest upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness or Relevant Sukuk Obligation, or any guarantee or indemnity in respect of any Relevant Indebtedness or Relevant Sukuk Obligation other than any Permitted Security Interest, without (A) at the same time or prior thereto securing equally and rateably therewith its obligations under the Transaction Documents to which it is a party (in whatever capacity) or (B) providing such other security for those obligations as shall be approved by an Extraordinary Resolution (as defined in the Declaration of Trust Deed).

(c) **Financial Covenants:**

So long as any Certificate remains outstanding (as defined in the Declaration of Trust), the Obligor shall ensure that, at all times:

- (i) Consolidated Total Equity shall not be less than U.S.\$800,000,000;
- (ii) the ratio of Consolidated Total Debt to Consolidated Total Equity shall not exceed 2.5 times; and
- (iii) the Minimum Cash Percentage shall not be less than five per cent.

In these Conditions:

**“Cash and Cash Equivalents”** means, at any particular time:

- (1) cash-on-hand of the Group;
- (2) bank deposits of the Group;
- (3) time deposits of the Group; and
- (4) any other liquid investments that are categorised as cash or cash equivalents under the most recent audited financial statements of the Group and in accordance with generally accepted accounting principles in Indonesia;

**“Consolidated Total Debt”** means, at any particular time, an amount for the time being, calculated on a consolidated basis in relation to the Group in accordance with generally accepted accounting principles in Indonesia, equal to the aggregate of:

- (1) bank overdrafts and all other indebtedness in respect of any bank borrowings;
- (2) the principal amount of the Certificates or any bonds or debentures of any member of the Group whether issued for cash or a consideration other than cash;
- (3) the liabilities of the Obligor under the Transaction Documents or the Certificates;
- (4) all other indebtedness whatsoever of the Group for borrowed moneys (including but not limited to any indebtedness under a finance or capital lease, any moneys owing in connection with the sale or discounting of receivables (except to the extent that there is no recourse) and any indebtedness of any person or type which is the subject of a guarantee, indemnity or similar assurance against financial loss given by a member of the Group);
- (5) guarantees on moneys borrowed by members of the Group to the extent that such underlying indebtedness is not consolidated in the Group’s financial position; and
- (6) any redeemable preference shares issued by any member of the Group;

**provided that** Consolidated Total Debt shall not include any such liabilities, indebtedness or obligations having a term or tenor at the time of issue or incurrence of 12 months or less;

**“Consolidated Total Equity”** means, at any particular time, the consolidated total equity of the Group, determined in accordance with generally accepted accounting principles in Indonesia;

“**Consolidated Total Operating Revenue**” means, at any particular time, the consolidated total operating revenue of the Group for the preceding Test Period, as determined from the financial statements of the Group delivered to the Delegate under the Declaration of Trust;

“**Group**” means the Obligor and its Subsidiaries;

“**Minimum Cash Percentage**” means, at any particular time, Cash and Cash Equivalents as a percentage of Consolidated Total Operating Revenue;

“**Test Period**” means each period of 12 months (on a rolling 12-month basis) ending on the last day of each semi-annual period of each of the financial years of the Obligor.

## 7. PERIODIC DISTRIBUTION AMOUNTS

- (a) **Periodic Distribution Amounts:** A profit distribution shall be payable in arrear in respect of the Certificates on each Periodic Distribution Date in equal instalments, in respect of the Return Accumulation Period ending on such date, shall accrue at the Profit Rate and the amount of which shall be calculated as provided in Condition 7(b) (each such distribution being referred to in these Conditions as a “**Periodic Distribution Amount**”). Periodic Distribution Amounts shall be distributed to Certificateholders by the Principal Paying Agent on behalf of the Trustee, *pro rata* to their respective holdings, out of amounts transferred to the Transaction Account and subject to Condition 5(b) (*Application of Proceeds from Trust*) and Condition 9 (*Payments*).
- (b) **Calculations:** The amount of profit payable per Calculation Amount in respect of any Certificate for any period shall be equal to the product of: (i) the Profit Rate; (ii) the Calculation Amount; and (iii) the Day Count Fraction for such period, with the result being rounded to the nearest U.S.\$0.01, U.S.\$0.005 being rounded upwards. For these purposes, “**Day Count Fraction**” means, in respect of the calculation of an amount of profit on any Certificate for any period (whether or not constituting a Return Accumulation Period, the “**Calculation Period**”), the number of days in the Calculation Period divided by 360 (the number of days in such period to be calculated on the basis of a year of 360 days with 12 30-day months and, in the case of an incomplete month, the number of days elapsed).
- (c) **Entitlement to Periodic Distribution Amounts:** Periodic Distribution Amounts shall cease to accumulate in respect of each Certificate on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event Periodic Distribution Amounts shall, subject to the terms of the Transaction Documents, continue to accumulate (both before and after judgment) at the Profit Rate in the manner provided in this Condition 7 (*Periodic Distribution Amounts*) to the Relevant Date **provided that**, (i) Rights to Travel remain available for sale pursuant to the Service Agency Agreement or the Purchase Undertaking; and (ii) in respect of such redemption, no sale agreement has been executed in accordance with the terms of the Purchase Undertaking or the Sale Undertaking, as the case may be.

## 8. REDEMPTION AND DISSOLUTION OF THE TRUST

- (a) **Dissolution on the Scheduled Dissolution Date:** Unless previously redeemed, or purchased and cancelled, in full, as provided below, each Certificate shall be finally redeemed on the Scheduled Dissolution Date at its Dissolution Distribution Amount and the Trust shall be dissolved by the Trustee following the payment of all such amounts in full. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

(b) **Early Dissolution for Taxation Reasons:** If:

- (i) (A) the Trustee has or will become obliged to pay additional amounts as described under Condition 10 (*Taxation*) as a result of any change in, or amendment to, the laws or regulations of the Cayman Islands or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 June 2015, and (B) such obligation cannot be avoided by the Trustee taking reasonable measures available to it; or
- (ii) (A) the Obligor has or will become obliged to pay additional amounts pursuant to the terms of any Transaction Document as a result of any change in, or amendment to, the laws or regulations of the Republic of Indonesia or any political subdivision or, in each case, any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 3 June 2015, and (B) such obligation cannot be avoided by the Obligor taking reasonable measures available to it,

(the occurrence of an event described in Condition 8(b)(i) or (ii) being a “**Tax Event**”), the Obligor may in its sole discretion deliver to the Trustee a duly completed Exercise Notice in accordance with the provisions of the Sale Undertaking. On receipt of such notice, the Trustee shall, on giving not less than 30 nor more than 60 days’ notice to the Delegate and the Certificateholders (which notice shall be irrevocable) redeem the Certificates in whole but not in part at any time (such date being an “**Early Tax Dissolution Date**”) at their Dissolution Distribution Amount **provided that** no such notice of dissolution may be given earlier than 90 days prior to the earliest date on which the Trustee or the Obligor, as the case may be, would be obliged to pay such additional amounts were a payment in respect of the Certificates (in the case of the Trustee) or pursuant to any Transaction Document (in the case of the Obligor) then due.

Prior to the publication of any notice of dissolution pursuant to this Condition 8(b), the Trustee or the Obligor, as the case may be, shall deliver to the Delegate:

- (aa) a certificate signed by two Authorised Representatives of the Trustee (in the case of Condition 8(b)(i)) or the Obligor (in the case of Condition 8(b)(ii)), as the case may be, in each case stating that the obligation referred to in Condition 8(b)(i) or 8(b)(ii), as the case may be, cannot be avoided by the Trustee or the Obligor, as the case may be, taking reasonable measures available to it; and
- (bb) an opinion in form and substance satisfactory to the Delegate of independent legal advisers of recognised standing to the effect that the Trustee or the Obligor, as the case may be, has or will become obliged to pay additional amounts as a result of such change or amendment,

and the Delegate shall be entitled to accept and rely upon such certificate and legal opinion (without further investigation or enquiry) as sufficient evidence of the satisfaction of the condition precedent set out in Condition 8(b)(i) or, as the case may be, Condition 8(b)(ii) above, in which event it shall be conclusive and binding on Certificateholders.

Upon expiry of any such notice given in accordance with this Condition 8(b) and payment of the Dissolution Distribution Amount to Certificateholders, the Trustee shall be bound to dissolve the Trust. Upon such dissolution as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (c) **Dissolution at the Option of the Certificateholders (Change of Control Put Right):** The Obligor has agreed in the Purchase Undertaking to notify the Trustee and the Delegate forthwith upon the occurrence of a Change of Control and to provide a description of the Change of Control. The Trustee, upon receipt of such notice from the Obligor or otherwise upon becoming aware of the occurrence of a Change of Control, shall promptly give notice (a “**Change of Control Notice**”) of the occurrence of a Change of Control to the Certificateholders in accordance with these Conditions. The Change of Control Notice shall provide a description of the Change of Control and shall require Certificateholders to elect within not less than 15 nor more than 30 days of the date on which the Change of Control Notice is given (the “**Change of Control Put Period**”) if they wish all or any of their Certificates to be redeemed.

If a Change of Control occurs, and **provided that** Certificateholders elect to redeem their Certificates, in whole or in part, in accordance with this Condition 8(c)), the Trustee shall redeem such Certificates on the Change of Control Put Right Date at the Change of Control Dissolution Distribution Amount and shall require the Obligor to purchase and accept the transfer of all of the Trustee’s interest, rights, benefits and entitlements, present and future, in and to a specified number of unsold Rights to Travel as set out in the Purchase Undertaking.

To elect to redeem all or any of its Certificates in accordance with this Condition 8(c), a Certificateholder must deposit its Certificate(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed change of control right exercise notice (a “**Change of Control Exercise Notice**”) in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable). No Certificate so deposited and right exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Trustee.

- (d) **Dissolution following a Dissolution Event:** Upon the occurrence of a Dissolution Event, the Certificates may be redeemed at the Dissolution Distribution Amount and the Trustee shall dissolve the Trust, in each case as more particularly specified in Condition 12 (*Dissolution Events*).
- (e) **Purchases:** Each of the Trustee, the Obligor and the Obligor’s Subsidiaries may at any time purchase Certificates in the open market or otherwise at any price. Any Certificates held by the Trustee, the Obligor, or any of the Obligor’s Subsidiaries shall not entitle the holder to exercise any voting rights and shall not be deemed to be outstanding for the purposes of calculating quorums, meetings or for passing Extraordinary Resolutions for the purposes of Condition 14(a).
- (f) **Cancellation:** Certificates purchased by or on behalf of the Trustee, the Obligor or any of the Obligor’s Subsidiaries may in the Trustee’s and Obligor’s sole discretion be surrendered for cancellation in accordance with the terms of the Declaration of Trust, the Sale Undertaking and the Agency Agreement. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Trustee in respect of any such Certificates shall be discharged.
- (g) **Calculations:** Neither the Delegate nor any of the Agents shall be responsible for calculating or verifying the calculations of any amount payable under any notice of redemption and shall not be liable to the Certificateholders or any other person for not doing so.
- (h) **No other Dissolution:** The Trustee shall not be entitled to redeem the Certificates or dissolve the Trust other than as provided in this Condition 8 (*Redemption and Dissolution of the Trust*) and Condition 12 (*Dissolution Events*).



## 9. PAYMENTS

- (a) **Method of Payment:** Payments of the Dissolution Distribution Amount shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided below.

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the “**Record Date**”).

Payments of Periodic Distribution Amounts and the Dissolution Distribution Amount in respect of each Certificate shall be made in U.S. dollars by transfer to an account in U.S. dollars maintained by the payee with a bank that processes payments in U.S. dollars notified by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date.

*So long as the Global Certificate is held on behalf of Euroclear, Clearstream, Luxembourg or any other clearing system, each payment in respect of the Global Certificate will be made to the person shown as the Holder in the Register at the close of business of the relevant clearing system on the Clearing System Business Day before the due date for such payments, where “**Clearing System Business Day**” means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

- (b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 10 (*Taxation*); and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the “**Code**”) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 10 (*Taxation*)) any law implementing an intergovernmental approach thereto.

No commission or expenses shall be charged to the Certificateholders in respect of such payments.

- (c) **Payment Initiation:** Where payment is to be made by transfer to an account in U.S. dollars, payment instructions (for value the due date, or if that is not a Business Day, for value the first following day which is a Business Day) will be initiated on the last day on which the Principal Paying Agent is open for business preceding the due date for payment or, in the case of payments of the Dissolution Distribution Amount, where the relevant Certificate has not been presented and surrendered at the specified office of the Registrar or any Transfer Agent, on a day on which the Principal Paying Agent is open for business and on which the relevant Certificate is presented and surrendered.
- (d) **Appointment of Agents:** The Principal Paying Agent, the Paying Agent, the Registrar and the Transfer Agent initially appointed by the Trustee and their respective specified offices are listed below. The Principal Paying Agent, the Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Trustee and do not assume any obligation or relationship of agency or trust for or with any Certificateholder. The Trustee reserves the right at any time with the approval of the Delegate to vary or terminate the appointment of the Principal Paying Agent, any other Paying Agent, the Registrar or any Transfer Agent and to appoint additional or other Paying Agents or Transfer Agents, **provided that** the Trustee shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent, (iv) if required, a Paying Agent (which may be the Principal Paying Agent) having a specified office in a major European city, (v) such other agents as may be required

by any stock exchange on which the Certificates may be listed and (vi) if required, a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

Notice of any such change or any change of any specified office shall promptly be given to the Certificateholders.

- (e) **Non-Business Days:** If any date for payment in respect of any Certificate is not a business day, the holder shall not be entitled to payment until the next following business day nor to any Periodic Distribution Amount or other sum in respect of such postponed payment. In this paragraph, “**business day**” means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the place in which the specified office of the Registrar is located and, where payment is to be made by transfer to an account maintained with a bank in U.S. dollars, on which foreign exchange transactions may be carried on in U.S. dollars in Hong Kong and New York.

## 10. TAXATION

All payments in respect of the Certificates shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by the Cayman Islands, the Republic of Indonesia or any authority thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Trustee shall pay such additional amounts as shall result in receipt by the Certificateholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable:

- (a) **Other connection:** to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Certificate by reason of his having some connection with the Cayman Islands, or the Republic of Indonesia, other than the mere holding of the relevant Certificate; or
- (b) **Presentation and Surrender more than 30 days after the Relevant Date:** if the relevant Certificate is presented and surrendered for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting and surrendering the Certificate for payment on the last day of such period of 30 days assuming that day to have been a business day (as defined in Condition 9(e)); or
- (c) **Payment to individuals:** where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to European Council Directive 2003/48/EC (as amended from time to time) or any other Directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 on the taxation of savings income or any law implementing or complying with, or introduced in order to conform to, such Directive.

As used in these Conditions, “**Relevant Date**” in respect of any Certificate means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Certificateholders that, upon further presentation of the Certificate being made in accordance with the Conditions, such payment will be made, **provided that** payment is in fact made upon such presentation. References in these Conditions to Periodic Distribution Amounts and the Dissolution Distribution Amount shall be deemed to include any additional amounts that may be payable under this Condition or any undertaking given in addition to or in substitution for it under the Declaration of Trust. Neither the Delegate nor the Agents shall be responsible for paying any tax, duty, charges, withholding or other payment referred to in this Condition 10 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Trustee, the Obligor, Certificateholders or any other person to pay such tax, duty, charges, withholding or other payment.

## 11. PRESCRIPTION

Claims against the Trustee for payment in respect of the Certificates shall be prescribed and become void unless made within 10 years (in the case of the Dissolution Distribution Amount) or five years (in the case of Periodic Distribution Amounts) from the appropriate Relevant Date in respect of them.

## 12. DISSOLUTION EVENTS

(a) **Dissolution Event:** Upon the occurrence of a Dissolution Event:

- (i) the Delegate, upon receiving express notice thereof under the Declaration of Trust or otherwise upon having actual knowledge of a Dissolution Event, shall (subject to its being indemnified, secured and/or prefunded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to the Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and
- (ii) the Delegate in its sole discretion may, and shall if so requested in writing by the holders of at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution, subject in each case to its being indemnified, secured and/or prefunded to its satisfaction, give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders in accordance with Condition 17 (*Notices*) that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable. A Dissolution Notice may be given pursuant to this sub-paragraph (ii) whether or not notice has been given to Certificateholders as provided in sub—paragraph (i) above.

Upon receipt of such Dissolution Notice, the Trustee (failing which the Delegate on behalf of the Trustee) shall deliver an Exercise Notice under the Purchase Undertaking and shall use the proceeds of such exercise of the Purchase Undertaking to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the relevant Dissolution Notice (the relevant “**Dissolution Event Redemption Date**”) and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full.

Upon payment in full of such amounts and dissolution of the Trust as aforesaid, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

- (b) **Enforcement and Exercise of Rights:** Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates has not been paid in full (notwithstanding the provisions of Condition 12(a)), the Trustee or the Delegate, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, shall (acting for the benefit of the Certificateholders) take one or more of the following steps:
  - (i) enforce the provisions of the Purchase Undertaking against the Obligor; and/or
  - (ii) take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

### 13. REALISATION OF TRUST ASSETS

- (a) The Delegate shall not be bound in any circumstances to take any action to enforce or to realise the Trust Assets or take any action or steps or proceedings against the Trustee and/or the Obligor under any Transaction Document to which either of the Trustee or the Obligor is a party unless directed or requested to do so: (i) by an Extraordinary Resolution; or (ii) in writing by the holders of at least 25 per cent. of the then outstanding aggregate face amount of the Certificates and in either case then only if it shall be indemnified and/or secured and/or prefunded to its satisfaction against all Liabilities to which it may thereby render itself liable or which it may incur by so doing.
- (b) No Certificateholder shall be entitled to proceed directly against the Trustee or the Obligor unless the Delegate, having become bound so to proceed, fails to do so within a reasonable period and such failure is continuing. Under no circumstances shall the Delegate or any Certificateholder have any right to cause the sale or other disposition of any of the Trust Assets (other than as expressly contemplated in the Transaction Documents) and the sole right of the Delegate and the Certificateholders against the Trustee and the Obligor shall be to enforce their respective obligations under the Transaction Documents to which they are a party.
- (c) Following the enforcement, realisation and ultimate distribution of the net proceeds of the Trust Assets to the Certificateholders in accordance with these Conditions and the Declaration of Trust, the Trustee shall not be liable for any further sums and, accordingly, Certificateholders may not take any action against the Trustee, the Delegate or any other person (including the Obligor) to recover any such sum in respect of the Certificates or the Trust Assets.
- (d) The foregoing paragraphs in this Condition 13 (*Realisation of Trust Assets*) are subject to this paragraph. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with Condition 5(b), the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished. In particular, no Certificateholder shall be entitled in respect thereof to petition or to take any other steps for the winding-up of the Trustee.

### 14. MEETINGS OF CERTIFICATEHOLDERS, MODIFICATION, WAIVER AND SUBSTITUTION

- (a) **Meetings of Certificateholders:** The Declaration of Trust contains provisions for convening meetings of Certificateholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Declaration of Trust. Such a meeting may be convened by Certificateholders holding not less than 10 per cent. in face amount of the Certificates for the time being outstanding. The quorum for any meeting convened to consider an

Extraordinary Resolution shall be two or more persons holding or representing more than 50 per cent. face amount of the Certificates for the time being outstanding, or at any adjourned meeting two or more persons being or representing Certificateholders whatever the face amount of the Certificates held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*: (i) to amend the Scheduled Dissolution Date or any date on which Certificates are to be redeemed or any date for payment of Periodic Distribution Amounts in respect of the Certificates; (ii) to reduce or cancel or vary the method for calculating the amount of any payment due in respect of the Certificates; (iii) to amend the covenant given by the Trustee and the Delegate in Clause 11.3 of the Declaration of Trust; (iv) to change any of the Obligor's covenants set out in the Transaction Documents to which it is a party; (v) to vary the currency of payment or denomination of the Certificates; (vi) to modify the provisions concerning the quorum required at any meeting of Certificateholders or the majority required to pass the Extraordinary Resolution; or (vii) to amend the above list, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent., or at any adjourned meeting not less than 25 per cent., in face amount of the certificates for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Certificateholders (whether or not they were present at the meeting at which such resolution was passed).

The Declaration of Trust provides that (i) a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in face amount of the Certificates outstanding (a "**Written Resolution**") or (ii) where the Certificates are held by or on behalf of a clearing system or clearing systems, approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their operating rules and procedures by or on behalf of the holders of not less than 75 per cent., in aggregate face amount of the Certificates then outstanding (an "**Electronic Consent**"), shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held. Such a Written Resolution may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Certificateholders. Such a Written Resolution and/or Electronic Consent will be binding on all Certificateholders whether or not they participated in such Written Resolution or Electronic Consent.

- (b) **Modification of the Declaration of Trust or any Transaction Document:** The Delegate may, without the consent of the Certificateholders, (i) agree to any modification of any of the provisions of the Declaration of Trust or the Transaction Documents that is, in the opinion of the Delegate, of a formal, minor or technical nature or is made to correct a manifest error, or (ii) (A) agree to any other modification (except as mentioned in the Declaration of Trust), or to any waiver or authorisation of any breach or proposed breach, of any of the provisions of the Declaration of Trust or the Transaction Documents or (B) determine that any Dissolution Event or Potential Dissolution Event shall not be treated as such **provided that** such modification, waiver, authorisation or determination is in the opinion of the Delegate not materially prejudicial to the interests of the Certificateholders and not in contravention of any express direction by Extraordinary Resolution or request in writing by the holders of at least 25 per cent. of the outstanding aggregate face amount of the Certificates. Any such modification, authorisation or waiver shall be binding on the Certificateholders and such modification shall be notified to the Certificateholders by the Trustee in accordance with Condition 17 (*Notices*) as soon as practicable.
- (c) **Entitlement of the Delegate:** In connection with the exercise of its functions (including but not limited to those referred to in this Condition) the Delegate shall have regard to the interests of the Certificateholders as a class and shall not have regard to the consequences

of such exercise for individual Certificateholders and the Delegate shall not be entitled to require, nor shall any Certificateholder be entitled to claim, from the Trustee, the Obligor or the Delegate any indemnification or payment in respect of any tax consequence of any such exercise upon individual Certificateholders.

## 15. DELEGATE

- (a) **Delegation of Powers:** The Trustee will in the Declaration of Trust irrevocably and unconditionally appoint the Delegate to be its attorney and in its name, on its behalf and as its act and deeds, to execute and deliver all documents, and to exercise all of the present and future duties, powers (including the power to sub-delegate), authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Declaration of Trust) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or Potential Dissolution Event, and subject to its being indemnified and/or secured and/or prefunded to its satisfaction, exercise all of the rights of the Trustee under the Transaction Documents and make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust, **provided that** no obligations, duties, liabilities or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of this Delegation (together the “**Delegation**” of the “**Relevant Powers**”), **provided further that** in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets and **provided further that** such Delegation and the Relevant Powers shall not include any duty, power, trust, authority or discretion to hold any of the Trust Assets, to dissolve any of the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust.

The appointment of a delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as sole trustee.

- (b) **Indemnification:** The Declaration of Trust contains provisions for the indemnification of the Delegate in certain circumstances and, *inter alia*, for its relief from responsibility, including provisions relieving it from taking action, step or proceeding unless indemnified and/or secured and/or prefunded to its satisfaction. In particular, in connection with the exercise of any of its rights in respect of the Trust Assets or any other right it may have pursuant to the Declaration of Trust, the Delegate shall in no circumstances be bound to take any action, step or proceeding unless directed to do so in accordance with Conditions 12 (*Dissolution Events*) or 13 (*Realisation of Trust Assets*), and then only if it shall have been indemnified and/or secured and/or prefunded to its satisfaction.
- (c) **No Liability:** The Delegate makes no representation and assumes no responsibility for the validity, sufficiency or enforceability of the obligations of the Obligor under the Transaction Documents to which it is a party and shall not under any circumstances have any liability or be obliged to account to Certificateholders in respect of any payments which should have been paid by the Obligor but are not so paid and shall not in any circumstances have any liability arising from the Trust Assets other than as expressly provided in these Conditions or in the Declaration of Trust.

- (d) **Reliance on Certificates and/or Reports:** The Delegate may rely without liability on any certificate, opinion or report of any auditors or insolvency officials (as applicable) of the Trustee, the Obligor or any other person called for by or provided to the Delegate (whether or not addressed to the Delegate) in accordance with or for the purposes of the Declaration of Trust or the other Transaction Documents and such certificate, opinion or report may be relied upon by the Delegate (without liability to any person) as sufficient evidence of the facts stated therein notwithstanding that such certificate, opinion or report and/or any engagement letter or other document entered into by the Delegate or any other person in connection therewith contains a monetary or other limit on the liability of the auditors or insolvency officials of the Trustee, the Obligor or such other person in respect thereof and notwithstanding that the scope and/or basis of such certificate or report may be limited by an engagement or similar letter or by the terms of the certificate or report itself and the Delegate shall not be bound in any such case to call for further evidence or be responsible for any liability or inconvenience that may be occasioned by its failure to do so.
- (e) **Trustee and Delegate Liability:** Neither the Trustee nor the Delegate shall incur any Liability to any person for any matter or thing omitted in any way in connection with or in relation to their duties under the Declaration of Trust save in relation to their own gross negligence, wilful default or fraud.
- (f) **Notice of events:** The Delegate shall not be responsible for monitoring or ascertaining whether or not a Dissolution Event, Potential Dissolution Event or Change of Control has occurred or exists and, unless and until it shall have received express written notice or has actual knowledge to the contrary, it will be entitled to assume that no such event or circumstance exists or has occurred (without any liability to any person for so doing).

## 16. REPLACEMENT OF CERTIFICATES

If a Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Registrar or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Trustee for the purpose and notice of whose designation is given to Certificateholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Certificate is subsequently presented for payment, there shall be paid to the Trustee on demand the amount payable by the Trustee in respect of such Certificates) and otherwise as the Trustee may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

*So long as the Global Certificate is held in its entirety on behalf of Euroclear and Clearstream, Luxembourg any notice to the Certificateholders shall be validly given by the delivery of the relevant notice to Euroclear and Clearstream, Luxembourg for communication by the relevant clearing system to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been given on the date of delivery to such clearing system.*

## 17. NOTICES

Notices to the holders of Certificates shall be mailed to them by first class mail (airmail if overseas) at their respective addresses in the Register. In addition, the Trustee shall ensure that notices to the holders of Certificates are duly given or published in a manner which complies with the rules and regulations of any listing authority, stock exchange and/or quotation system (if any) on which the Certificates are for the time being admitted to listing, trading and/or quotation. Any notices shall be deemed to have been given on the fourth day after being so mailed or on the date of publication, or if so published more than once on different dates, on the date of the first publication.

## 18. CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Certificates under the Contracts (Rights of Third Parties) Act 1999 but this does not affect any right or remedy of any person which exists or is available apart from that Act.

## 19. GOVERNING LAW AND ARBITRATION

- (a) **Governing Law:** The Declaration of Trust (including these Conditions and the remaining provisions of this Condition 19), the Agency Agreement and the Certificates and any non-contractual obligations arising out of or in connection with the same are governed by, and shall be construed in accordance with, English law.
- (b) **Arbitration:** The Delegate, the Trustee and the Obligor have in the Declaration of Trust agreed that, subject to Condition 19(e), any dispute, claim, difference or controversy arising from, relating to or having any connection with the Certificates (including any dispute as to their existence, validity, interpretation, performance, breach or termination or the consequences of their nullity and any dispute relating to any non-contractual obligations arising out of or in connection with them) (a “**Dispute**”) shall be referred to and finally resolved by arbitration under the Arbitration Rules of the London Court of International Arbitration (the “**LCIA**”) (the “**Rules**”), which Rules (as amended from time to time) are deemed to be incorporated by reference into this Condition 19(b). Capitalised terms used in this Condition 19 and not otherwise defined in these Conditions the meanings given to them in the Rules. For these purposes:
- (i) the seat, or legal place, of arbitration shall be London, England;
  - (ii) the number of arbitrators shall be three. The Claimant (or Claimants jointly) shall nominate one arbitrator for appointment by the LCIA Court. The LCIA Court shall appoint the presiding arbitrator.
  - (iii) the language to be used in the arbitral proceedings shall be English. All documents submitted in connection with the proceedings shall be in the English language, or, if in another language, accompanied by an English translation.
  - (iv) The Obligor has agreed in the Declaration of Trust to exclude the application of section 45 (determination of a preliminary point of law) and section 69 (appeal on a point of law) of the Arbitration Act 1996.
  - (v) Any Claimant who commences an arbitration pursuant to the Declaration of Trust shall, at the same time as serving the Request on the Respondent or Respondents, also serve a copy of the Request on all other parties to the Declaration of Trust.
  - (vi) Upon the request of either:
    - (A) any party to an arbitration commenced pursuant to the Declaration of Trust; or
    - (B) a party to the Declaration of Trust that is not itself a party to an arbitration commenced pursuant to the Declaration of Trust,

the arbitral tribunal shall join any party to the Declaration of Trust as a party to the arbitration, **provided that** such third person and the applicant party have consented to such joinder in writing, and may make a single, final award in respect of all parties so implicated in the arbitration.



- (c) **Indonesian Arbitration Law:** The Obligor has in the Declaration of Trust agreed that Article 48(1) of Law No. 30 of 1999 regarding Arbitration and Alternative Dispute Resolution (the “**Indonesian Arbitration Law**”) shall not apply to any arbitration proceedings pursuant to the Declaration of Trust and agreed that arbitration proceedings pursuant thereto need not be completed within a specific time.
- (d) **Waiver:** Insofar as such waiver may validly be made, the Obligor waives irrevocably its right to any form of appeal, review or recourse to any state court or other judicial authority in respect of any arbitral award. For the avoidance of doubt, in accordance with Article 60 of Indonesian Arbitration Law, the Obligor shall not appeal to any court from any decision or award of the arbitral tribunal.
- (e) **Option to Litigate:** Notwithstanding Condition 19(b) (*Arbitration*) above, the Delegate may, in the alternative, and at its sole discretion, by notice in writing to the Trustee and the Obligor in accordance with the Declaration of Trust:
  - (i) within 28 days of service of a Request for Arbitration (as defined in the Rules); or
  - (ii) if no arbitration has commenced,

require that the Dispute be heard by a court of law. If the Delegate gives such notice, the Dispute to which such notice refers shall be determined in accordance with Condition 19(e) and any arbitration commenced under Condition 19(b) in respect of that Dispute will be terminated. Each of the parties to the terminated arbitration will bear its own costs in relation thereto.

- (f) **Notice to Terminate:** If any notice to terminate is given after service of any Request for Arbitration in respect of any Dispute, the Delegate must also promptly give notice to the LCIA and to any Tribunal (as defined in the Rules) already appointed in relation to the Dispute that such Dispute will be settled by the courts. Upon receipt of such notice by the LCIA, the arbitration and any appointment of any arbitrator in relation to such Dispute will immediately terminate. Any such arbitrator will be deemed to be *functus officio*. The termination is without prejudice to:
  - (i) the validity of any act done or order made by that arbitrator or by the court in support of that arbitration before his appointment is terminated;
  - (ii) his entitlement to be paid his proper fees and disbursements; and
  - (iii) the date when any claim or defence was raised for the purpose of applying any limitation bar or any similar rule or provision.
- (g) **Effect of exercise of option to litigate:** If a notice described in Condition 19(e) is issued, the following provisions shall apply:
  - (i) subject to sub-paragraph (iii) below, the courts of England shall have jurisdiction to settle any Dispute and each of the Trustee and the Obligor submits to the exclusive jurisdiction of such courts;
  - (ii) each of the Trustee and the Obligor agrees that the courts of England are the most appropriate and convenient courts to settle any Dispute and, accordingly, that it will not argue to the contrary; and

- (iii) this Condition 19(g) is for the benefit of the Delegate for and on behalf of the Certificateholders only. As a result, and notwithstanding sub-paragraph (ii) above, the Delegate may take proceedings relating to a Dispute (“**Proceedings**”) in any other courts with jurisdiction. To the extent allowed by law, the Delegate may take concurrent Proceedings in any number of jurisdictions.
- (h) **Appointment of Process Agent:** Each of the Trustee and the Obligor irrevocably appoints Law Debenture Corporate Services Limited at its registered office at Fifth Floor, 100 Wood Street, London EC2V 7EX, England as its agent for service of process, and undertakes that, in the event of Law Debenture Corporate Services Limited ceasing so to act or ceasing to be registered in England, it will appoint another person as its agent for service of process in England in respect of any Proceedings and shall immediately notify the Delegate of such appointment. Such service shall be deemed completed on delivery to such process agent (whether or not it is forwarded to and received by the Trustee or the Obligor, as applicable). Nothing herein shall affect the right to serve Proceedings in any other manner permitted by law.
- (i) **Enforcement:** An arbitral award of judgment or order of an English or other court, in connection with a Dispute arising out of or in connection with these Conditions, shall be binding on the Delegate, the Trustee and the Obligor and may be enforced against each of them in the courts of any competent jurisdiction.
- (j) **Other documents:** Each of the Trustee and the Obligor has in the Transaction Documents to which it is a party made provision for arbitration, submitted to jurisdiction and appointed an agent for service of process in terms substantially similar to those set out above.
- (k) **Waiver of immunity:** The Obligor has agreed in the Transaction Documents to which it is a party to waive generally all immunity for itself or its assets or revenues (present and subsequently acquired) in any jurisdiction, including immunity in respect of:
- (a) the giving of any relief by way of injunction or order for specific performance or for the recovery of assets or revenues;
  - (b) the issue of any process against its assets or revenues for the enforcement of a judgment or, in an action *in rem*, for the arrest, detention or sale of any of its assets and revenues;
  - (c) the jurisdiction of any court of competent jurisdiction and the service and pursuit of any proceedings in any such court;
  - (d) the jurisdiction of any arbitral tribunal and the service and pursuit of any proceedings in that arbitral tribunal and any associated court proceedings;
  - (e) procedural privileges relating to the obligation to disclose documents or information; and
- (i) any set off, attachment, execution and/or enforcement of a judgment or arbitral award against its assets (including land and other properties) or revenues or, in an action *in rem*, for the arrest, detention or sale of any of its assets (including land and other properties) and revenues irrespective of the use or intended use thereof, whether commercial or otherwise, including without prejudice to the generality of sovereign property, any assets held on behalf of any central bank, diplomatic assets, tax revenues or other payments to the sovereign or cultural, historic or scientific collections.

- (l) **Agreement to Arbitrate:** The Obligor has in the Declaration of Trust agreed that Condition 19(b) (*Arbitration*) constitutes a mutual agreement to arbitrate in accordance with the Indonesian Arbitration Law despite the Option to Litigate at the election of the Delegate as detailed in Condition (e) (*Option to Litigate*).
- (m) **Waiver of Interest:**
- (i) Each of the Trustee, the Delegate and the Obligor has irrevocably agreed in the Declaration of Trust that no interest will be payable or receivable under or in connection therewith and in the event that it is determined that any interest is payable or receivable in connection therewith by a party, whether as a result of any judicial award or by operation of any applicable law or otherwise, such party has agreed to waive any rights it may have to claim or receive such interest and has agreed that if any such interest is actually received by it, it shall promptly donate the same to a registered or otherwise officially recognised charitable organisation.
- (ii) For the avoidance of doubt, nothing in this Condition 19(l) shall be construed as a waiver of rights in respect of Periodic Distribution Amounts, Sales Proceeds (as defined in the Service Agency Agreement) or profit of any kind howsoever described payable by the Obligor (in any capacity) or the Trustee pursuant to the Transaction Documents and/or the Conditions, howsoever such amounts may be described or re-characterised by any court.

## 20. LANGUAGE

- (a) Any notice given under or in connection with the Certificates, the Declaration of Trust or any other Transaction Document must be in English.
- (b) Subject to Conditions 20(c) and (d) below, all other documents provided under or in connection with the Certificates, the Declaration of Trust or any other Transaction Document must be:
- (i) in English; or
- (ii) if not in English, and if so required by the Delegate, accompanied by a certified English translation and, in this case, the English translation will prevail unless the document is a constitutional, statutory or other official document.
- (c) The Obligor shall supply to the Delegate and, by no later than the Issue Date, a sworn Bahasa Indonesia translation of the Declaration of Trust (which shall include these Conditions) and the other Transaction Documents and shall do any other act as reasonably required by the Delegate only to the extent necessary to comply with the Law of Indonesia No. 24 dated 9 July 2009 regarding Flag, Language, National Emblem and National Anthem.
- (d) The Bahasa Indonesia translations of the Transaction Documents shall be deemed effective as of the Issue Date, and both the English version and the Bahasa Indonesia translation shall be equally authentic. In the event of any inconsistency or difference in interpretation between the Bahasa Indonesia translation and the English version, the English version shall prevail.

## GLOBAL CERTIFICATE

The Global Certificate contains the following provisions which apply to the Certificates whilst they are represented by the Global Certificate, some of which modify the effect of the Conditions. Unless otherwise defined, terms defined in the Conditions have the same meaning below.

### Form of the Certificates

The Certificates will be in registered form and will be issued outside the United States in reliance on Regulation S.

The Certificates will be represented by beneficial interests in a global certificate in registered form (the “**Global Certificate**”). The Global Certificate will be deposited with a common depository for Euroclear and Clearstream, Luxembourg, and will be registered in the name of a nominee for the common depository. Persons holding ownership interests in the Global Certificate will be entitled or required, as the case may be, under the circumstances described below, to receive physical delivery of Definitive Certificates in fully registered form.

### Holders

For so long as the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, the registered holder of the Global Certificate shall, except as ordered by a court of competent jurisdiction or as required by law, be treated as the owner thereof (the “**Registered Holder**”). Each of the persons (other than another clearing system) who is for the time being shown in the records of either such clearing system as the holder of a particular aggregate face amount of such Certificates (the “**Accountholders**”) (in which regard, any certificate or other document issued by a clearing system as to the aggregate face amount of such Certificates standing to the account of any person shall be conclusive and binding for all purposes save in the case of manifest error) shall be deemed to be the Certificateholder in respect of the aggregate face amount of such Certificates standing to its account in the records of Euroclear or Clearstream, Luxembourg, as the case may be, other than for the purpose of payments in respect thereof, the right to which shall be vested solely in the Registered Holder, as against the Trustee and an Accountholder must look solely to Euroclear or Clearstream, Luxembourg, as the case may be, for its share of each payment made to the Registered Holder, and the expressions “**Certificateholder**” and “**holder of Certificates**” and related expressions shall be construed accordingly. In addition, holders of beneficial interests in the Global Certificate will not have a direct right to vote in respect of the relevant Certificates. Instead, such holders will be permitted to act only to the extent that they are enabled by the relevant clearing system and its participants to appoint appropriate proxies.

### Cancellation

Cancellation of any Certificate represented by the Global Certificate will be effected by reduction in the aggregate face amount of the Certificates in the Register.

### Payments

Payments of any amount in respect of the Global Certificate will, in the absence of any provision to the contrary, be made to the person shown on the Register as the registered holder of the Global Certificate at the close of business on the record date which shall be the Closing System Business Day immediately prior to the due date for payment (where “**Clearing System Business Day**” means Monday to Friday inclusive except 25 December and 1 January).

None of the Trustee, the Delegate, any Paying Agent or the Registrar will have any responsibility or liability for any aspect of the records relating to or payments made on account of ownership interests in the Global Certificate or for maintaining, supervising or reviewing any records relating to such ownership interests.

Payments of the Dissolution Distribution Amount in respect of Certificates represented by the Global Certificate will be made upon the presentation and surrender of the Global Certificate at the specified office of the Registrar or such other office, as may be specified by the Registrar, subject to and in accordance with the Conditions and the Declaration of Trust. Distributions of amounts with respect to book-entry interests in the Certificates held through Euroclear or Clearstream, Luxembourg will be credited to the cash accounts of participants in the relevant clearing system in accordance with the relevant clearing system's rules and procedures. A record of each payment made in respect of the Certificates will be entered into the Register by or on behalf of the Registrar and shall be *prima facie* evidence that payment has been made.

### **Notices**

So long as all the Certificates are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear and/or Clearstream, Luxembourg, notices may be given by delivery of the relevant notice to those clearing systems for communication to their Accountholders rather than by publication and delivery as required by the Conditions except that, so long as the Certificates are listed on any stock exchange, notices shall also be published in accordance with the rules of such stock exchange. Any such notice shall be deemed to have been given on the day on which such notice is delivered to the relevant clearing systems.

Whilst any of the Certificates held by a Certificateholder are represented by the Global Certificate, notices to be given by such Certificateholder may be given (where applicable) through Euroclear and/or Clearstream, Luxembourg, and otherwise in such manner as the Registrar and Euroclear and Clearstream, Luxembourg may approve for this purpose.

### **Electronic Consent and Written Resolution**

Whilst any Global Certificate is registered in the name of any nominee for Euroclear or Clearstream, Luxembourg, then:

- (a) approval of a resolution proposed by the Trustee, the Obligor or the Delegate (as the case may be) given by way of electronic consents communicated through the electronic communications systems of the relevant clearing system(s) in accordance with their respective operating rules and procedures by or on behalf of the holders of not less than 75 per cent. in principal amount of the Certificates outstanding (an "**Electronic Consent**" as defined in the Declaration of Trust) shall, for all purposes (including matters that would otherwise require an Extraordinary Resolution to be passed at a meeting for which the special quorum (as specified in the Declaration of Trust) was satisfied), take effect as an Extraordinary Resolution passed at a meeting of Certificateholders duly convened and held, and shall be binding on all Certificateholders, whether or not they participated in such Electronic Consent; and
- (b) where Electronic Consent is not being sought, for the purpose of determining whether a Written Resolution (as defined in the Declaration of Trust) has been validly passed, the Trustee, the Obligor or the Delegate shall be entitled to rely on consent or instructions given in writing directly to the Trustee, the Obligor or the Delegate by accountholders in the relevant clearing system(s) with entitlements to such Global Certificate or, where the accountholders hold any such entitlement on behalf of another person, on written consent from or written instruction by the person for whom such entitlement is ultimately beneficially held, whether such beneficiary holds directly with the accountholder or via one or more intermediaries and **provided that**, in each case, the Trustee, the Obligor, the Delegate, as the case may be, has obtained commercially reasonable evidence to ascertain the validity of such holding and has taken reasonable steps to ensure that such holding does not alter following the giving of such consent or instruction and prior to the effecting of such consent or instructions. Any resolution passed in such manner shall be binding on all Certificateholders, even if the relevant consent or instruction proves to be defective. As used in this paragraph, "commercially reasonable evidence" includes any certificate or other document issued by Euroclear or Clearstream, Luxembourg, or issued by an

accountholder of them or an intermediary in a holding chain, in relation to the holding of interests in the Certificates. Any such certificate or other document shall, in the absence of manifest error, be conclusive and binding for all purposes. Any such certificate or other document may comprise any form of statement or printout of electronic records provided by the relevant clearing system (including Euroclear's EUCLID or Clearstream, Luxembourg's Creation Online system) in accordance with its usual procedures and in which the accountholder of a particular principal amount of the Certificates is clearly identified together with the amount of such holding. None of the Trustee, the Obligor and/or the Delegate shall be liable to any person by reason of having accepted as valid or not having rejected any certificate or other document to such effect purporting to be issued by any such person and subsequently found to be forged or not authentic.

### **Put Option**

The Certificateholders' put option in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*) of the Certificates may be exercised by the holder of the Global Certificate giving notice to the Registrar or Paying and Transfer Agent of the face amount of Certificates in respect of which the option is exercised and presenting the Global Certificate within the time limits specified in Condition 8(c) (*Dissolution at the Option of the Certificateholders (Change of Control Put Right)*).

### **Registration of Title**

The Registrar will not register title to the Certificates in a name other than that of a nominee for the Common Depositary for a period of seven calendar days preceding the due date for any payment of any Periodic Distribution Amount or the Dissolution Distribution Amount in respect of the Certificates.

Record dates will be determined in accordance with the standard practices of Euroclear and Clearstream, Luxembourg.

### **Transfers**

Transfers of book-entry interests in the Certificates will be effected through the records of Euroclear or Clearstream, Luxembourg and their respective direct and indirect participants in accordance with their respective rules and procedures.

### **Exchange for Definitive Certificates**

Interests in the Global Certificate will be exchangeable (free of charge) for Definitive Certificates only upon the occurrence of an Exchange Event. For these purposes, "**Exchange Event**" means that: (i) a Dissolution Event (as defined in the Conditions) has occurred; or (ii) the Certificates represented by the Global Certificate are held on behalf of Euroclear or Clearstream, Luxembourg or any other clearing system, and any such clearing system has been closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or has announced an intention permanently to cease business or has in fact done so. In the event of the occurrence of an Exchange Event, any of the Trustee or Euroclear and/or Clearstream, Luxembourg (acting on the instructions of any holder of an interest in the Global Certificate) may give notice to the Registrar requesting exchange.

In such circumstances, the Global Certificate shall be exchanged in full for Definitive Certificates and the Trustee will, at the cost of the Trustee (but against such indemnity as the Registrar or any relevant Transfer Agent may require in respect of any tax or other duty of whatever nature which may be levied or imposed in connection with such exchange), cause sufficient Definitive Certificates to be executed

and delivered to the Registrar within 10 days following the request for exchange for completion and dispatch to the Certificateholders. A person having an interest in the Global Certificate must provide the Registrar with a written order containing instructions (and such other information as the Trustee and the Registrar may require) to complete, execute and deliver such Definitive Certificates.

For so long as any Certificates are listed on the SGX-ST and the rules of the SGX-ST so require, the Obligor shall appoint and maintain a paying agent in Singapore, where such Certificates may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing such Certificates is exchanged for Definitive Certificates. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

In this Offering Circular, “**Definitive Certificate**” means a trust certificate in definitive registered form issued by the Trustee in accordance with the provisions of the Declaration of Trust in exchange for the Global Certificate, such trust certificate substantially in the form set out in the Schedules to the Declaration of Trust.

## USE OF PROCEEDS

The net proceeds of the issue of the Certificates (after deduction of estimated fees, costs and expenses incurred in connection with the offering), will be paid by the Trustee to the Obligor (as Seller) as the purchase price for the Rights to Travel pursuant to the Purchase of Services Agreement. The Obligor shall use the proceeds of the issue of the Certificates for its Shari'a compliant general corporate purposes, including the repayment of certain existing Islamic financing arrangements. See "*Description of Material Indebtedness — USD400,000,000 Islamic Financing*" and "*Description of Material Indebtedness — Sharia Financing Facility from BII in 2015*". Some of the investors in the Islamic financing arrangement being repaid with the net proceeds of the issue of the Certificates include the Joint Lead Managers or their affiliates.



## DESCRIPTION OF THE TRUSTEE

### General

Garuda Indonesia Global Sukuk Limited, a Cayman Islands exempted company with limited liability, was incorporated on 30 April 2015 under the Companies Law (as amended) of the Cayman Islands with company registration number 299311. The Trustee has been established as an exempted company for the sole purpose of issuing the Certificates and entering into the transactions contemplated by the Transaction Documents. The registered office of the Trustee is at 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands.

The authorised share capital of the Trustee is U.S.\$50,000 consisting of 50,000 ordinary shares of U.S.\$1.00 each, of which one Share has been issued at the date of this Offering Circular. All of the issued shares (the “Shares”) are fully-paid and are held by Elian Fiduciary Services (Cayman) Limited as share trustee (the “Share Trustee”) under the terms of a declaration of trust (the “Share Declaration of Trust”) under which the Share Trustee holds the Shares in trust until the end of the Trust Period (as defined in the Share Declaration of Trust). Prior to the end of the Trust Period, the trust is an accumulation trust, but the Share Trustee has the power to benefit any charity (as defined in the Share Declaration of Trust). It is not anticipated that any distribution will be made whilst any Certificate is outstanding. Following the end of the Trust Period, the Share Trustee will wind up the trust and make a final distribution to charity. The Share Trustee has no beneficial interest in, and derives no benefit (other than its fee for acting as Share Trustee) from its holding of the Shares.

### Business of the Trustee

The Trustee will not have any substantial liabilities other than in connection with the Certificates and any further certificates issued pursuant to the Conditions. The Certificates are the obligations of the Trustee alone and not the Share Trustee.

The objects for which the Trustee is established are set out in clause 3 of its Memorandum of Association as registered or adopted on 30 April 2015.

### Financial Statements

Since the date of incorporation, no financial statements of the Trustee have been prepared. The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements.

### Directors of the Trustee

The Directors of the Trustee are as follows:

<b>Name:</b>	<b>Principal Occupation:</b>
Stephen Langan .....	Company Director
Ellen Chislett.....	Company Director

The Alternate Directors of the Trustee are as follows:

Elian Corporate Director 3 Limited

Elian Corporate Director 4 Limited

The Secretary of the Trustee is Elian Secretaries (Cayman) Limited.

The business address of each Director and Alternate Director is 44 Esplanade, St Helier, Jersey, JE4 9WG, Channel Islands.

The business address of the Secretary is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands.

There are no potential conflicts of interest between the private interests or other duties of the Directors listed above and their duties to the Trustee.

### **The Administrator**

Elian Secretaries (Cayman) Limited acts as the administrator of the Trustee (in such capacity, the “**Administrator**”). The office of the Administrator serves as the general business office of the Trustee. Through the office, and pursuant to the terms of an administration agreement entered into between the Trustee and the Administrator (the “**Administration Agreement**”), the Administrator has agreed to perform in the Cayman Islands various management functions on behalf of the Trustee and the provision of certain clerical, administrative and other services until termination of the Administration Agreement. In consideration of the foregoing, the Administrator will receive various fees payable by the Trustee at rates agreed upon from time to time, plus expenses.

The terms of the Administration Agreement provide that either the Trustee or the Administrator may terminate such agreements upon the occurrence of certain stated events, including any material breach by the other party of its obligations under such agreements. In addition, the Administration Agreement provides that the Trustee or the Administrator shall be entitled to terminate such agreements by giving at least three months’ notice in writing to the other.

The Administrator will act on the instructions of the Trustee’s Board of Directors.

The Administrator’s principal office is 89 Nexus Way, Camana Bay, Grand Cayman, KY1-9007, Cayman Islands.

The Directors of the Trustee are all employees or officers of the Administrator or an affiliate thereof. The Trustee has no employees and is not expected to have any employees in the future.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

*The following discussion should be read together with the audited consolidated financial statements and notes thereto as of 31 December 2013 and 2014 and for the years ended 31 December 2013 and 2014, and reviewed consolidated financial statements as of 31 March 2015 and for the three-month periods ended 31 March 2015 and 2014. The consolidated financial statements are prepared in accordance with Indonesian FAS which differs in certain material respects from IFRS. For description of certain significant differences between IFAS and IFRS, see “Summary of Certain Principal Differences between Indonesian FAS and IFRS”.*

The summary of selected consolidated financial information presented in the tables below are derived from the audited consolidated financial statements as of 31 December 2013 and 2014 and for the years ended 31 December 2013 and 2014, and reviewed consolidated financial statements as of 31 March 2015 and for the three-month periods ended 31 March 2014 and 2015. The consolidated financial statements as of 31 December 2013 and 2014 and for the years ended 31 December 2013 and 2014 have been audited, and the consolidated financial statements as of 31 March 2015 and for the three-month periods ended 31 March 2014 and 2015 have been reviewed, by Osman Bing Satrio & Eny (a member firm of Deloitte Touche Tohmatsu Limited), independent public accountants in Indonesia and are included elsewhere in this Offering Circular. The consolidated statement of profit or loss and other comprehensive income for the three-month period ended 31 March 2014 and 2015 and the consolidated statement of financial position as at 31 March 2015 presented below, in each case as reviewed by Osman Bing Satrio & Eny (a member firm of Deloitte Touche Tohmatsu Limited), set forth below have been derived or calculated from the interim consolidated financial statements included elsewhere in this Offering Circular, and are not indicative of results for the full year. With respect to the reviewed consolidated financial information as of 31 March 2015 and for the three-month periods ended 31 March 2014 and 2015 included in this Offering Circular, Osman Bing Satrio & Eny (a member firm of Deloitte Touche Tohmatsu Limited) have reported that they applied limited procedures in accordance with review standards established by the Indonesian Institute of Certified Public Accountants. However, their separate review report included in this Offering Circular states that they did not audit and they do not express an opinion on that interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

### Consolidated Statement of Financial Position

	For the year ended 31 December		For the three-month period ended 31 March
	2013 (USD)	2014 (USD)	2015 (USD)
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents.....	480,429,053	434,327,498	464,898,910
Trade accounts receivables			
Related parties.....	3,895,720	2,747,485	2,662,185
Third parties - net of allowance for impairment loss of USD 6,226,315 in 31 March 2015, USD 6,599,637 in 31 December 2014 and USD 2,844,443 in 31 December 2013 .....	141,661,109	117,876,342	137,325,563
Other receivables .....	9,158,363	8,349,932	10,645,811
Inventories - net .....	91,325,429	85,204,399	85,498,623
Advances and prepaid expenses.....	90,118,503	134,765,800	135,139,648
Prepaid taxes .....	19,934,137	27,243,487	30,712,871
<b>Total Current Assets.....</b>	<b>836,522,314</b>	<b>810,514,943</b>	<b>866,883,611</b>

	<b>For the year ended 31 December</b>		<b>For the three-month period ended 31 March</b>
	<b>2013</b>	<b>2014</b>	<b>2015</b>
	<i>(USD)</i>	<i>(USD)</i>	<i>(USD)</i>
<b>Non Current Assets</b>			
Maintenance reserve fund and security deposits .....	617,623,057	786,933,317	847,884,492
Advances for purchase of aircraft .....	500,366,435	388,883,491	367,309,429
Investments in associates .....	972,087	545,647	284,787
Deferred tax assets.....	34,850,834	119,650,511	121,883,572
Property and equipment - net of accumulated depreciation of USD 1,212,889,722 in 31 March 2015, USD 1,188,605,633 in 31 December 2014 and USD 1,058,880,732 in 31 December 2013 .....	895,017,840	922,994,362	887,207,438
Investment properties .....	22,020,790	26,818,510	26,708,125
Intangible assets - net .....	6,822,881	6,047,329	5,600,641
Deferred charges - net.....	7,275,144	5,411,785	5,317,578
Other assets - net.....	76,167,174	45,279,420	43,124,762
<b>Total Non Current Assets</b> .....	<u>2,161,116,242</u>	<u>2,302,564,372</u>	<u>2,305,320,824</u>
<b>TOTAL ASSETS</b> .....	<u><u>2,997,638,556</u></u>	<u><u>3,113,079,315</u></u>	<u><u>3,172,204,435</u></u>
<b>LIABILITIES AND EQUITY</b>			
<b>Current Liabilities</b>			
Loans from banks and financial institution.....	45,222,668	75,312,110	564,669,978
Trade accounts payables			
Related parties.....	120,771,564	111,563,071	94,048,762
Third parties.....	86,179,810	104,026,360	89,415,526
Other payables .....	20,988,151	24,196,608	33,101,637
Taxes payable .....	18,002,338	18,458,721	19,735,048
Accrued expenses.....	169,670,785	224,597,949	206,447,474
Unearned revenues .....	169,265,396	210,488,910	173,956,332
Advances received .....	20,593,426	29,581,017	22,914,805
Current maturities of long term liabilities:			
Long-term loans .....	280,075,641	368,945,183	224,649,523
Lease liabilities .....	53,268,680	12,933,174	13,046,441
Estimated liability for aircraft return and maintenance cost .....	15,060,990	39,262,253	46,852,454
<b>Total Current Liabilities</b> .....	<u>999,099,449</u>	<u>1,219,365,356</u>	<u>1,488,837,980</u>

	For the year ended 31 December		For the three-month period ended 31 March
	2013 (USD)	2014 (USD)	2015 (USD)
<b>Non current Liabilities</b>			
Non current maturities of long-term liabilities:			
Long-term loans .....	327,040,065	446,699,347	256,058,692
Lease liabilities .....	138,482,264	105,965,183	102,867,887
Estimated liability for aircraft return and maintenance cost .....	55,191,260	73,526,187	67,567,078
Bonds payable .....	162,850,383	159,758,003	151,902,750
Deferred tax liabilities .....	11,632,923	2,531,137	2,387,982
Employment benefits obligation .....	183,337,325	190,327,180	191,045,851
Other non current liabilities .....	25,871,293	35,439,331	37,306,786
<b>Total Non Current Liabilities</b> .....	<b>904,405,513</b>	<b>1,014,246,368</b>	<b>809,137,026</b>
<b>Equity</b>			
Capital stock - Rp 459 par value per share for Series A Dwiwarna share and series B shares Authorised - 1 of Series A Dwiwarna share and 29,999,999,999 Series B shares Issued and paid-up capital - 1 Series A Dwiwarna shares and 25,868,926,632 Series B at at 31 March 2015, 31 December 2014, and 22,640,995,999 at 31 December 2013 .....			
	1,146,031,889	1,309,433,569	1,309,433,569
Additional paid-in capital.....	4,548,037	(33,948,489)	(33,948,489)
Stock option .....	2,770,970	2,770,970	2,770,970
Retained earnings			
Deficit amounting to USD 1,385,459,977 as of 1 January 2012 was eliminated in connection with quasi reorganisation			
- Appropriated .....	5,529,919	6,081,861	6,081,861
- Unappropriated.....	83,242,722	(293,955,127)	(289,925,706)
Other comprehensive income.....	(165,090,777)	(126,884,816)	(137,789,421)
Equity attributable to owners of the company .....	1,077,032,760	863,497,968	856,622,784
Non-controlling interest .....	17,100,834	15,969,623	17,606,645
<b>Total Equity</b> .....	<b>1,094,133,594</b>	<b>879,467,591</b>	<b>874,229,429</b>
<b>TOTAL LIABILITIES AND EQUITY</b> .....	<b>2,997,638,556</b>	<b>3,113,079,315</b>	<b>3,172,204,435</b>

## Consolidated Statement of Profit or Loss and Other Comprehensive Income

	For the year ended 31 December		For the three-month period ended 31 March	
	2013 <i>(USD)</i>	2014 <i>(USD)</i>	2014 <i>(USD)</i>	2015 <i>(USD)</i>
<b>Operating Revenues</b>				
Scheduled airline services.....	3,170,086,191	3,384,255,386	734,975,382	805,480,657
Non-scheduled airline services.....	215,965,887	203,902,498	2,856,691	39,203,045
Others .....	373,398,159	345,372,388	79,578,072	82,642,361
<b>Total Operating Revenues .....</b>	<b>3,759,450,237</b>	<b>3,933,530,272</b>	<b>817,410,145</b>	<b>927,326,063</b>
<b>Operating Expenses</b>				
Flight operations.....	2,243,445,104	2,562,179,370	597,638,617	531,715,217
Ticketing, sales and promotion .....	335,582,593	354,822,396	79,657,570	75,204,069
Maintenance and overhaul .....	285,193,329	419,536,774	81,262,273	94,502,699
Passenger services .....	282,897,297	302,908,137	73,369,008	68,972,138
User charges and station.....	298,001,244	339,756,096	72,657,782	73,999,398
General and administrative .....	228,315,526	244,510,498	59,734,149	57,567,314
Hotel operation.....	33,758,910	34,077,718	8,112,784	7,487,366
Transportation operation .....	19,816,371	17,798,905	4,122,579	3,879,869
Network operation .....	17,956,789	16,755,061	4,416,291	3,410,720
<b>Total Operating Expenses .....</b>	<b>3,744,967,163</b>	<b>4,292,344,955</b>	<b>980,971,053</b>	<b>916,738,790</b>
<b>Other Operating (Income)</b>				
<b>Charges</b>				
Loss (gain) on foreign exchange...	(59,680,414)	(8,896,197)	34,310,821	(18,993,768)
Others .....	(2,043,084)	45,309,635	(2,607,469)	(1,116,085)
Net.....	(61,723,498)	36,413,438	31,703,352	(20,109,853)
<b>Profit from Operations.....</b>	<b>76,206,572</b>	<b>(395,228,121)</b>	<b>(195,264,260)</b>	<b>30,697,126</b>
Equity in net income (loss) of associates .....	26,546	4,193	(43,304)	(236,504)
Finance income.....	10,553,426	12,091,904	3,086,536	1,640,810
Finance cost .....	(59,868,324)	(73,321,080)	(17,042,585)	(16,668,372)
<b>Profit (Loss) Before Tax.....</b>	<b>26,918,220</b>	<b>(456,453,104)</b>	<b>(209,263,613)</b>	<b>15,433,060</b>
<b>Tax Benefits (Expense).....</b>	<b>(3,386,833)</b>	<b>87,541,825</b>	<b>43,082,212</b>	<b>(3,017,055)</b>
<b>Profit (Loss) for the Current Period.....</b>	<b>23,531,387</b>	<b>(368,911,279)</b>	<b>(166,181,401)</b>	<b>12,416,005</b>
<b>Other Comprehensive Income (Loss)</b>				
<b>Item that will not be Reclassified Subsequently to Profit and Loss</b>				
Gain on revaluation of property and equipment - net .....	14,647,651	53,298,802	—	—
Remeasurement of defined benefit obligation.....	16,635,556	(11,874,958)	(3,493,473)	(11,546,340)
Income tax relating to items that will not be reclassified.....	(2,578,382)	(3,637,751)	873,368	2,886,585
Subtotal.....	28,704,825	37,786,093	(2,620,105)	(8,659,755)

	For the year ended 31 December		For the three-month period ended 31 March	
	2013 (USD)	2014 (USD)	2014 (USD)	2015 (USD)
<b>Item that may be Reclassified</b>				
<b>Subsequently to Profit And Loss</b>				
Unrealized gain on cash flows hedge transaction .....	—	(29,770)	—	(3,393,805)
Exchange differences on translating foreign operations ....	(33,680,437)	(8,416,201)	9,358,838	(5,600,607)
Subtotal .....	(33,680,437)	(8,445,971)	9,358,838	(8,994,412)
Total other comprehensive income (loss) .....	(4,975,612)	29,340,122	6,738,733	(17,654,167)
<b>Total Comprehensive Income</b>				
<b>(Loss)</b> .....	<u>18,555,775</u>	<u>(339,571,157)</u>	<u>(159,442,668)</u>	<u>(5,238,162)</u>
<b>Profit (Loss) Attributable To:</b>				
Owners of the Company .....	20,497,950	(370,045,839)	(168,042,709)	11,397,675
Non-controlling interest .....	<u>3,033,437</u>	<u>1,134,560</u>	<u>1,861,308</u>	<u>1,018,330</u>
<b>PROFIT (LOSS) FOR THE</b>				
<b>PERIOD</b> .....	<u>23,531,387</u>	<u>(368,911,279)</u>	<u>(166,181,401)</u>	<u>12,416,005</u>
<b>Total Comprehensive Income</b>				
<b>(Loss) Attributable To:</b>				
Owners of the Company .....	20,842,690	(338,439,946)	(158,115,567)	(6,875,184)
Non-controlling interest .....	<u>(2,285,915)</u>	<u>(1,131,211)</u>	<u>(1,327,101)</u>	<u>1,637,022</u>
<b>TOTAL COMPREHENSIVE</b>				
<b>INCOME (LOSS)</b> .....	<u>18,555,775</u>	<u>(339,571,157)</u>	<u>(159,442,668)</u>	<u>(5,238,162)</u>
<b>Earnings (Loss) per Share - Basic</b>				
attributable to owner of the parent company .....	0.00091	(0.01480)	(0.00742)	0.00044

#### Non-GAAP financial measures

Adjusted EBITDAR is used to provide additional information about the Group operating performance. Adjusted EBITDAR is defined as income from operations plus depreciation and amortization and aircraft rental expenses incurred in respect of scheduled passenger services. Adjusted EBITDAR is not a standard measure under either IFRS or Indonesian FAS. As a measure of the Group's operating performance, the Group believes that the most directly comparable Indonesian FAS and IFRS measure to Adjusted EBITDAR is net profit. Adjusted EBITDAR is used in addition to net income because net income includes many accounting items associated with capital expenditures, such as depreciation, as well as non-operating items, such as interest income and interest expense, financial charges, foreign exchange gains and losses, gain on sale and leaseback, employee severance cost, provision for impairment losses and minority interest. These accounting items may vary between companies depending on the method of accounting adopted by each company. Funds depicted by Adjusted EBITDAR may not be available for debt service due to covenant restrictions, capital expenditure requirements and other commitments.

The following table reconciles the income (loss) from operations under Indonesian FAS to the Group's definition of Adjusted EBITDAR for the periods indicated:

### Table of Selected Financial Ratios

	For the year ended 31 December		For the three-month period ended 31 March		For the twelve- months period ended 31 March <sup>6</sup>
	2013 (USD)	2014 (USD)	2014 (USD)	2015 (USD)	2015 ( USD)
Income (loss) from Operations .....	76,206,572	(395,228,121)	(195,264,260)	30,697,126	(169,266,735)
Depreciation and Amortization .....	155,240,873	179,430,157	37,701,849	43,991,856	185,720,164
<b>Adjusted EBITDA<sup>1</sup> .....</b>	<b>231,447,445</b>	<b>(215,797,964)</b>	<b>(157,562,411)</b>	<b>74,688,982</b>	<b>16,453,429</b>
Aircraft Rental <sup>2</sup> .....	515,367,897	715,148,405	161,897,712	211,609,149	764,859,842
<b>Adjusted EBITDAR<sup>1</sup> .....</b>	<b>746,815,342</b>	<b>499,350,441</b>	<b>4,335,301</b>	<b>286,298,131</b>	<b>781,313,271</b>
Adjusted EBITDAR Margin <sup>3</sup> .....	19.9%	12.7%	0.5%	30.9%	19.3%
Total Operating Expenses .....	3,744,967,163	4,292,344,955	980,971,053	916,738,790	4,228,112,692
Cash and Cash Equivalents as % of Total Operating Revenue .....	12.8%	11.0%	N/A	N/A	11.5%
Total Debt <sup>4</sup> /Adjusted EBITDAR ...	1.3x	2.3x	N/A	N/A	1.7x
Total Debt <sup>4</sup> /Total Equity .....	0.9x	1.3x	N/A	1.5x	N/A
Net Debt <sup>5</sup> /Total Equity .....	0.5x	0.8x	N/A	1.0x	N/A

N/A means Not Available

You should not consider our definition of either Adjusted EBITDA or Adjusted EBITDAR in isolation or construe it as an alternative to income (loss) from operations, or as indicator of operating performance or any other standard measure under Indonesian FAS or U.S. GAAP.

*Notes:*

- (1) Adjusted EBITDA is defined as income (loss) from operations plus depreciation and amortization and adjusted EBITDAR as income (loss) from operations plus depreciation and amortization and aircraft rental expenses incurred in respect of scheduled passenger services. Adjusted EBITDA and adjusted EBITDAR are not measurements of financial performance or liquidity under Indonesian FAS and should not be considered as alternatives to net income, operating income or any other performance measures derived in accordance with Indonesian FAS or as alternatives to cash flow from operating activities as measures of liquidity. In addition, Adjusted EBITDA and Adjusted EBITDAR are not standardized term, hence, a direct comparison between companies using such term may not be possible.
- (2) Aircraft rental is operating lease of scheduled passenger services excluding Hajj related lease.
- (3) Adjusted EBITDAR Margin is Adjusted EBITDAR divided with total operating revenue.
- (4) Total Debt is sum of loans from banks and financial institution, long term loans, lease liabilities and bonds payable.
- (5) Net debt is Total Debt less cash and cash equivalents.



- (6) In this section, the last twelve months financial information for period from 1 April 2014 to 31 March 2015 has been derived (i) by deducting the reviewed interim consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2014 to 31 March 2014 from the audited consolidated statement of profit or loss and other comprehensive income for the year ended 31 December 2014 included elsewhere in this Offering Circular and (ii) by adding the reviewed interim consolidated statement of profit or loss and other comprehensive income for the period from 1 January 2015 to 31 March 2015 included elsewhere in this Offering Circular. The fiscal year of PT Garuda Indonesia (Persero) Tbk is 1 January to 31 December and under Indonesian FAS, an entity should present its financial statements in accordance with its fiscal year. Garuda believes that the presentation of the last twelve months consolidated net income, Adjusted EBITDA and Adjusted EBITDAR for period from 1 April 2014 to 31 March 2015 provides additional information to investors. However, such presentation is not required under Indonesian FAS. The last twelve months consolidated net income, Adjusted EBITDA and Adjusted EBITDAR for period from 1 April 2014 to 31 March 2015 is for informational purposes only and should not be considered indicative of actual results and does not purport to indicate the consolidated net income, Adjusted EBITDA and Adjusted EBITDAR as of any future date or any future period.

## CAPITALISATION AND INDEBTEDNESS

The following table sets out the consolidated capitalisation of the Group as derived from its unaudited reviewed consolidated financial statements as at 31 March 2015. The table should be read in conjunction with the Group's unaudited reviewed consolidated financial statements as at 31 March 2015 and the notes thereto reproduced beginning on pages F-1 in this Offering Circular.

	As at 31 March 2015	
	<i>Actual (USD)</i>	<i>As Adjusted for the Global Offering<sup>2</sup></i>
<b>LIABILITIES</b>		
Non-current maturities of long term liabilities:		
Long-term loans .....	256,058,692	256,058,692
Lease liabilities .....	102,867,887	102,867,887
Certificates offered hereby .....	—	491,280,000
Bonds payable .....	151,902,750	151,902,750
<b>Total</b> .....	<b>510,829,329</b>	<b>1,002,109,329</b>
<b>EQUITY</b>		
Capital Stock .....	1,309,433,569	1,309,433,569
Additional paid-up capital.....	(33,948,489)	(33,948,489)
Stock option .....	2,770,970	2,770,970
Retained earnings		
- Appropriated .....	6,081,861	6,081,861
- Unappropriated.....	(289,925,706)	(289,925,706)
Other comprehensive income.....	(137,789,421)	(137,789,421)
Equity attributable to owners of the company .....	856,622,784	856,622,784
Non-controlling interest .....	17,606,645	17,606,645
<b>Total Equity</b> .....	<b>874,229,429</b>	<b>874,229,429</b>
<b>TOTAL CAPITALISATION<sup>1</sup></b> .....	<b>1,385,058,758</b>	<b>1,876,338,758</b>

Notes:

<sup>1</sup> Total capitalisation represents total long-term debt net of current maturities and total equity.

<sup>2</sup> Includes the estimated fees, costs and expenses incurred in connection with the offering estimated at USD5,000,000, with the remainder reflecting the discount to face value of the certificates issued.

Save as disclosed above, there has been no material change in the capitalisation and indebtedness of the Obligor since 31 March 2015.

## DESCRIPTION OF GARUDA

### Overview

Garuda is the state-owned national flag carrier of Indonesia and a leading full service carrier (“FSC”) providing passenger, cargo and airline-related services in Indonesia. Garuda’s headquarters and main hub are at Soekarno-Hatta International Airport (“CGK”), in Jakarta, Indonesia’s capital and business centre. Garuda also operates major hubs at Juanda International Airport (“SUB”) in Surabaya, Ngurah-Rai International Airport (“DPS”) in Denpasar, Bali (a significant Indonesian tourist destination), Sultan Hasanuddin International Airport (“UPG”) in Makassar, Sulawesi, Sepinggan Airport (“BPN”) in Balikpapan, Kalimantan and Kuala Namu International Airport (“KNO”) in Medan, Sumatera. Garuda operates a diverse route network, serving 60 domestic and 19 international destinations as at 31 March 2015. Garuda also offers low-cost carrier (“LCC”) services under its Citilink brand operated by its wholly-owned subsidiary PT Citilink Indonesia (“Citilink”). Over the last three years, Garuda has received multiple awards from Skytrax, including, in 2014, Skytrax’s 5-star airline rating, the 7th best airline in the world ranking and the prestigious “The World’s Best Cabin Crew” award. Skytrax also awarded Garuda “The World’s Best Economy Class” in 2013 and “World’s Best Regional Airline” in 2012.

Garuda believes that its separate FSC and LCC platforms allow it to better segment its services between its “premium” corporate and private passengers travelling in its business and economy classes, and its more price-sensitive “budget” passengers.

With approximately 17,000 islands, of which approximately 6,000 are inhabited, a growing population currently exceeding 250 million and the third fastest GDP growth amongst the G20 countries as recorded by the International Monetary Fund in October 2014, Indonesia has an increasing demand for airline services, with many of the domestic routes in Garuda’s network requiring flights over water. As of 31 March 2015, Indonesia’s GDP has grown at a compound annual growth rate (“CAGR”) of 5.7% from 2012 through 2014 according to Statistics Indonesia (*Badan Pusat Statistik* or “BPS”), the Indonesian government statistics bureau, which has contributed to the development of an emerging middle class. According to BPS, for the three months ended 31 March 2015, international passenger traffic at the five biggest airports in Indonesia amounted to approximately 3.0 million passengers, representing an increase of 0.5% as compared to the three months ended 31 March 2014, whereas domestic passenger traffic for the five biggest airports in Indonesia for the three months ended 31 March 2015 amounted to approximately 8.5 million passengers, representing a decrease of 4.4% as compared to the three months ended 31 March 2014.

Garuda believes that with its hub and base approach and route network serving major Indonesian urban areas and international destinations, Garuda is well positioned to grow its business and meet increased demand for airline services in Indonesia. As at 31 March 2015, Garuda operates a fleet of 133 aircraft serving 60 domestic and 19 international destinations, whilst Citilink operates a fleet of 34 aircraft serving 23 destinations within Indonesia. In May 2015, Garuda transferred ownership of four B737-500 aircraft to Citilink. See “— Recent Developments” below. In response to the economic growth of Indonesia and the demand for air services, Garuda’s total fleet (including Citilink and operating and non-operating aircraft) has grown from 106 aircraft in 2012 to 174 as at 31 March 2015, whilst the average age of Garuda’s aircraft has decreased from 5.8 years to 5.4 years in the same period. Garuda and Citilink anticipate the arrival of an additional 18 aircraft during the course of 2015, taking total fleet to 185 aircraft by 31 December 2015. In addition to increasing fleet size, Garuda has aimed to maximise its efficiency by operating newer models of aircraft. In the three months ended 31 March 2015, Garuda carried approximately 5.5 million passengers with passenger traffic of approximately 8.1 billion revenue passenger kilometres (“RPKs”) and USD0.059 of revenue per available seat kilometres (“RASK”), and cargo traffic of approximately 142.7 million revenue freight ton kilometres (“RFTKs”). In the year ended 31 December 2014, the Group carried approximately 29.1 million passengers, with passenger traffic of approximately 36.0 billion RPK with a RASK of USD0.068, and cargo traffic of approximately 675.4 million RFTK.

Garuda also provides airline-related services through business units and its principal subsidiaries, including aircraft maintenance, repair and overhaul (“**MRO**”), ground services, reservations and ticketing, and in-flight catering services, as well as travel, tourism and hospitality services. Garuda provides these airline-related and other services in Jakarta, Surabaya, Denpasar and other locations in Indonesia through its business units and its principal subsidiaries: PT Abacus Distribution Systems Indonesia (“**Abacus**”), PT Aero Wisata (“**Aerowisata**”), PT Garuda Maintenance Facility Aero Asia (“**GMFAA**”), PT Aero Systems Indonesia (“**Asyst**”), Citilink, PT Gapura Angkasa (“**Gapura Angkasa**”) and Garuda Indonesia Holiday France S.A.S (“**GIH France**”) (together, the “**Group**”). The Group’s total operating revenues were USD3.8 billion and USD3.9 billion for the years ended 31 December 2013 and 2014 respectively and USD0.9 billion for the three-month period ended 31 March 2015. The Group’s Adjusted EBITDAR was USD746.8 million and USD499.3 million for the years ended 31 December 2013 and 2014 respectively and USD286.3 million for the three-month period ended 31 March 2015. The Group’s net income was USD23.5 million and USD(368.9) million for the years ended 31 December 2013 and 2014 respectively and USD12.4 million for the three-month period ended 31 March 2015.

## **Recent Developments**

### ***Citilink***

In May 2015, Garuda transferred ownership of four B737-500 aircraft to Citilink. As of the date of this Offering Circular, the Citilink fleet consists of 42 aircraft, eight of which are owned by Citilink.

### ***Garuda’s Board of Directors***

In May 2015, Nicodemus Panarung Lampe was appointed as a director of Garuda. His official role will be confirmed in a resolution of Garuda’s Board of Directors.

### ***Gapura Angkasa***

On 10 December 2014, Garuda increased its ownership in Gapura Angkasa from 37.5% to 58.8% through the purchase of additional shares from Angkasa Pura I for approximately IDR 105 billion. As a result of the increased ownership, Garuda is now the majority shareholder of Gapura Angkasa and is able to ensure that Gapura Angkasa delivers quality ground services for the benefit of Garuda’s and Citilink’s customers.

### ***GIH France***

In January 2014, GIH France was established as a 100% owned French subsidiary of Garuda. GIH France was established to further integrate the Group’s aircraft leasing activities in addition to supporting the sales and marketing efforts being undertaken in Europe.

### ***HLP Airport***

In January 2014, Halim Perdanakusuma Airport (“**HLP Airport**”) opened to scheduled commercial air traffic to ease congestion at CGK Airport. HLP Airport provides an alternative venue for passengers travelling to or from Jakarta on domestic flights. As at 31 March 2015, Citilink was the only airline using HLP Airport for its scheduled flights. Citilink has 20 flights departing from HLP Airport each day, consisting of two flights to Medan, four to Yogyakarta, one to Malang, four to Palembang, one to Solo, three to Semarang and five to Surabaya.

### ***SkyTeam Global Alliance***

Garuda joined the SkyTeam global alliance on 5 March 2014. The SkyTeam global alliance provides a platform for Garuda to expand its range of destinations through potential code-share arrangements with other SkyTeam global alliance members.

### ***Aircraft Orders***

In October 2014, Garuda placed an order with Boeing for 50 737 MAX 8 aircraft in connection the replacement of Garuda's old fleet, which will be phased out between 2017 and 2023. The order consists of 46 of Boeing's new 737 MAX 8 aircraft and the conversion of four of its existing orders from Boeing of 737-800 aircraft to 737 MAX 8 aircraft. The addition of these aircraft will aid Garuda's plans to expand, rejuvenate its fleet and increase operation and maintenance efficiency, whilst targeting increases in both domestic and international services from Indonesia. Garuda will take delivery of the first aircraft in 2017.

### ***Bintan Maintenance Facility***

In 2014 Garuda entered into a memorandum of understanding with Singapore-based investment company Gallant Venture to develop an airport and maintenance facility in Bintan, Riau Islands. The facility will provide additional capacity to GMFAA to accommodate Garuda's MRO requirements as its fleet increases in size. The new MRO facility will predominantly focus on wide-body aircraft. Construction is scheduled to occur in multiple phases, with phase one combining the development of one runway and one terminal to accommodate initial air traffic being targeted for completion in 2016. In particular, the facility improvement milestones include developing the capability to comprehensively service the Boeing B747 by 2016, the Airbus A330 by 2017, the Boeing B777 by 2018, the Airbus A340 by 2020 and the Boeing B747-8 by 2023.

### ***GMFAA Hangar***

GMFAA is in the process of completing a fourth hangar in Soekarno-Hatta International Airport near Jakarta, which is expected to be fully operational by the first half of 2015. Once complete, the new hangar will be the largest free standing narrow-body hangar in the world, providing capacity for 16 aircraft bays in total (15 bays for maintenance work and one bay for aircraft painting) and provide vital additional servicing capacity to the Group's enlarged fleets, allowing more of the MRO to be undertaken by GMFAA.

### **Key Strengths**

Garuda believes that it has the following competitive strengths:

#### ***Strong support from the Government of Indonesia***

The Government of Indonesia (the "GoI") is the majority shareholder in Garuda. See " — *Corporate History and Group Structure*", below. Following Garuda's IPO in 2011 and subsequent rights issue in 2014, the GoI holds a 60.5% shareholding in Garuda as of 31 March 2015.

Garuda believes that the GoI considers Garuda to be the flag carrier of Indonesia's airline industry, and of strategic importance in increasing connectivity within the Indonesian archipelago. The GoI continues to influence Garuda's development and growth through its involvement in Garuda's strategic decision-making process (as the controlling shareholder) and through its support for the re-investment of Garuda's profits into its business. Garuda's position as Indonesia's flag carrier is further strengthened by the GoI requiring all GoI ministerial personnel to fly with Garuda, and with Garuda being the sole Indonesian airline contracted by the Indonesian Ministry of Religious Affairs (the "MRA") to operate flights relating to Hajj travel. See " — *Airline Services — Non-Scheduled Passenger Services — Hajj Services*", below.

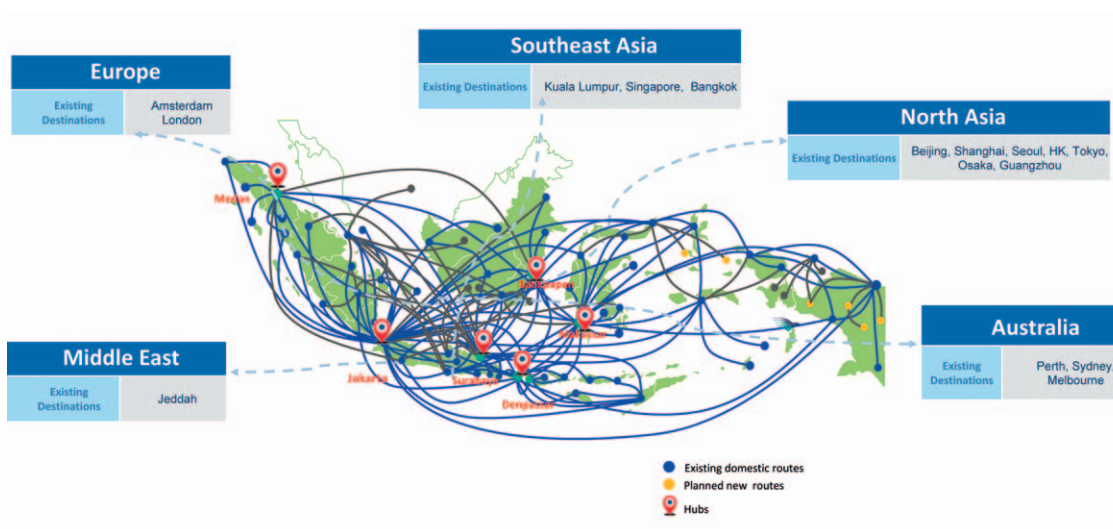
As majority shareholder in Garuda, the GoI has historically demonstrated financial support for Garuda's development, most recently through three capital injections undertaken in 2001, 2006 and 2007 for IDR3.9 trillion (USD431.7 million), IDR500 billion (USD55.4 million) and IDR500 billion (USD53.1 million), respectively.

### ***Connects the world's largest archipelago***

With approximately 17,000 islands, of which approximately 6,000 are inhabited, a growing population currently exceeding 250 million and the third fastest GDP growth amongst the G20 countries as recorded by the International Monetary Fund in October 2014, Garuda believes that Indonesia has an increasing demand for airline services.

Operating from six hubs at CGK Airport, DPS Airport, UPG Airport, BPN Airport, SUB Airport and KNO Airport, Garuda manages a diverse route network serving 60 domestic destinations in the 33 provinces of Indonesia and 19 international destinations as of 31 March 2015, making it the route network leader in the Indonesian aviation market with more than 600 flights a day. In conjunction with its alliance partners Garuda is able to offer more than 1,000 destinations in 177 countries via its alliance partners in the SkyTeam Global Alliance, including flights to destinations in Europe, the Middle East, North Asia, Southeast Asia and Australia. See “ — *Marketing, Sales and Reservations — Passenger Services — SkyTeam Global Alliance*”, below.

The map below provides a graphic representation of Garuda's route network:



### ***Serves one of the largest and fastest growing aviation markets***

As the flag carrier of Indonesia, Garuda believes it is able to benefit from the continued growth of the Indonesian aviation market and the predicted increase in air travel penetration. In 2013, the Indonesian aviation market was the fourth largest in the world with 85 million air passengers according to the World Bank Databank. In contrast, Indonesia has a relatively low air travel penetration value of 34%, which places it sixth in the region, with a value almost half that of Thailand in fourth place. Garuda believes Indonesia's air travel penetration will increase as air travel continues to replace other modes of transport, such as sea and rail, in connecting the archipelago.

According to BPS, domestic passenger traffic at the five biggest airports in Indonesia increased from approximately 36.4 million passengers in the year ended 31 December 2012 to approximately 38.1 million passengers in the year ended 31 December 2014, representing a CAGR of 5.8%. Indonesia benefits from proximity to key financial centres in the fast growing Asia-Pacific region, with approximately one-half of the world's population located within six hours' flight time from Jakarta, according to The S-A-P Group. Indonesia also benefits from a growing tourism industry in Bali and elsewhere in the archipelago. International traffic is roughly divided between Indonesian citizens travelling overseas and foreign visitors to Indonesia. According to BPS, international passenger traffic at the four biggest airports in Indonesia increased from approximately 10.5 million passengers in the year ended 31 December 2012 to approximately 12.1 million passengers in the year ended 31 December 2014, representing a CAGR of 7.8%.

Historically, under-developed airport infrastructure has posed an operational challenge which has adversely affected airlines operating within Indonesia and catering for domestic demand. In recent years, the GoI has initiated plans to improve Indonesia's development of airport infrastructure to enable greater access to air transport, including commitments for over USD4.3 billion for the upgrade and future development of 24 airports and their infrastructure in Indonesia from 2013 to 2018 as part of the "Masterplan for the Acceleration and Expansion of Indonesia's Economic Development". Garuda believes that this expansion and modernisation of airport facilities will assist Garuda's domestic expansion objectives by increasing its route network within Indonesia (to meet increased demand among premium and budget passengers for direct flights to destinations within Indonesia), as well as direct flights to and from overseas destinations.

### ***Reputation as the dominant Indonesian full-service airline brand***

Garuda was established in 1949 and believes that it enjoys strong brand recognition in the domestic market. It is the leading FSC in Indonesia, with a market share of 42% by available seat kilometres ("ASKs") in 2014 and has flown over 137 million passengers in the last ten years.

Among others, Garuda has recently received several awards from Skytrax, including "World's Best Regional Airline" in 2012, "World's Best Economy Class" and "World's Best Economy Class Seats" in 2013, and in 2014 it was ranked seventh in the Skytrax 2014 Best Airlines awards as well as winning Skytrax's award for "World's Best Cabin Crew". 2014 also marked the year that Garuda became the seventh airline to achieve Skytrax's 5-Star status. In 2014, Garuda won a total of 73 awards; 49 domestic awards and 24 international awards. Garuda believes that it enjoys strong customer loyalty among premium passengers and commercial clients in the domestic market. Garuda's frequent flyer programme ("**GarudaMiles**") had approximately 75,816 new members enrolled during the first three months of 2015, and had approximately 1.2 million active members as at 31 March 2015. GarudaMiles members collectively accounted for 31.3% of total Garuda and Citilink passengers for the three months ended 31 March 2015.

Garuda believes that its position as the dominant Indonesian full-service airline brand is strengthened by its membership of the SkyTeam global alliance. As a member of the SkyTeam global alliance, the various levels of GarudaMiles membership are recognised by 19 global airlines, providing GarudaMiles members with equivalent SkyTeam membership and potential access to 629 airport lounges worldwide. As of 31 March 2015, Garuda had established corporate sales programmes with approximately 2,300 corporations in Indonesia, including 30% of Indonesian state-owned enterprises, providing an additional source of premium passengers. Garuda is also the first airline to launch a dedicated "First Class Lounge" in Indonesia to service premium passengers. Garuda also believes that its on-time performance of 88.8% in 2014 is an important factor in customer satisfaction and brand reputation compares favourably with its competitors, particularly in the Indonesian domestic market. Garuda believes that, as a result of its strong domestic brand recognition and customer loyalty, Garuda is well positioned to increase its number of passengers in both domestic and international markets.

### ***Ability to capture Indonesia's LCC market with Citilink***

Citilink has its own headquarters and management team located in Jakarta, to enable it to operate more efficiently on an LCC business model. Having discrete FSC and LCC businesses allows Garuda to offer FSC services to premium and budget passengers on profitable routes, while also offering LCC services to budget passengers on routes with lower yields and high density. Garuda believes that its ability to operate separate FSC and LCC businesses allows it to achieve market segmentation on high density routes, contributing to yield protection as its FSC business expands, while simultaneously allowing it to capture growth in the price sensitive LCC market.

Citilink serves 23 destinations within Indonesia primarily through its 34 Airbus A320-200s, configured with all-economy passenger seat configurations. Citilink also benefits from being able to train its 275 pilots and 447 flight attendants at Garuda's existing training facilities. For the three

months ended 31 March 2015, Citilink's cost per ASK was U.S. cents 5.1, as compared to Garuda's cost per ASK of U.S. cents 6.7. In 2014, Citilink achieved a seat load factor of 79.7% despite only achieving 23.8% ASK growth. Garuda believes that Citilink is well-placed to benefit from economies of scale and lower fuel prices in 2015.

#### ***Modern and cost efficient fleet with modest orderbook***

As of 31 March 2015, Garuda (including Citilink) had a fleet of 174 aircraft with an average age of 5.4 years. Garuda has been overhauling and expanding its fleet with the introduction of new aircraft aimed at increasing overall fuel efficiency, reducing the average age and the overall maintenance expense for Garuda's FSC and LCC aircraft fleet. The increased fleet will also enable Garuda to increase both domestic and international services.

As of 31 March 2015, Garuda had commitments for a total of 112 aircraft to be delivered between 2015 and 2023, which include 50 Boeing 737 MAX 8, four Boeing 737-800NG, four Boeing 777-300ER, 13 Airbus 330-300, 21 Airbus 320-200, three Bombardier CRJ 1000 and 17 ATR 72-600 deliveries, and has options to purchase an additional 10 ATR 72-600 and 18 Bombardier CRJ 1000. Overall, Garuda currently plans to grow its fleet (including the Citilink fleet) from 174 aircraft as of 31 March 2015 to approximately 202 aircrafts by 2017.

In addition, as more new aircraft come into service, Garuda believes that its increasingly younger aircraft fleet will be able to afford its passengers a superior in-flight offering and a more satisfying customer experience through upgrades such as a new in-flight entertainment system.

#### ***Well-established management team and sound corporate governance***

Garuda's board of commissioners has the skills and experience to provide advice to Garuda's board of directors in order to enable Garuda to continue developing and growing its business within Indonesia's airline industry. The composition of the board of commissioners demonstrates the GoI's continued support and control of Garuda and ensures close association with the GoI's Finance and Transportation Ministries. See " — *Management — Board of Commissioners*", below.

On 12 December 2014, Arif Wibowo was appointed as the CEO of Garuda to succeed Emirsyah Satar. Prior to becoming CEO, he accumulated considerable experience in Garuda by serving as General Manager in various strategic branch offices, as EVP Sales & Marketing and finally as CEO of Citilink. In 2013, he was appointed to chair the Indonesia National Air Carriers Association ("INACA").

Garuda's management believes that it has established a culture of meritocracy, with a strong focus on the recruitment, training, retention and motivation of flight crew and other key personnel. As of 31 March 2015, the average experience of its pilots was 11 years. The skill and experience of Garuda's management provides it with the requisite expertise to pursue its growth strategy.

#### ***Prudent financial position compared to regional peers***

Garuda's strategy has been to increase the number of aircraft in its fleet through various lease options rather than through purchasing new aircraft outright as assets, providing Garuda with greater flexibility and negating the need to dispose of aircraft as they age. As a result, 86.8% of the aircraft in Garuda's fleet have been acquired through operating leases. This approach has allowed Garuda to maintain a prudent cash buffer well above the 5% cash to revenue required under Garuda's existing financing arrangements. This also allows Garuda to withstand unexpected adverse situations like flight cancellations resulting from force majeure, as seen during the 2014 volcanic eruptions in Indonesia.

### **Business Strategy**

#### ***Optimise Garuda's revenue generation through new routes, improved infrastructure and updated revenue management***

To increase Garuda's presence in the international market for air travel, Garuda intends to expand its international route network to new destinations while increasing flight frequencies on existing



profitable routes. International expansion will be achieved through a combination of direct offerings by Garuda and new code-sharing opportunities with members of the SkyTeam global alliance. Garuda intends to focus its international expansion on direct routes into the PRC in 2016, with new routes to Xiamen and Fuzhou. Garuda utilises code-share arrangements to expand its reach to new international destinations that cannot be profitably served by direct flights from Indonesia, as demonstrated by the code-share arrangements with Delta Airlines that have provided Garuda with access to the U.S. market as an extension of its routes from Jakarta to Tokyo. Garuda further strengthens its position within the international market through its hajj flight operations. As Indonesia contains the world's largest Muslim population, Garuda is well-situated to capture the expanding Umrah market, having carried a total of 82,961 Muslim pilgrim passengers on round trips from Indonesia to Jeddah in 2014.

Garuda is also focused on developing infrastructure and improving its fleet to enable further revenue growth. Garuda's subsidiary, GMFAA, is in the process of completing a fourth hangar in Jakarta, which is expected to be fully operational by June 2015. Once complete, the new hangar will be the largest free standing narrow-body hangar in the world, providing a total of 16 aircraft bays (15 bays for maintenance work and one bay for aircraft painting) and providing additional servicing capacity to the Group's enlarged fleet, allowing more of the MRO to be undertaken by GMFAA.

Further, Garuda intends to increase the number of sub-100 seat aircraft within its fleet from 23 in 2014 to 43 aircraft by 2017 in order to serve routes with high yield and lower density; particularly at smaller regional airports, expanding its point-to-point network and linking its hubs to tourism destinations in Indonesia. Garuda utilises sub-100 seat aircraft to take advantage of lower density routes that cannot be served profitably by either a standard configuration FSC aircraft or a LCC aircraft.

Garuda's update of its revenue management system allows it to improve cost management by, among other things, improving aircraft utilisation and reducing fuel costs with the introduction of new aircraft and fuel conservation programmes, reducing expenses associated with gaps in usage and fuel, and realising savings in maintenance, training and labour costs by shifting from fixed-cost to variable-cost structures as Garuda expands its business. It is Garuda's objective that its key subsidiaries, such as GMF, should eventually generate around 50.0% of the Group's revenue from the provision of services to third parties in order to gain financial independence from Garuda, and thereby improve the cost efficiency of services provided to Garuda. Garuda will further be implementing its "Origin and Destination Revenue Management" system to enable it better optimise its network traffic better.

### *Continue to improve cost efficiency and business services*

Garuda has recognised the need to achieve efficiency and cost savings within the business outside that of the traditional fuel savings obtained from its newer fleet of aircraft. Garuda therefore undertook a comprehensive review of all areas of its business and subsidiaries to achieve the greatest possible cost savings and enhance its competitiveness.

As a result of the wide-ranging review and the new processes implemented, Garuda has achieved various cost savings of in excess of USD1 million in 24 areas of its business processes with certain individual savings exceeding USD15 million. A large proportion of its cost savings have resulted from the renegotiation of Garuda's third party service contracts. These contracts ranged from the provision of catering on board aircraft to the upgrade of Garuda's in-flight entertainment systems to IT infrastructure to the wider business. Significant savings also resulted from Garuda's use of its own aircraft for fulfilling charter services, better optimisation of its flight crew and the introduction of improved flight fuel conservation programmes.

Garuda also implemented efficiency and cost-saving measures within its subsidiaries, with the largest savings resulting from GMF AA.

As part of its strategy to improve the operation of its fleet, and in addition to further enhancing the Garuda customer experience, Garuda has secured the right to be the sole airline operating out of CGK's terminal 3 following the completion of the current expansion and renovation work.

### *Optimising capital structure*

At the start of 2015, Garuda entered into a Sharia-compliant USD500 million bridge facility (the “**Bridge Facility**”) to provide Garuda with the opportunity to optimise its capital structure. Garuda will continue the optimization of its capital structure through using the proceeds from the Sukuk to repay the Bridge Facility. See “*Use of Proceeds*” and “*Description of Material Indebtedness*”. Traditionally Garuda's debt capital structure was primarily 2 — 3 year commercial loans with amortization. This approach resulted in higher refinancing pressure on Garuda. With the proposed issuance, Garuda will be able to extend the maturity profile of its indebtedness and better manage its cash flows as the repayment/amortization requirements are reduced.

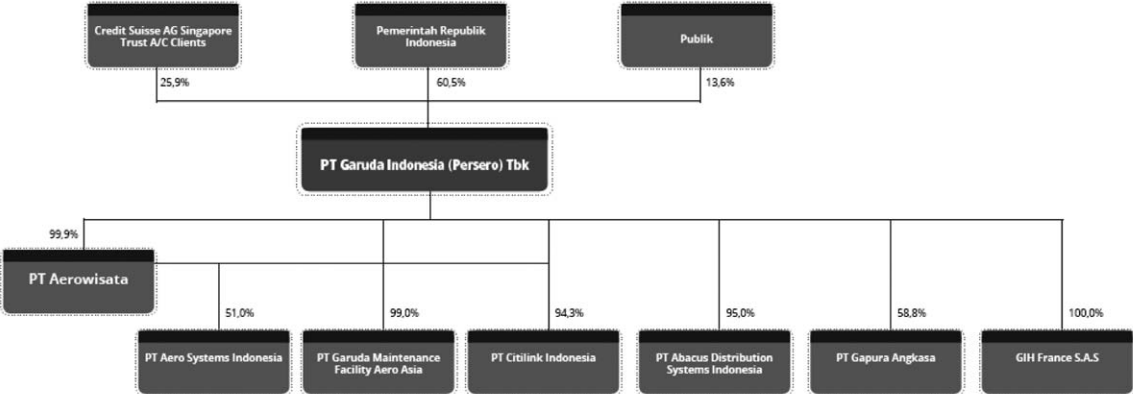
### **Corporate History and Group Structure**

Garuda has an extensive operating history in Indonesia through its predecessor companies, and has historically been the Indonesian flag carrier providing international, domestic and regional airline services. Some key milestones include:

- On 26 January 1949, Indonesia's first commercial flight operator commenced operations under the name of “Indonesian Airways”. On 28 December 1949, “Garuda Indonesian Airways” commenced operations.
- On 31 March 1950, Garuda's immediate predecessor business was incorporated as Garuda Indonesian Airways NV, a joint venture between the Dutch national airline KLM (as to 51%) and the Government (as to 49%).
- In 1954, the Republic of Indonesia, represented by the Government through the Minister of Finance, became the sole shareholder of Garuda Indonesian Airways NV.
- In 1956, Garuda carried *hajj* pilgrims to Saudi Arabia for the first time.
- In 1973, Garuda's subsidiary, PT Aero Wisata, was formed to manage and develop support services, for in-flight catering, hotel and resort, travel and leisure and ground transportation.
- In 1975, Garuda was incorporated as PT (Persero) Perusahaan Penerbangan Garuda Indonesia, a state-owned limited liability company under the laws of the Republic of Indonesia, to assume the operations of Garuda Indonesian Airways NV.
- In 1985, Garuda changed its corporate identity to PT Garuda Indonesia (Persero).
- In 1995, Garuda's subsidiary PT Abacus Distribution Systems Indonesia was formed to provide information technology and network system operation services, including services for its global distribution system.
- In 2002, Garuda's subsidiary GMFAA was formed to provide MRO services, including airframe and engine maintenance and related support services.
- In June 2005, Garuda's subsidiary PT Aero Systems Indonesia was formed to provide information technology services to the transportation industry.
- In January 2009, Garuda re-launched Citilink with a fleet of modern aircraft to meet increasing demand for LCC services in the domestic market.

- In July 2009, Garuda refreshed its corporate branding and launched its new generation Boeing 737-800 and its new Airbus A330-200 aircraft. Garuda also moved its management to a new building at CGK Airport in Cengkareng near Jakarta.
- In February 2011, Garuda completed an initial public offering resulting in Garuda shares being listed on the Indonesian Stock Exchange.
- In August 2012, Garuda’s subsidiary PT Citilink Indonesia was established to allow Citilink to operate as a subsidiary.
- In 2013 Garuda became the first airline to launch a dedicated “First Class Lounge” in Indonesia by opening at CGK Airport.
- In January 2014, Garuda incorporated GIH France in order to support Garuda’s sales and marketing activity in Europe and integrate its aircraft leasing activity.
- In March 2014, the Group officially joined the SkyTeam global alliance, as part of its international network expansion programme.
- In March 2014, Garuda held an extraordinary shareholder meeting, agreeing to issue 3,227,930,633 Series B Shares, raising IDR1,484,848,091,180. All additional shares were listed on the Indonesia Stock Exchange by 8 April 2014.
- In December 2014, Garuda became the majority shareholder in Gapura Angkasa.

Garuda’s primary business is its scheduled and non-scheduled air passenger services, and it also has seven significant operating subsidiaries. The following chart sets forth the Group structure (as of 31 March 2015):



The following table sets forth certain information about the capital and shareholding structure and ownership composition of Garuda as recorded in the Register of Shareholders held by PT Datindo Entrycom as Share Registrar as at 31 March 2015:

### Capital Consisting of Class A Shares and Class B Common Shares

Shareholder	Share Amount	%
<b>Authorised Capital</b>		
— Class A <i>Dwiwarna</i> Share .....	1	
— Class B Common Shares .....	29,999,999,999	
<b>Total Authorised Capital</b> .....	<b>30,000,000,000</b>	
<b>Issued and Fully Paid-Up Capital</b>		
— Class A <i>Dwiwarna</i> Share .....		
Republic of Indonesia .....	1	0.0000
— Class B Common Shares .....		
Republic of Indonesia .....	15,653,127,999	60.5094
Credit Suisse AG Singapore TC AR CL PT Trans Airways <sup>1</sup> .....	6,711,457,801	25.9441
Muhammad Arif Wibowo .....	148,120	0.0006
Heriyanto Agung Putra .....	181,829	0.0007
Noviyanto Herupratomo .....	123,816	0.0005
Public .....	3,503,887,067	13.5350
<b>Total Issued and Fully Paid-Up Capital</b> .....	<b>25,868,926,633</b>	<b>100.0000</b>
<b>Shares in Portfolio</b>		
— Class A <i>Dwiwarna</i> Share .....	—	
— Class B Common Shares .....	4,131,073,367	
<b>Total Shares in Portfolio</b> .....	<b>4,131,073,367</b>	

<sup>1</sup> Shares pledged in favour of Credit Suisse AG Singapore by PT Trans Airways

### Industry Overview

#### *Global aviation industry outlook*

The global aviation industry has experienced strong growth in the last three decades, driven largely by economic growth as well as technological advances. From 1980 to 2013, the International Civil Aviation Organisation (“ICAO”) estimated that Revenue Passenger Kilometres (“RPK”) increased by 5.0% per year during this period.

In particular, air passenger traffic in Asia Pacific grew rapidly from 2006 to 2013<sup>6</sup>. Over this period, RPKs grew at a CAGR of 8.3% as compared to North America and Europe which had RPK growth of 0.8% and 3.0%, respectively. Asia Pacific became the second largest aviation market by RPK from 2011, exceeding North America in size.

IMF’s World Economic Outlook forecasts global Gross Domestic Product (“GDP”) to grow at a CAGR of 5.3%<sup>7</sup> from 2013 to 2019, led by ASEAN-5<sup>8</sup>’s GDP, which is projected to grow at a CAGR of 7.3%.

<sup>6</sup> Based on Boeing Current Market Outlook 2014-2033

<sup>7</sup> Based on gross domestic product, current prices in U.S. Dollars

<sup>8</sup> Comprise of Indonesia, Malaysia, Philippines, Thailand, and Vietnam

## Aviation Demand by Region

RPK (bn)									CAGR
	2006	2007	2008	2009	2010	2011	2012	2013	(2006-2013)
<b>North Americas</b> .....	1,199	1,250	1,199	1,127	1,171	1,217	1,246	1,271	0.8%
<b>Europe</b> .....	1,373	1,455	1,509	1,447	1,501	1,551	1,624	1,691	3.0%
<b>Asia-Pacific</b> .....	864	960	983	998	1,136	1,266	1,385	1,506	8.3%
<b>Middle East</b> .....	150	171	188	222	255	277	287	324	11.6%
<b>Rest of Americas</b> .....	292	311	326	313	352	374	409	433	5.8%
<b>Others</b> .....	376	414	435	458	525	578	634	673	8.7%
<b>Total</b> .....	4,254	4,562	4,639	4,565	4,939	5,262	5,585	5,898	4.8%

Source: Boeing Current Market Outlook 2014-2033

Based on IATA's forecast, growth in passenger traffic, measured by RPK, will grow in line with passenger capacity, measured by Available Seat Kilometres ("ASKs"), in 2015. The moderation of supply or ASK growth in relation to demand or RPK growth indicates potential for positive rationalisation of yields in these markets.

### Passenger traffic and capacity growth

	Passenger traffic by RPK, % change over year						Passenger capacity by ASKs, % change over year					
	2010	2011	2012	2013E	2014F	2015F	2010	2011	2012	2013E	2014F	2015F
<b>North Americas</b> .....	4.5	2.9	1.0	2.6	2.7	3.1	2.3	2.8	0.0	2.3	2.2	3.5
<b>Europe</b> .....	4.3	8.4	4.6	4.1	5.4	5.5	1.7	8.9	2.6	3.0	4.6	5.8
<b>Asia-Pacific</b> .....	11.8	6.6	6.1	7.2	7.0	7.7	6.3	7.0	5.3	7.2	7.6	8.5
<b>Middle East</b> .....	17.6	10.0	14.7	11.9	12.9	13.9	13.3	9.8	12.0	12.5	11.4	15.6
<b>Latin America</b> .....	12.4	11.3	9.4	6.6	5.5	6.0	6.8	9.3	7.3	4.7	3.7	6.5
<b>Africa</b> .....	12.3	1.6	7.5	4.8	1.5	5.1	9.3	3.2	6.3	4.2	3.7	5.5

Source: IATA Industry Financial Forecast December 2014

E Estimated

F Forecast

Note: Regional groupings might vary from one data source to another.

The aviation industry has also been significantly impacted by the emergence of Low Cost Carriers (“LCCs”). LCCs typically provide lower fares and fewer comforts for the budget conscious traveller. Competition from LCCs have been seen to encourage established carriers to operate more efficiently, thereby driving down average airfares and stimulating demand across the entire market. Established carriers may choose to launch strong competitive responses to LCCs, including significant decreases in airfares, increases in seat capacity and flight frequency and the introduction of new point-to-point flights. Some airport operators have created dedicated LCC passenger terminal facilities and certain airport operators in Asia-Pacific are providing aeronautical charge discounts for new routes and for the efficient use of airport facilities, such as quick aircraft turnarounds. The rapid growth that LCCs generate is also encouraging some governments and airport operators to liberalise bilateral aviation agreements and to develop new airport capacity to accommodate the increased demand.

**Indonesia aviation industry outlook**

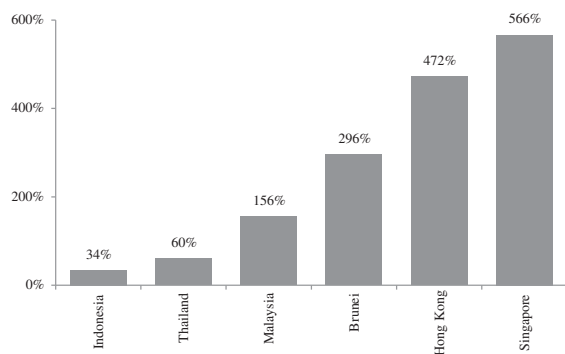
*Overview*

According to the IMF World Economic Outlook published in April 2014, Indonesia is the largest economy in Southeast Asia with a GDP of USD870bn in 2013 and a population of 248m inhabiting 6,000 of over 17,000 islands in the archipelago. Its GDP represented approximately 36% of the total GDP of ASEAN countries in 2013 and had grown by a CAGR of 13.2% from 2006 to 2013.

While Indonesia’s air passengers grew at a CAGR of 16.1% from 2006 to 2013, air travel penetration is still extremely low compared to other more mature Asian economies, with the number of air transport passengers at a small fraction of its population size.

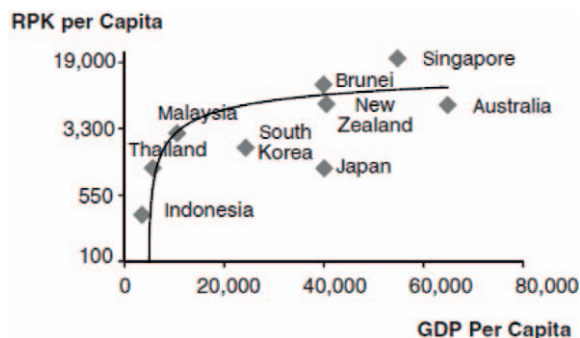
As GDP per capita expands, significant scope exists to increase air travel penetration and the number of air passengers in Indonesia as compared to more developed Asia Pacific countries.

**Air travel penetration<sup>9</sup>**



Source: World Bank Databank and IMF World Economic Outlook

**Relationship between GDP per Capita and air travel passengers for various countries in 2013**



Source: ICAO 2013 Annual Report and IMF World Economic Outlook

<sup>9</sup> Defined as air transport passengers carried divided by population based on World Bank Databank and IMF World Economic Outlook

## Key drivers of growth

### Rapid urbanisation and the rising middle class

Indonesia is experiencing one of the fastest urbanisation rates in the Southeast Asia region. Based on the UN 2014 World Urbanisation Prospects published in July 2014, the percentage of urban population in Indonesia increased from 31% in 1990 to 53% in 2014. Coupled with rapid urbanisation, the rising middle class in Indonesia will also support strong domestic demand growth.

### Population and urbanisation trends in ASEAN

Region	Population ('000)		Urbanisation (%)	
	1990	2014	1990	2014
Indonesia .....	178,633	252,812	31%	53%
Brunei .....	257	423	66%	77%
Cambodia .....	9,057	15,408	16%	21%
Laos .....	4,244	6,894	15%	38%
Malaysia .....	18,211	30,188	50%	74%
Myanmar .....	42,123	53,719	25%	34%
Philippines .....	61,949	100,097	49%	44%
Singapore .....	3,016	5,517	100%	100%
Thailand .....	56,583	67,223	29%	49%
Vietnam .....	68,910	92,548	20%	33%
ASEAN .....	442,983	624,829	32%	47%

Source: UN 2014 World Urbanisation Prospects

### Air travel substitution

Air travel, when compared to other modes of travel, has grown the fastest from 2009 to 2013 and it is expected to continue to substitute for other transport modes such as sea and rail. Air travel is an efficient mode of transport given the archipelago nature of the country. The rising middle class and urbanisation, will serve to bolster income levels, in addition to competition amongst regional airlines and other technological advances, are expected to result in air transport becoming more affordable, thereby increasing sea/rail substitution.

### Air travel substitution<sup>10</sup>

Passengers (millions)	2009	2010	2011	2012	2013	CAGR
Air (Domestic) .....	44	52	60	71	74	14%
Air (International) .....	5	7	8	10	11	21%
Sea .....	15	18	20	26	23	11%
Rail .....	207	203	199	202	215	1%

Source: BPS

<sup>10</sup> Air travel represents passengers carried on commercial airlines' scheduled flights

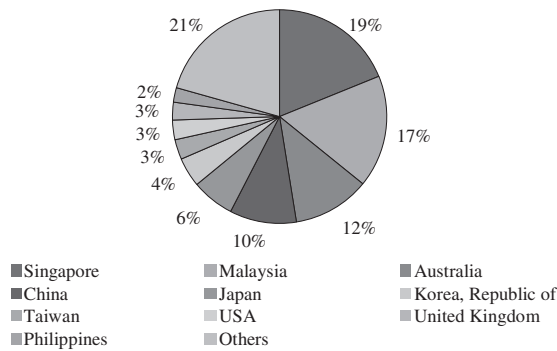
**Proximity to other markets**

Approximately 50% of the world’s population lives within a six hour flying radius from Jakarta, a key commercial centre in Indonesia. As GDP per capita increases throughout Asia, a greater proportion of the population will be able to afford air travel.

Indonesia is also geographically well positioned on the major trade routes between Europe and the Pacific region as well as between North Asia and South Asia, which includes the PRC and India (the world’s two most populous countries). The number of tourist arrivals in Indonesia grew at a CAGR of 7.1% from 2008 to 2013<sup>11</sup>.

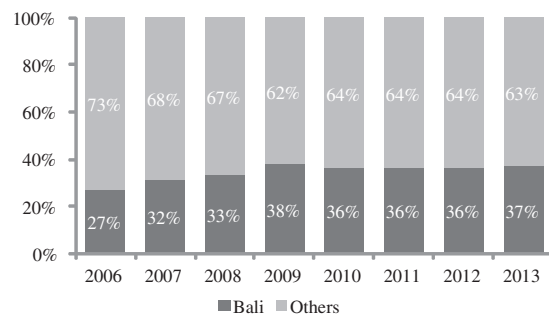
Bali continues to be a key tourist destination in Indonesia, accounting for 37% of tourists to Indonesia in 2013 as compared to 27% in 2006<sup>12</sup>. In addition, the Indonesian government recently abolished visa fees for tourists coming from several countries, including Australia, into Bali. This may make a holiday to Bali even cheaper, which may increase the number of tourists visiting the region.

**Visitors by nationality (2013)**



Source: BPS

**Tourist destination in Indonesia (Bali vs. Others)**



Source: BPS

**Rise of the LCC**

Air travel has historically been sensitive to changes in air travel prices and income levels. The growth of the LCC, which targets passengers with low prices and no frills services, has stimulated additional air travel demand.

**Key players in the Indonesian aviation market**

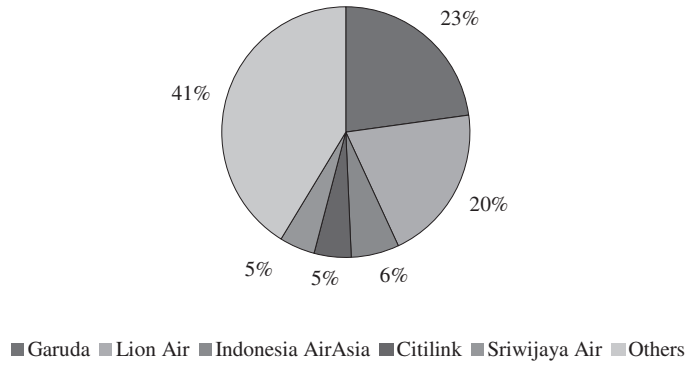
Indonesia’s aviation market is largely dominated by three players — Garuda Indonesia (including Citilink), Lion Air and Indonesia AirAsia. Based on CAPA — Centre for Aviation and airline reports accessed on 16 April 2015, these three players account for 48% total market share by international and domestic ASKs.

<sup>11</sup> According to BPS

<sup>12</sup> According to BPS



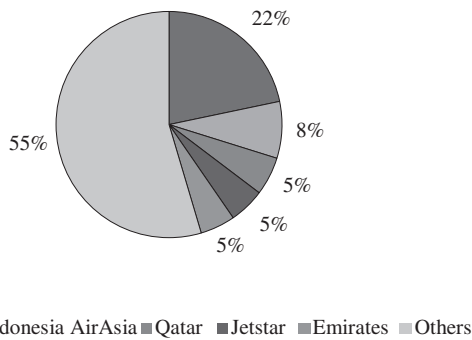
**Market Share of Capacity by ASKs (Total)**



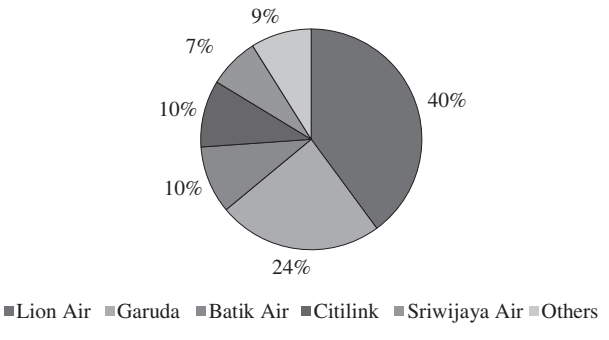
Source: CAPA — Centre for Aviation and airline reports accessed on the 16th of April, 2015

Market share by capacity in Indonesia’s international aviation market is largely held by Garuda (22%) followed by Indonesia AirAsia (8%) and Qatar Airways (6%), with these three players accounting for 36% of market share collectively. In the domestic market, Lion Air and Garuda Indonesia (including Citilink) collectively account for 74% of the market share by capacity.

**Market Share of Capacity by ASKs (International)**



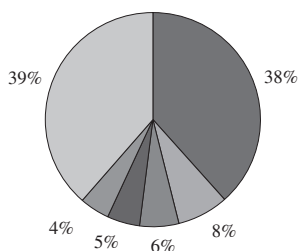
**Market Share of Capacity by ASKs (Domestic)**



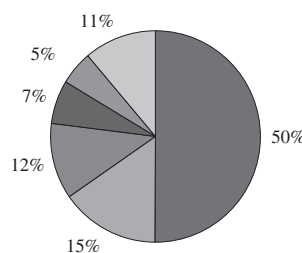
Source: CAPA — Centre for Aviation and airline reports accessed on the 16th of April, 2015

Based on CAPA — Centre for Aviation and airline reports accessed on 16 April 2015, Indonesia has a high level of LCC penetration with 41% of its international traffic and 59% of its domestic traffic supported by LCC capacity. The market shares by capacity for Full Service Carriers (“FSC”) and LCCs are shown below.

**Market Share of Capacity by ASKs (FSC)**



**Market Share of Capacity by ASKs (LCC)**

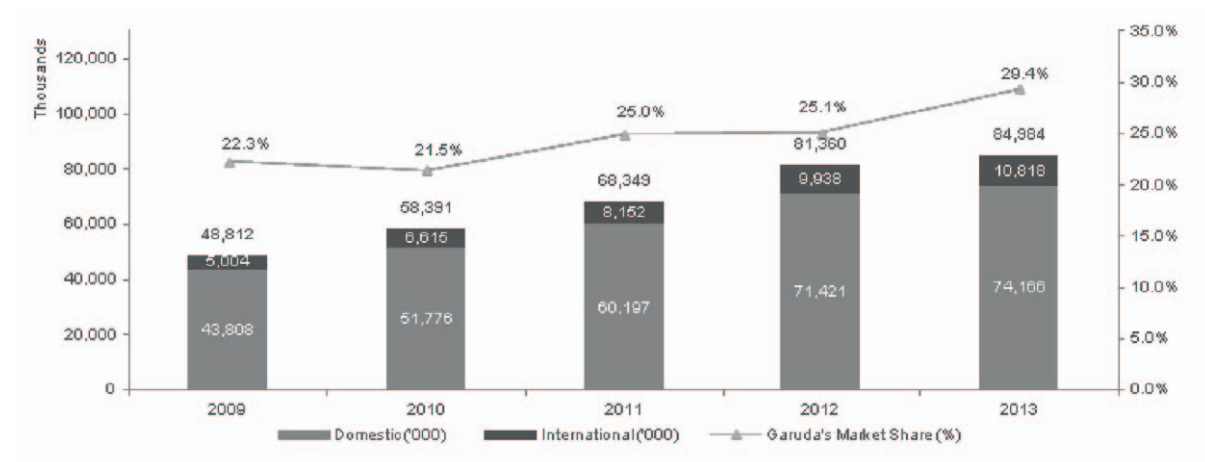


■ Garuda ■ Batik Air ■ Sriwijaya Air ■ Qatar Airways ■ Emirates ■ Others ■ Lion Air ■ Indonesia AirAsia ■ Citilink ■ Jetstar ■ AirAsia ■ Others

Source: CAPA — Centre for Aviation and airline reports accessed on the 16th of April, 2015

Indonesia’s passenger traffic has grown at a CAGR of 15% between 2009 and 2013, supported by strong international passenger traffic which grew at a CAGR of 21% over the same period. As of 2013, according to the BPS, the domestic passenger segment constitutes 87% of total passengers carried. During the period 2009 to 2013, Garuda has steadily increased its market share<sup>13</sup> from 22% in 2009 to 29% in 2013.

**Indonesia’s Commercial Airlines Passengers Carried**



Source: BPS

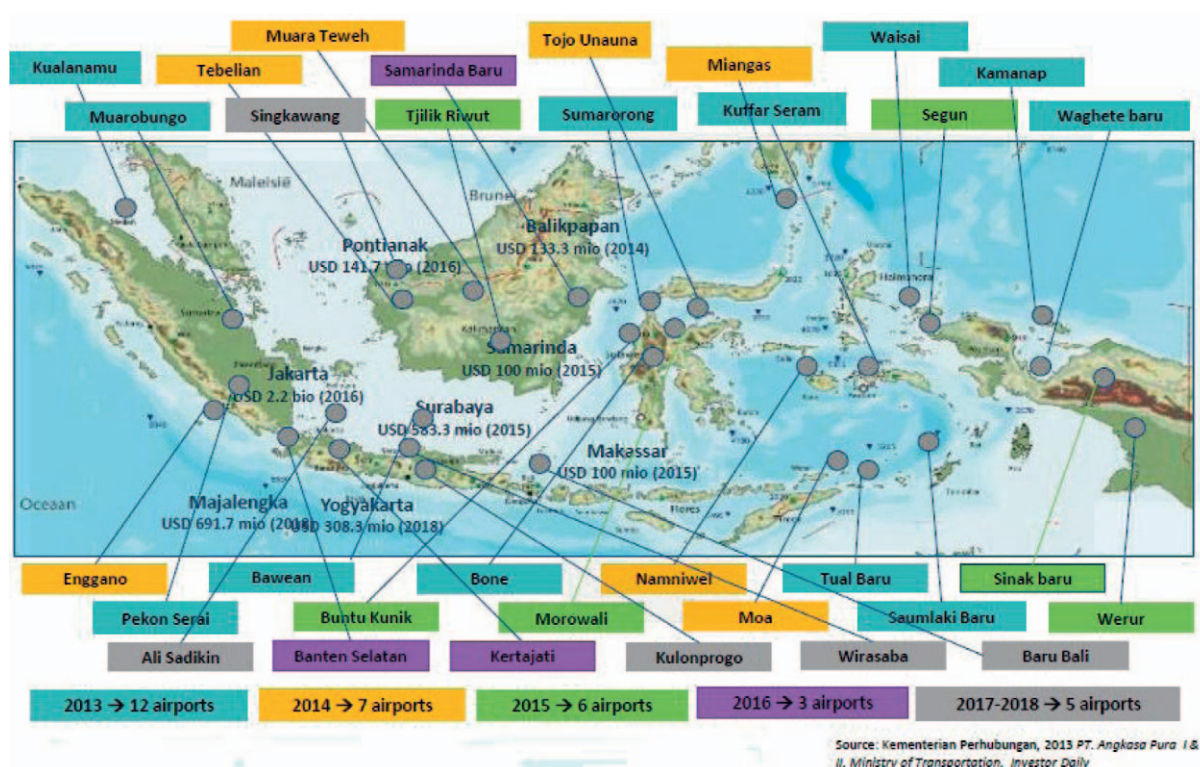
<sup>13</sup> Total market share (domestic plus international) for Garuda and Citilink based on number of passengers carried

## Airport infrastructure

The five major airports in Indonesia's big cities are Jakarta's Soekarno-Hatta International Airport, Surabaya Juanda Airport, Bali Denpasar Ngurah Rai Airport, Medan Kuala Namu International Airport and Makassar Sultan Hasanuddin Airport. Indonesia has around 297 airports including large airports operated by state-owned airport management firm PT Angkasa Pura I and PT Angkasa Pura II. PT Angkasa Pura I operates Surabaya's Juanda Airport, Bali Denpasar Ngurah Rai Airport, Makassar Sultan Hasanuddin Airport as well as ten other airports. PT Angkasa Pura II operates the Soekarno-Hatta International Airport, Medan Kuala Namu International Airport and 11 other airports.

Many of Indonesia's major airports are operating significantly above their designed capacity. Jakarta's Soekarno-Hatta International Airport's reported capacity is 26.0m<sup>14</sup> passengers per year as compared to total number of passengers served (57.0m) in 2014. Surabaya Juanda's Airport has a reported capacity of 14.0m passengers per year as compared to total number of passengers served of (17.7m) passengers in 2013. Bali Denpasar Ngurah Rai Airport was operating at a reported capacity of 6.0m passengers per year until the construction of its international terminal, which brought capacity to 25.0m passengers per year, was completed in October 2013.

The Government has committed over USD4.2 billion to the upgrade and future development of 33 airports and their infrastructure around Indonesia from 2013 to 2018 as part of the Masterplan for Acceleration and Expansion of Indonesia Economic Development. The location of the airports proposed under the Government's plan is illustrated in the map below:



Expansion plans for airports that are operating above their designated capacity are currently in place. For example, PT Angkasa Pura II's expansion of its third terminal at the Soekarno-Hatta International Airport is currently in progress and plans for development of a fourth terminal and a third runway are currently underway. In addition, Surabaya's Juanda International Airport has plans to construct an additional terminal. As part of Indonesia's Transport Master Plan for the Acceleration and Expansion of Indonesia's Economic Development, 44 new airports are expected

<sup>14</sup> Based on Soekarno-Hatta International Airport's website.

to be built by 2025. Based on CAPA — Centre for Aviation and airline reports accessed on 16 April 2015, ten new airports were constructed in 2013 and 15 new airports were constructed in 2014. It is also understood that Indonesia’s Ministry of Transport will undertake 50 airport expansion projects in 2015, according to Transport Minister Ignatius Jonan. Mr Jonan has advised that a national government programme is underway, aimed at improving transport infrastructure.

Number of Passengers at and Capacity of Main Airports in Indonesia<sup>15</sup>

Persons (million)	Jakarta	Surabaya	Bali Denpasar	Medan Kuala	Makassar
	Soekarno-Hatta	Juanda	Ngurah Rai	Namu	Sultan Hasanuddin
2010 .....	44	11.5	11.0	6.1	4.9
2011.....	52.4	13.0	12.6	7.0	5.7
2012 .....	57.7	15.6	14.0	7.9	6.3
2013 .....	59.9	16.9	15.5	8.3	7.4
2014 .....	57.0	NA	NA	NA	NA
Capacity in 2013.....	26.0	14.0	20.2	22.2	8.2

Sources: CAPA — Centre for Aviation and airline reports accessed on the 16th of April, 2015, PT Angkasa Pura II website and Angkasa Pura I Annual Report 2011 and 2013

### Indonesia Aviation Regulations

The Indonesian airline industry is generally regulated under Law No. 1 of 2009 on Aviation (the “**Aviation Law**”) and its implementing regulation, which covers, among others, aircraft registration and airworthiness, pilots, crew and engineers, airline business licences, routes and airfares, airline safety and security, air traffic and navigation, airports and airlines liability. The main government agency in Indonesia having authority over aviation is the Minister of Transportation (the “**MOT**”), through the DGCA and its directorates. The DGCA and its directorates are responsible for preparing, monitoring, evaluating and enforcing policies, standards, practice, guidance, system and procedures, certification and evaluation of civil aviation.

The DGCA directorates and their responsibilities are, among others, as follows:

- Directorate of Airworthiness and Aircraft Operation (“**DAAO**”): Oversees engineering and standardisation of aeronautical products, aircraft operation and maintenance;
- Directorate of Aviation Security: Oversees aviation security standards and programs, emergency services, security personnel, facility and quality control, dangerous goods and cargo handling;
- Directorate of Air Transport: Oversees the scheduled and unscheduled commercial air transport service and non-commercial air transport services, air transport cooperation, business development and management;
- Directorate of Airports: Oversees airport system, infrastructure, equipment, operation and personnel and administrators; and
- Directorate of Air Navigation: Oversees air traffic management, facilities, standardisation and certification, aeronautical information management, air communication.

<sup>15</sup> Number of passengers provided by CAPA — Centre for Aviation and airline reports accessed on the 16th of April, 2015. Capacity for Jakarta Soekarno-Hatta Airport and Medan Kuala Namu International Airport are provided by PT Angkasa Pura II’s website. All information for Surabaya Juanda Airport, Bali Denpasar Ngurah Rai Airport and Makassar Sultan Hasanuddin Airport are based on PT Angkasa Pura I Annual report 2011 and 2013.

### ***Commercial Air Transport Business Licences***

Every Indonesian airline must obtain a commercial air transport business license issued by the DGCA, as required by the Aviation Law and MOT Regulation No. 25 of 2008 on the Implementation of Air Transport as lastly amended by MoT Regulation No. 68 of 2015. The commercial air transport business license is separated into two categories: (i) Unscheduled Commercial Air Transport Business License (*Surat Izin Usaha Angkutan Udara Niaga Tidak Berjadwal* — “**SIUAU/NTB**”) for unscheduled domestic and international passenger and cargo flights, or cargo specifically; and (ii) Scheduled Commercial Air Transport Business License (*Surat Izin Usaha Angkutan Udara Niaga Berjadwal* — “**SIUAU/NB**”) for scheduled domestic and international passenger and cargo flights, or cargo specifically.

An unscheduled commercial air transport activity is an air transport activity which is not based on fixed and regular routes and flight schedules, which can be in the form of: (i) air transport for a certain group of people having the same purpose and objective, which is not for a leisure-related purpose (affinity group); (ii) air transport for a group of passengers buying the whole or part of the aircraft capacity as part of a travel package, including accommodation and local transportation arrangement (inclusive of tour charter); (iii) personal charter; (iv) air taxi; or (v) other unscheduled commercial air transport activities. A scheduled commercial air transport activity is a commercial air transport activity which is based on fixed and regular flight routes.

Both SIUAU/NTB and SIUAU/NB remain valid as long as the commercial airline operator carries out the air transport activity by continuously operating the aircraft in accordance with the licences obtained and with annual evaluation. If an airline does not conduct its business in operating the aircraft for 12 consecutive months, its commercial air transport business license will automatically become invalid. One of the obligations of SIUAU/NTB and SIUAU/NB holders is to submit a monthly operational report and an audited financial statement to the DGCA.

Pursuant to the Aviation Law, every airline operating scheduled commercial flights must own and control at least five aircraft, including those controlled under lease agreements and control at least another five aircraft. Every airline operating unscheduled commercial flights must own at least one aircraft and control at least two aircraft.

Based on the Aviation Law, anyone operating a domestic commercial air transport activity without an aforementioned license faces a sentence of imprisonment for a maximum of one year or a maximum fine of IDR 500 million.

### ***Air Operator Certificate***

Under the Aviation Law and the MOT Regulation No. 28 of 2013 on Civil Aviation Safety Regulation Part 121 regarding Certification and Operation for Air Transportation Company which Conducts Domestic, International and Unscheduled Commercial Air Transports (Certification and Operating Requirements: Domestic, Flag and Supplemental Air Carriers) as amended by MoT Regulation No. 36 of 2015, every commercial airline operator must also obtain an Air Operator Certificate (“**AOC**”) issued by the DGCA. Such AOC will be granted by DGCA based on compliance with criteria including operating record, aircraft, equipment and facilities, organisation, staffing, maintenance and criteria set forth in other systems, manuals and other arrangements necessary to secure the safe operation of the aircraft. Pursuant to the Aviation Law, anyone operating commercial aircraft without AOC faces imprisonment for a maximum of two years or a maximum fine of IDR2,500 million.

### *Aircraft Procurement*

Aircraft procurement is regulated under the Aviation Law and MOT Decision No. 82 of 2004 on Procurement Procedures for Aircraft and Helicopter, which states that all aircraft procurements require approval from the DGCA, which is valid for six months and can be extended by fulfilling certain requirements, among others: (i) owning a valid commercial air transport business license; and (ii) submitting certain data regarding, among others, type of aircraft, aircraft operational and maintenance program, and the letter of intent and or any memorandum of understanding in relation to the purchasing or leasing of the aircraft. The procurement approval from the DGCA is one of the requirements for registering an aircraft in Indonesia.

### *Aircraft Registration*

Under the Aviation Law and MOT Regulation No. 49 of 2009 on Civil Aviation Safety Regulation Part 47 regarding Aircraft Registration (the “**MOT Regulation 49/2009**”), all aircraft operated in Indonesia must be registered either in their state of origin or in Indonesia. The aircraft registration in Indonesia must be registered with the MOT, through the DAAO which must fulfil certain requirements, which are, amongst others: (i) the aircraft is not registered in another country; (ii) the aircraft is owned by an Indonesian citizen or Indonesian legal entity; (iii) the aircraft is owned by a foreign person or foreign legal entity and operated by an Indonesian citizen or Indonesian legal entity pursuant to an agreement for a period of at least two consecutive years; (iv) the aircraft is owned by the Indonesian government or a regional government institution and not used for a law enforcement purpose; or (v) the aircraft is owned by a foreign person or foreign legal entity, but the aircraft is controlled by an Indonesian legal entity pursuant to an agreement for the storage, rental or trade of that aircraft.

If the aircraft is registered in Indonesia, it will be granted a certificate of registration issued by the DAAO which is valid for three years and will have an Indonesian registration mark which consists of three letters. Subsequently, all aircraft having an Indonesian certificate of registration will be given an Indonesian nationality mark, which is ‘PK’. Each aircraft that obtains an Indonesian nationality mark and registration mark must be furnished with an Indonesian Flag, and otherwise will be subject to an administrative sanction in the form of (i) a warning; and/or (ii) revocation of certificate. The corresponding penalty of operating an aircraft without having a registration mark is a sentence of imprisonment of a maximum of five years or a maximum fine IDR1 million. In addition, the corresponding penalty for leaving marks or changing the registration identity which blurs the aircraft’s registration mark, nationality and flag is a sentence of imprisonment of a maximum of one year or a maximum fine of IDR250 million.

### *Airworthiness Certificate*

All aircrafts must comply with the airworthiness standard as regulated under the Aviation Law and MOT Regulation No. 50 of 2014 on Civil Aviation Safety Regulation Part 39 regarding Airworthiness Directive (the “**MOT Regulation 50/2014**”). As stated in the MOT Regulation 50/2014, the airworthiness of an aircraft in Indonesia is proven by obtaining a certificate of airworthiness after passing the airworthiness inspection and test. Failure to fulfil the airworthiness standard is subject to an administrative sanction in the form of (i) a warning, (ii) suspension of certificate, and/or (iii) revocation of certificate. The penalty for operating an aircraft without a certificate of airworthiness is a sentence of imprisonment for a maximum of three years or a maximum fine of IDR1,500 million; if such action causes death and loss of property, such person will be sentenced to imprisonment for a maximum of ten years and a maximum fine of IDR2,500 million.

## ***Routes***

Pursuant to the MOT Regulation No. 88 of 2013 on Flight Network and Routes (the “**MOT Regulation No. 88/2013**”), the DGCA has listed down the domestic and international flight networks that consists of compilations of domestic and international routes. However, a national airline company may suggest serving a route that is not listed in the MOT Regulation No. 88/2013 to the DGCA by considering the provisions under the MOT Regulation No. 88/2013. The DGCA will annually analyse and evaluate the networks and the routes and will publish them. The implementation of the networks and routes services will be further regulated under a minister regulation, which to date has not been issued.

International route rights are generally based on Aviation Supplies & Academics (“**ASAs**”) negotiated by the government, through the DGCA, and the governments of the relevant countries. Under the agreement, each government grants to the other the right to designate an airline of the relevant country to operate scheduled services on the specified routes.

On domestic routes, air transport within domestic destinations may only be operated by licenced Indonesian airlines. The Minister of Transportation reviews and approves proposed routes in accordance with the operation plan based on demand, compliance to aviation operational requirements, airport facilities, and distribution of routes to all regions with airport, each flight operation activity centre, scheduled commercial flight and integration of domestic and international routes. Any amendments to the routes operated must be approved by the DGCA, while any implementation of planned routes must be reported to the DGCA.

## ***Airfares***

Domestic scheduled economy class airfares are regulated under the Aviation Law and the MOT Regulation No. 51 of 2014 as amended by MOT Regulation No. 59 of 2014 and most recently, MOT Regulation No. 91 of 2014 (the “**Tariff Regulation**”) with the DGCA having oversight on compliance. Economy class seats must constitute a minimum of 60% of the total seats available on each flight or 60% of the total capacity per week for routes served by aircraft which is difficult to differentiate the economy and non-economy classes. Economy class airfares for scheduled commercial flights are limited by the DGCA for the Minister of Transportation, such limit being based on the following components: distance tariff (*tarif jarak*), value add tax, mandatory insurance premium and surcharge.

Distance tariff is derived from the product of the basic tariff (*tarif dasar*) per person and the distance while taking into account the passenger’s purchasing power, as well as aspects of consumer protection and healthy business competition.

The DGCA for the Minister of Transportation determines and publishes the distance tariff in coordination with the national airlines association as well as Indonesian Consumers Association. The maximum distance tariff depends on the airlines’ level of service, where FSCs may charge up to 100% of the distance tariff, MSCs (medium service carriers) may charge up to 90% of the distance tariff and LCCs may charge up to 85% of the distance tariff. The DGCA evaluates the distance tariff annually depending on any significant changes affecting the aviation industry, including: (i) the cost of jet fuel exceeding IDR12,000/litre or (ii) fluctuations in exchange rates and other cost component price leading to the increase of at least 10% of total aircraft operation costs, in each case in three consecutive months. If there is any significant changes as previously mentioned, DGCA may evaluate the tariff or apply an additional surcharge. In the Tariff Regulation, the Minister for Transportation has listed down the basic tariff per passenger for economy class based on the distance and has differentiated the basic tariff for propeller aircraft with up to thirty seats capacity, propeller aircraft with more than thirty seats capacity and for jets. For example, for journeys of 226 — 300 kilometres the tariff for propeller aircraft with up to thirty seats capacity is IDR6,017 per kilometre. For journeys of 301 — 375 kilometers, the tariff for propeller aircraft with more than thirty seats capacity is IDR3,064 per kilometre and IDR2,278 per kilometre for jets. The Tariff Regulation also listed down the maximum fares that may be charged to the passenger for all currently available domestic routes

for each type of aircraft. Any charges or surcharge other than the charges and surcharges allowed based on the Tariff Regulation must be approved by the Minister of Transportation. Under the second amendment of the Tariff Regulation, the lower threshold fare for domestic flights was increased to 40% of the upper threshold fare for each flight rates and airlines are no longer allowed to sell economy class tickets for domestic flights below the lower threshold fare.

Business class airfares, however, are not regulated. Individual airlines may exercise their discretion and set business class airfares based on market demands.

Indonesian airlines must inform their normal fares to users through information media that may be easily accessed by air transport service users or its representative and or its travel agent. The fares must not exceed the maximum amount determined by the DGCA and must be informed at least 15 days before the fares are implemented. Under the Aviation Law, international airfares are determined by reference to the relevant bilateral or multilateral ASA governing the relevant route.

Failure to comply with the Tariff Regulation may subject such airlines to administrative sanctions in the form of (i) warnings, (ii) decrease of flight frequency and routes suspension for six months, which can be extended, or (iii) delay in granting route licences.

### ***Safety and Security***

The International Civil Aviation Organization (the “ICAO”) issues regulations, standards and recommended practices in relation to aviation security and safety, which are adopted by the respective country’s aviation authority. Indonesia adopts ICAO regulations, standards and practices into the Civil Aviation Safety Regulations (“CASR”) under decree or regulations issued by the DGCA for the Minister of Transportation. To implement CASR, the DGCA and the DAAO issue instructions to their respective officers and produce advisory circulars, safety circulars as well as airworthiness directives for the airlines for compliance. ICAO regulations, standards and practices cover safety and security matters relating to aircraft and maintenance, flight operations, personnel and airports. The CASR and Aviation Law require airlines to produce, maintain and implement a variety of systems and manuals, most of which are requirements for the airline to obtain and maintain its AOC. As a requirement to obtain an AOC, Indonesian airlines must (i) have a commercial air transport business licence; (ii) own and control a minimum number of aircraft; (iii) have and/or master sufficient competent aircraft personnel to operate and to do the maintenance of the aircraft; (iv) have at least organisation structures in operation, maintenance, safety and company quality assurance manual; (v) have sufficient competent management personnel; (vi) have and/or master the facility of aircraft operation; (vii) have and/or master sufficient spare parts inventory; (viii) have a company operation manual and a company maintenance manual; (ix) have aircraft operating procedures; (x) have aircraft maintenance standards; (xi) have company training manuals and facilities; (xii) have company quality assurance manuals; and (xiii) have a safety management system manual. The company operation manual details the standards and procedures of the daily running and operations of the airlines. This company operation manual covers the airline’s policies regarding all flights, pilot procedures and handling of cargo and passengers.

Indonesian airlines must produce and implement a safety management system, under which the airline must (i) appoint safety units and dedicated officers, and (ii) adopt safety action and emergency response plans, safety risks and assurance. In addition, a security program must be prepared, which aims to ensure the security of property or individuals from unlawful acts or unauthorized access to aircraft. A company quality assurance manual, which sets out a system of quality control to maintain operations and technical performance, must also be produced. Indonesian airlines must operate their aircraft in accordance with the relevant aircraft operating procedures, drawn upon manuals issued by the relevant aircraft manufacturer in addition to the CASR.



Aviation accidents in Indonesia are investigated by the National Transportation Safety Committee (“NTSC”), a permanent independent institution responsible to the President. NTSC reports its findings to the Minister.

### *Liability under Aviation law*

The Aviation Law sets the maximum liability of an airline in the event of death, permanent disability or injury; delay or cancellation of flights; or loss or damage of baggage and cargo. The provisions on the liability of an airline are further regulated in the Minister of Transportation Regulation on Airline Liability (the “**Liability Regulation**”). The maximum amount of liability for each of the above will be evaluated by the DGCA at least once every year.

Under the Aviation Law and the Liability Regulation for domestic flights, Indonesian airlines are liable for the following:

- Death, permanent disability or injury of passengers.

The maximum liability in the event of death and permanent disability taking place on board the aircraft is IDR1.250 billion per passenger, or in the event of death in the course of embarking or disembarking is IDR500 million per passenger, depending on location of death or whether the permanent disability covers a part or all parts of body and in the event of injury is IDR200 million per passenger.

- Damage or loss of cabin baggage, if the passenger can prove that the damage or loss is due to the airline or its employee’s actions. The airline’s maximum liability is limited to the actual losses suffered by the passenger.
- Damage, destruction or loss of checked-in baggage.

The airline’s maximum liability is IDR200,000 per kilogram and maximum IDR4 million per passenger.

- Damage, destruction or loss of cargo.

The airline’s maximum liability is IDR100,000 per kilogram for destroyed or loss of cargo, or IDR50,000 per kilogram for damage cargo, or the amount written in the airway bill.

- Flight delay, unless due to bad weather or operational technical issues as specified in the Liability Regulation.

The liability for a delay of more than four hours is IDR300,000 per passenger, or IDR150,000 if the airline offers a re-route.

- Losses suffered by third party caused by the operation of the aircraft, aircraft accidents or by falling objects from the operated aircraft.
  - Death: IDR500 million per person.
  - Permanent disability: maximum IDR750 million per person, depending on the disability.
  - Injury: maximum IDR100 million per person.
  - Damage of third party’s property: maximum IDR50 billion for aircraft with capacity up to thirty seats, maximum IDR100 billion for aircraft with capacity of 30 — 70 seats, maximum IDR175 billion for aircraft with capacity of 70 — 150 seats and maximum IDR250 billion for aircraft with capacity of more than 150 seats.

In addition to the above, the airline is also liable if the airline fails to carry the passengers. The airline must transfer the passenger to other flight without additional charge and/or provide food and beverages, accommodation and transport fees if there is no other flight.

The amounts of airline liability may be determined otherwise by a court decision, an arbitration award or other dispute settlement alternatives.

The airline liability must be insured to one or a joint insurance company(ies).

### ***International Interest***

Indonesia is one of 65 countries that have ratified the 2001 Cape Town Convention on International Interest in Mobile Equipment and the associated Protocol on Matters Specific to Aircraft Equipment in 2007. The implementation of such ratification is set out in the Aviation Law in which it recognises the international interest. Under the Aviation Law, an international interest may be created on an aircraft (which consists of an airframe and engines) under a security agreement, a title reservation agreement and/or a leasing agreement. The agreement may be governed by any governing law agreed by the parties. Registration of an international interest on the International Register will be granted priority from the time of registration. Indonesia has fully implemented the protocol in the form of local law and is OECD approved and eligible for ECA premium discount.

### ***ASEAN Open Skies Initiative***

In 2003, the member countries of the Association of Southeast Asian Nations (“**ASEAN**”) endorsed the Bali Concord II declaration, which is aimed at establishing an integrated economic community between ASEAN member countries by 2020. Certain initiatives have been taken towards an integrated economic community, including the acceleration of liberalisation for 11 priority sectors. The priority sectors include, among others, air travel and tourism. Currently, the ASEAN member countries have signed agreements for liberalising air transport between the member countries’ capital cities. The ASEAN Open Skies policy, which is also known as the ASEAN Single Aviation Market, is expected to increase regional and domestic connectivity and enhance regional trade by allowing airlines to fly freely throughout the region.

Indonesia has agreed to initially allow open access for ASEAN airlines under the Multilateral Agreement on Air Service (“**MAAS**”) to several cities across Indonesia, namely Jakarta, Medan, Banda Aceh, Padang, Balikpapan, Tarakan, Pontianak and Mando, once the agreement comes into effect in 2016.

### ***Recent Regulatory Developments***

On 11 October 2013, the DGCA issued a temporary moratorium on the issuance of permits for the establishment of new airlines in Indonesia. The moratorium was put into effect to stop the possibility of aggravating the current overcapacity of airports in the country, as overcapacity increases the safety risks, as well as possibility of flight delays.

In addition, it is expected that the moratorium will also promote healthy competition amongst airline operators, so that every existing player is able to provide quality service to the passengers. The DGCA has not specified a time frame for the moratorium. However, it has stated that the moratorium will be lifted once there is sufficient human resources, supporting infrastructure, capacity of airports and operators.

The moratorium is expected to benefit existing players in the scheduled airline industry as no additional competitors will be added during this period. Until the moratorium is lifted, the merger, acquisition or consolidation of existing Indonesian airline operators is the sole way of entering into the Indonesian airline industry.

During the first quarter of 2014, the Ministry of Transportation issued a new regulation on tariff for domestic flights in response to rising fuel prices and the depreciation of the rupiah against the U.S. dollar. This surcharge was subsequently removed and replaced with new tariff for domestic flights by MOT Regulation 51/2014, effective as of 30 September 2014, in an effort to provide further support to local airlines. MOT Regulation 51/2014 increased the domestic airfare price ceiling by 10%. This regulation on tariff has been amended twice in November and December 2014. Both amendments amended the lower threshold for the economy class tickets for domestic flights. Currently, airlines are no longer able to sell economy class tickets for domestic flights below the lower threshold fare. Please see the section above on “*Garuda’s ability to set fares on certain segments of its domestic business if constrained by price caps set by the Government*”.

Following the crash of AirAsia flight QZ8501 en route to Singapore from Surabaya on 28 December 2014, the MOT took several measures and introduced a new regulation (MOT Regulation No. 91 of 2014) to improve safety standards of airlines operating in Indonesia. The new regulation sets a price floor for scheduled low-cost airlines at 40% of the maximum price, up from 30% previously. The new regulation is expected to be tightly enforced unlike the previous base level which was not typically enforced against promotional rates offered by airlines. The measures also include an overall review of the business and technical operations of all airlines operating in the country. See “Risk Factors — Risks relating to Garuda’s Business — Changes in government regulators could harm Garuda’s business.”

### Garuda’s Services

Garuda provides passenger and air cargo services and airline-related services including ground, aircraft maintenance, repair and overhaul (also known as MRO) and in-flight catering services. The table below sets forth, for the periods indicated, Garuda’s operating revenues from its scheduled and non-scheduled airline services, and the corresponding percentage of its operating revenues:

	For the year ended 31 December		For the three-month period ended 31 March			
	2013	2014	2014		2015	
	(USD)	(USD)	(USD)		(USD)	
Scheduled services:						
Passenger.....	2,955,288,708	3,147,243,028	6.5%	681,008,757	10.6%	753,531,221
Cargo.....	195,952,040	218,462,668	11.5%	50,352,847	(5.1)%	47,793,461
Excess baggage.....	10,081,118	10,172,649	0.9%	1,245,023	77.1%	2,204,699
Mail and document.....	8,764,325	8,377,041	(4.4)%	2,368,755	(17.6)%	1,951,276
Total revenue from scheduled services.....	<u>3,170,086,191</u>	<u>3,384,255,386</u>	<u>6.8%</u>	<u>734,975,382</u>	<u>9.6%</u>	<u>805,480,657</u>
Non-Scheduled Services:						
Hajj.....	195,192,932	182,062,387	(6.7)%	—	—	—
Charter.....	20,772,955	21,840,111	5.1%	2,856,691	1,272.3%	39,203,045
Total revenue from non-scheduled services.....	<u>215,965,887</u>	<u>203,902,498</u>	<u>(5.6)%</u>	<u>2,856,691</u>	<u>1,272.3%</u>	<u>39,203,045</u>
Revenues from scheduled and non-scheduled airline services.....	<u>3,386,052,078</u>	<u>3,588,157,884</u>	<u>6.0%</u>	<u>737,832,073</u>	<u>14.5%</u>	<u>844,683,702</u>

Other revenues not included in the table above are principally comprised of revenues from ancillary flight-related services provided by Garuda, such as aircraft maintenance and overhaul services, travel agency services, catering services, hotel services, healthcare services, training and other services.

## Airline Services

Garuda provides airline services composed of scheduled passenger FSC services under its Garuda brand and LCC services under its Citilink brand, as well as non-scheduled *haji* and charter flight services provided under its Garuda brand. Garuda also provides cargo, excess baggage and mail and document services. Garuda's airline services accounted for approximately 90.1% and 91.2% of its total operating revenues in 2013 and 2014, and 91.1% for the three-month period ended 31 March 2015.

### Scheduled Passenger Services

Garuda's scheduled passenger services accounted for approximately 84.3%, 86.0% and 86.9% of its total operating revenues in 2013 and 2014 and the three-month period ended 31 March 2015, respectively. The table below sets forth, for the periods indicated, certain information relating to Garuda's passenger services (unaudited):

Description	2013	% (year- on-year)	2014	% (year- on-year)
<b>Passenger</b>				
Total passenger (in thousand) .....	24,965.2	22.3	29,139.3	16.7
International .....	3,770.6	5.1	3,985.2	5.7
Domestic.....	21,194.7	25.9	25,154.1	18.7
RPK (in million) <sup>(1)</sup> .....	31,950.0	16.9	35,997.2	12.7
International .....	14,319.7	9.8	15,016.6	4.9
Domestic.....	17,630.3	23.3	20,980.6	19.0
ASK (in million) <sup>(2)</sup> .....	43,133.0	19.8	50,154.9	16.3
International .....	20,362.1	13.5	22,532.2	10.7
Domestic.....	22,770.9	26.0	27,622.7	21.3
PLF (%) <sup>(3)</sup> .....	74.1	(2.4)	71.8	(3.1)
International .....	70.3	3.3	66.7	(5.2)
Domestic.....	77.4	(2.1)	76.0	(1.9)
Passenger yield (USc per RPK) .....	9.1	(6.1)	8.6	(5.3)
International .....	8.3	(3.7)	7.9	(5.2)
Domestic.....	9.7	(8.7)	9.1	(6.1)
Scheduled revenue per ASK (in USc) <sup>(4)</sup> .....	7.4	(8.5)	6.9	(7.6)
International .....	6.5	(6.5)	5.9	(8.9)
Domestic.....	8.3	(10.7)	7.7	(7.7)
Cost per ASK (in USc) <sup>(5)</sup> .....	7.6	(3.8)	7.6	0.1
International .....	7.1	(2.9)	7.3	3.5
Domestic.....	8.0	7.6	7.8	(2.8)
Cost per ASK excluding fuel (in USc) <sup>(6)</sup> .....	4.6	—	4.6	3.9
International .....	4.1	2.4	4.5	9.0
Domestic.....	5.2	4.0	4.7	(0.2)
Kilometres down (in million) .....	231.4	19.9	269.1	16.3
Block hours (in thousand) .....	401.9	23.9	487.7	21.3
International .....	126.0	11.2	137.4	9.0
Domestic.....	275.9	30.6	350.3	27.0
Daily aircraft utilisation (block hours per day).....	10.4	—	9.8	(8.7)
Number of scheduled flights per day (average).....	62	17.0	625.6	16.3
International .....	42	23.5	79.1	6.4
Domestic.....	20	5.3	546.5	17.8
Total flights per year.....	196,403	28.2	228,329.0	16.3
International .....	27,131	10.8	28,854.0	6.4
Domestic.....	169,272	31.4	199,475.0	17.8

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**Notes:**

- (1) Calculated as number of passengers carried multiplied by distance flown (in kilometres) for each flight.
- (2) Calculated as number of available seats multiplied by distance flown (in kilometres) for each flight.
- (3) Calculated as RPK divided by ASK and expressed as a percentage.
- (4) Calculated as revenue from airline services divided by ASK.
- (5) Calculated as total costs related to the Company's passenger flight activities (including direct costs and indirect costs, overheads and fleets) as reflected in the Company's accounting records divided by ASK.
- (6) Calculated as total costs related to the Company's passenger flight operations (including direct costs and indirect costs, overheads and fleets) reflected in the Company's accounting records minus fuel costs divided by ASK.

As Indonesia's capital, Jakarta is the political centre and headquarters of Indonesia's central government ministries and administrative departments. Jakarta is also one of Indonesia's key economic centres and the base of many state-owned enterprises, large domestic companies and multinational corporations. To cater for this demand, Jakarta now has two dedicated airports, HLP Airport for domestic services, and the larger CGK Airport, which is Indonesia's busiest airport as measured by passenger throughput and aircraft landings and take-offs, and is Indonesia's most important international gateway and domestic transit hub.

Garuda utilises a hub and base model to manage the operation of its aircraft and aircrew within Indonesia. In order for an airport to be deemed a "base" by Garuda, it needs to satisfy the prerequisites of being an airport-city system with adequate infrastructure, demonstrate high demands on operational resources and offer safe and secure airport-city systems and offer resource placement. Garuda operates six bases throughout Indonesia. A base can be further classified as either a "production" or "maintenance" base, with a production base focusing on providing a high number of aircrew and cockpit crew to assist Garuda with optimising network crew. A maintenance base meanwhile, provides Garuda with routine maintenance functions and facilities where an aircraft does not need to be taken out of service.

For information on Garuda's use of hubs, please see the sections below relating to "*Domestic Passenger Services*" and "*International Passenger Services*".

As of 31 March 2015, Garuda's principal base is CGK Airport, serving 36 domestic destinations and 17 international destinations from Jakarta.

Garuda's second principal base is located at SUB Airport. Surabaya is the second largest city in Java Island, which is Indonesia's second business centre after Jakarta. SUB Airport is Indonesia's second busiest airport as measured by passenger throughput and aircraft landings and take-offs. As of 31 March 2015, Garuda served 14 domestic destinations and two international destinations from SUB Airport.

Garuda's third principal base is located at DPS Airport. Denpasar is the capital of Bali, which is Indonesia's leading tourist destination and one of Indonesia's key cultural centres. DPS Airport is Indonesia's third busiest airport as measured by passenger throughput and aircraft landings and take-offs. As of 31 March 2015, Garuda served 16 domestic destinations and ten international destinations from Denpasar.

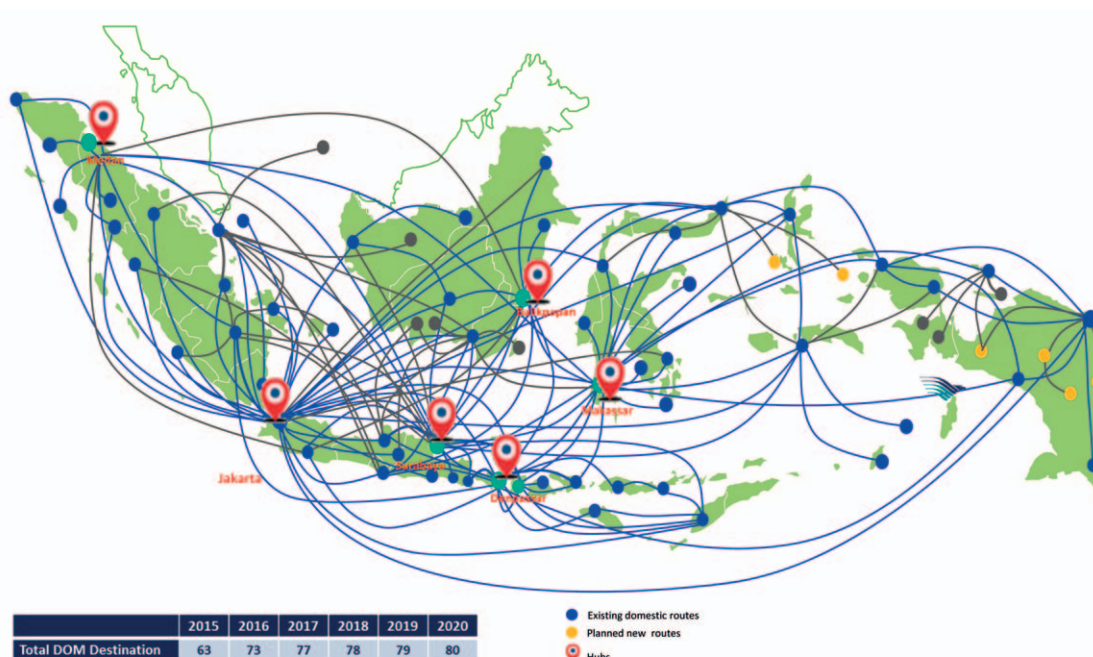
Garuda's fourth principal base is located in UPG Airport. Makassar is the capital of South Sulawesi and the biggest city in Sulawesi Island. Makassar is Garuda's hub for Eastern Indonesia. UPG Airport is Indonesia's fourth busiest airport as measured by passenger throughput and aircraft landings and take-offs. As of 31 March 2015, Garuda served 21 domestic destinations and one international destination from Makassar.

Garuda's fifth principal base is located at KNO Airport. Medan is the capital of North Sumatera. Medan is Garuda's hub for Western Indonesia. KNO Airport is Indonesia's fifth busiest airport as measured by passenger throughput and aircraft landings and take-offs. As of 31 March 2015, Garuda served 12 domestic destinations and one international destination from Medan.

Garuda's sixth principal base is located at BPN Airport. Balikpapan is the capital of East Kalimantan. Balikpapan is Garuda's hub connecting the network between Eastern Indonesia and Western Indonesia and also serves the intra Kalimantan connection. BPN Airport is Indonesia's sixth busiest airport as measured by passenger throughput and aircraft landings and take-offs. As of 31 March 2015, Garuda served nine domestic destinations from Balikpapan.

### Domestic Passenger Services

Garuda has the longest operating history and currently the most extensive domestic route network of any Indonesian airline. As of 31 March 2015, it operated 1,514 domestic round-trip flights every week, serving 60 domestic destinations, including Jakarta and Denpasar. The map below provides a graphic representation of Garuda's domestic route network (excluding Citilink):



Domestic passenger services accounted for approximately 53.8%, 52.8% and 55.3% of Garuda's total operating revenue in 2013, 2014 and the three-month period ended 31 March 2015, respectively.

Garuda currently operates its domestic flights using a hub and base model, with its main hub for domestic flight services located at CGK Airport. In order for an airport to be deemed a “hub” by Garuda, the airport must serve a major region, be strategically located and equipped with adequate infrastructure, aircraft parking space and robust security. As of 31 March 2015, Garuda served 36 destinations in Indonesia from Jakarta. The inclusion of 23 sub-100 seat classes of aircraft into its fleet has further optimised Garuda’s fleet and its ability to grow its route network by expanding the number of domestic destinations it serves. Further growth will be achieved by building out Garuda’s domestic route network and developing a point-to-point route network to provide direct flights between cities that today require stopovers in hub cities. The table below sets out, for the periods indicated, certain information regarding its top ten routes for its domestic passenger services by flight frequency:

Route	Major Competitors Serving Route	Flight Frequency (per week)				
		Year Ended 31 December				Three Months Ended
		2013	% <sup>(1)</sup>	2014	% <sup>(2)</sup>	31 March 2015
Jakarta-Surabaya <sup>(2)</sup> .....	Lion Air, Sriwijaya Air, Indonesia AirAsia, Batik Air	112	6.3	119	(5.9)	112
Jakarta-Denpasar <sup>(2)</sup> .....	Lion Air, Indonesia AirAsia, Sriwijaya Air	98	—	98	(3.1)	95
Jakarta-Palembang .....	Lion Air, Sriwijaya Air	77	—	77	—	77
Jakarta-Yogyakarta .....	Lion Air, Indonesia AirAsia, Sriwijaya Air, Batik Air	70	—	70	—	70
Jakarta-Medan <sup>(2)</sup> .....	Lion Air, Indonesia AirAsia, Sriwijaya Air	56	12.5	63	11.1	70
Jakarta-Semarang .....	Lion Air, Sriwijaya Air	63	—	63	3.2	65
Jakarta-Balikpapan .....	Lion Air, Indonesia AirAsia, Sriwijaya Air, Batik Air	56	—	56	12.5	63
Jakarta-Pekanbaru .....	Lion Air, Sriwijaya Air, Batik Air	42	—	42	—	42
Jakarta-Makassar <sup>(3)</sup> .....	Lion Air, Indonesia AirAsia, Sriwijaya Air, Batik Air	73	—	73	(52.1)	35
Surabaya-Denpasar .....	Lion Air, Indonesia AirAsia, Nam Air, Wings Air	42	(16.7)	35	—	35

(1) Increased frequency of routes in 2014 as against 2013

(2) Increased frequency of routes in the first three months of 2015 as against 2014

(3) Including all routes in Jakarta-Surabaya, Jakarta-Denpasar, Jakarta-Makassar and Jakarta-Medan

The table below sets forth, for the periods indicated, certain information relating to Garuda's domestic passenger services (unaudited):

Description	For the year ended 31 December			For the three-month period ended 31 March		
	2013	% (year- on-year)	2014	2014	% (year- on-year) <sup>(1)</sup>	2015
<b>RPK (in million)<sup>(2)</sup></b> .....	13,432.0	13.3	15,216.2	3,332.5	18.4	3,945.1
Domestic Region 1 (centralized in Medan) .....	3,699.0	5.9	3,918.2	906.7	16.3	1,054.8
Domestic Region 2 (centralized in Jakarta).....	86.0	26.7	109.0	22.8	85.3	42.2
Domestic Region 3 (centralized in Surabaya).....	4,621.0	9.4	5,055.8	1,112.8	11.7	1,242.9
Domestic Region 4 (centralized in Makassar) .....	5,024.0	22.1	6,133.2	1,290.3	24.4	1,605.2
<b>ASK (in million)<sup>(3)</sup></b> .....	17,316.0	17.7	20,377.7	4,664.4	14.4	5,334.4
Domestic Region 1 (centralized in Medan) .....	4,726.0	8.3	5,116.8	1,209.8	15.1	1,392.3
Domestic Region 2 (centralized in Jakarta).....	131.0	31.8	172.6	41.2	56.5	64.4
Domestic Region 3 (centralized in Surabaya).....	5,827.0	14.1	6,649.1	1,528.3	11.5	1,704.6
Domestic Region 4 (centralized in Makassar) .....	663.0	1,172.9	8,439.3	1,885.2	15.3	2,173.1
<b>PLF (%)<sup>(4)</sup></b> .....	77.6	(3.7)	74.7	71.4	3.6	74.0
Domestic Region 1 (centralized in Medan) .....	78.3	(2.2)	76.6	74.9	1.1	75.8
Domestic Region 2 (centralized in Jakarta).....	66.2	(4.7)	63.1	55.4	18.5	65.6
Domestic Region 3 (centralized in Surabaya).....	79.3	(4.2)	76.0	72.8	0.1	72.9
Domestic Region 4 (centralized in Makassar) .....	75.8	(4.1)	72.7	68.4	8.0	73.9
<b>Passenger Yield (USc per RPK)<sup>(5)</sup></b> .....	10.8	(6.5)	10.1	9.4	(7.1)	8.7
Domestic Region 1 (centralized in Medan) .....	10.8	(4.6)	10.3	9.5	(9.3)	8.6
Domestic Region 2 (centralized in Jakarta).....	10.0	(5.0)	9.5	8.9	(12.7)	7.8
Domestic Region 3 (centralized in Surabaya).....	12.4	(4.0)	11.9	10.9	(4.9)	10.4
Domestic Region 4 (centralized in Makassar) .....	9.2	(8.7)	8.4	7.9	(6.6)	7.4



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**Notes:**

- (1) Calculated based on the first three months of 2015 as against first three months of 2014.
- (2) Calculated as passenger carried multiply by distance flown (in kilometres) for each flights.
- (3) Calculated as number of available seats multiplied by distance flown (in kilometres) for each flights.
- (4) Calculated as RPK divided by ASK and expressed as a percentage.
- (5) Calculated as passenger revenue from scheduled transfer divided by RPK.

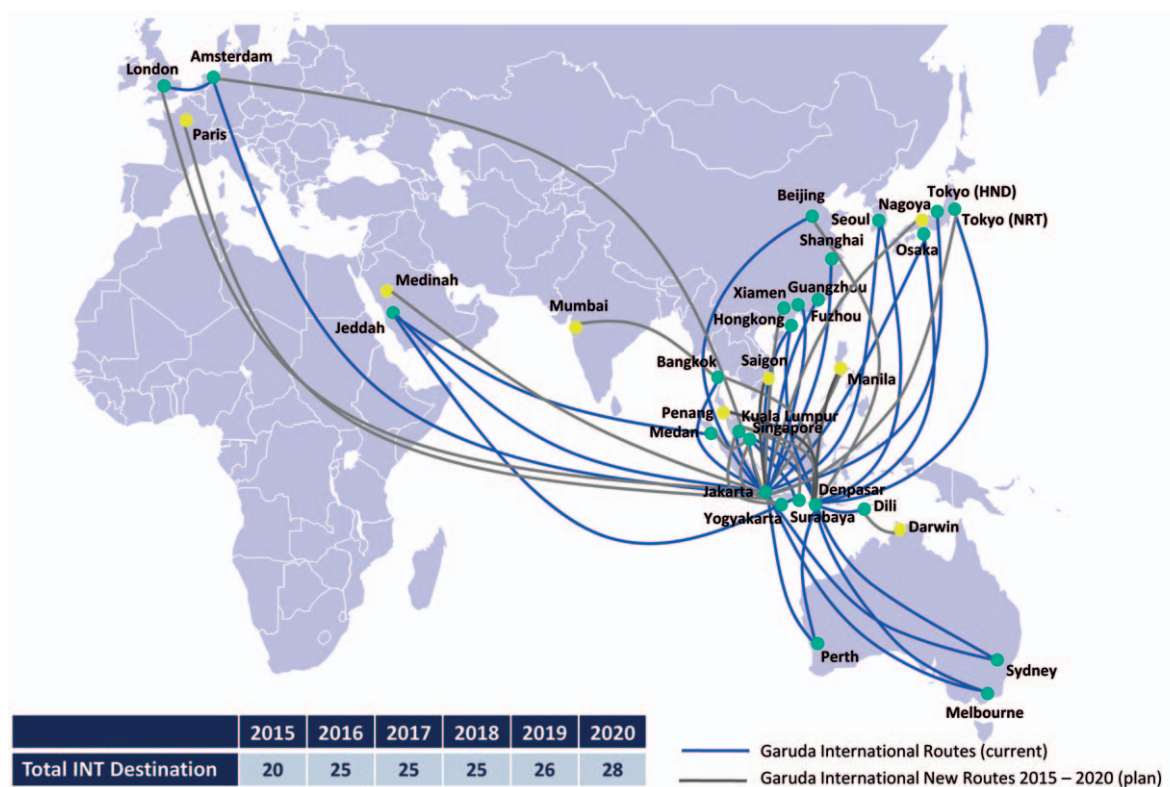
As at 31 March 2015, Garuda defines the four domestic regions within Indonesia as containing the following cities:

- Domestic Region 1: Medan, Banda Aceh, Pekanbaru, Padang, Batam, Jambi, Palembang, Pangkal Pinang, Tanjung Pinang, Bengkulu, Tanjung Pandan, Sibolga, Lampung, Gunungsitoli, Lhokseumawe, Meulaboh and Sabang;
- Domestic Region 2: Jakarta and Bandung;
- Domestic Region 3: Surabaya, Malang, Yogyakarta, Semarang, Solo, Denpasar, Kupang, Mataram, Sumbawa Besar, Banyuwangi, Jember, Labuan Bajo, Tambolaka, Ende and Bima;
- Domestic Region 4: Makassar, Kendari, Palu, Mamuju, Ambon, Balikpapan, Tarakan, Berau, Pontianak, Banjarmasin, Palangkaraya, Manado, Ternate, Gorontalo, Jayapura, Manokwari, Sorong, Biak, Timika, Luwuk, Baubau, Pomala, Putussibau, Langgur, Saumlaki and Merauke.

Garuda has typically used Boeing 737 and Airbus A330 aircraft for domestic flights, but following the first additions of sub-100 seater aircraft in 2012, Garuda has been able to match capacity to demand on lower density routes that are not currently served by LCCs. As at 31 March 2015, Garuda now has 23 new sub-100 seater aircraft in its fleet, consisting of ATR72-600 and Bombardier CRJ1000.

## International Passenger Services

Garuda has the longest operating history and most extensive international route network of any Indonesian airline. As of 31 March 2015, it operated approximately 262 international round-trip flights every week, serving 19 international destinations. Since 2012, it has expanded its international route network to include Amsterdam and London. Through code-share agreements with Delta Air Lines and All Nippon Airways, it has been able to expand the number of destinations that it has been able to serve without having to spend the initial capital required to operate a route on its own. For additional information, please see the section below headed “Code Share Information”. The map below provides a graphic representation of Garuda’s international route network:



Garuda believes that it has the most extensive Jakarta-based route network of any airline. As of 31 March 2015, it served 17 international destinations from Jakarta.

Garuda focuses its international route network on key cities in Asia, Australia, the Middle East and Europe which are primary destinations for overseas travel by Indonesian citizens. Garuda seeks to expand its international network over the next five years by introducing services to the top 20 markets for Indonesian travel, while at the same time increasing the frequency of services to existing international routes. Garuda intends to introduce international passenger services to Paris and Frankfurt in 2015, and Nagoya and Medinah in 2016.

The table below sets out, for the periods indicated, certain information regarding Garuda's top routes for its international passenger services by flight frequency:

International Route	Major Competitors Serving Route	For the year ended 31 December				For the three-month period ended 31 March
		2013	% <sup>(2)</sup> (year-on-year)	2014	% <sup>(3)</sup> (year-on-year)	2015
<b>International</b>						
Jakarta-Singapore.....	Singapore Airlines, Jetstar, Lion Air, Indonesia Air Asia, Tiger	63	—	63	7.3	68
Jakarta-Kuala Lumpur .....	Malaysia Airlines, Indonesia Air Asia, Air Asia, Malindo Air, Lion Air	14	19.3	17	22.8	21
Jakarta-Bangkok.....	Thai Airways, Thai Lion Air, Business Air	21	(18.6)	17	7.0	18
Jakarta-Jeddah.....	Saudi Arabia Air, Lion Air, FlyNas	12	(16.7)	10	59.0	16
Jakarta-Hong Kong .....	Cathay Pacific, China Airlines	14	—	14	(1.4)	14
Denpasar-Singapore.....	Singapore Airline, Indonesia Air Asia, Jetstar, Tiger Airways	14	(0.7)	14	(16.5)	12
Jakarta-Guangzhou .....	China Southern	7	—	7	(1.4)	7
Denpasar-Perth.....	Jetstar, Indonesia Air Asia, Virgin Australia	14	(33.6)	9	(43.0)	5
Jakarta-Perth .....	Jetstar	7	(28.6)	5	(10.0)	5

(1) Increased frequency of routes in the first three months of 2015 as against 2014

(2) Increased frequency of routes in 2014 as against 2013.

International passenger services accounted for approximately 18.0%, 17.8% and 16.1% of Garuda's total operating revenue in 2013, 2014 and the three-month period ended 31 March 2015, respectively. Garuda served 23, 19 and 19 international destinations as of 31 December 2013, 2014 and as of 31 March 2015, respectively. The table below sets forth, for the periods indicated, certain information relating to its international passenger services (unaudited):

Description	For the year ended 31 December			For the three-month period ended 31 March		
	2013	% (year- on-year)	2014	2014	% <sup>(1)</sup> (year- on-year)	2015
<b>RPK (in million)</b> <sup>(2)</sup>	14,319.7	4.8	15,006.4	3,536.2	18.6	4,194.2
Japan, Korea, the PRC	6,874.1	5.9	7,280.9	1,795.2	(4.5)	1,713.9
Asia (ex Japan, Korea, the PRC)	1,541.6	8.8	1,678.0	336.2	35.5	455.5
Australia	2,327.7	10.0	2,560.9	525.7	18.5	623.0
Middle East	2,666.5	(16.8)	2,218.8	670.3	63.6	1,096.4
Europe	909.8	39.3	1,267.8	208.8	46.2	305.3
<b>ASK (in million)</b> <sup>(3)</sup>	20,362.1	10.6	22,511.9	5,558.9	0.9	5,611.2
Japan, Korea, the PRC	9,632.6	16.9	11,262.7	2,733.7	(14.3)	2,343.2
Asia (ex Japan, Korea, the PRC)	2,454.1	6.8	2,620.8	643.2	2.7	660.9
Australia	3,635.5	5.8	3,847.2	975.0	(18.5)	794.4
Middle East	3,277.2	(6.0)	3,080.8	842.5	66.7	1,404.4
Europe	1,362.8	24.8	1,700.4	364.4	12.0	408.3
<b>PLF (%)</b> <sup>(4)</sup>	70.3	(5.1)	66.7	63.6	17.4	74.7
Japan, Korea, the PRC	71.4	(9.5)	64.6	65.7	11.3	73.1
Asia (ex Japan, Korea, the PRC)	62.8	1.9	64.0	52.3	31.8	68.9
Australia	64.0	4.1	66.6	53.9	45.4	78.4
Middle East	81.4	(11.5)	72.0	79.6	(1.8)	78.1
Europe	66.8	11.7	74.6	57.3	30.6	74.8
<b>Passenger Yield</b>						
<b>(USc per RPK)</b> <sup>(5)</sup>	8.3	(4.8)	7.9	8.0	(8.8)	7.3
Japan, Korea, the PRC	7.8	(2.6)	7.6	7.6	(11.7)	6.7
Asia (ex Japan, Korea, the PRC)	12.1	(5.0)	11.5	11.8	(10.9)	10.5
Australia	9.9	(16.2)	8.3	8.6	(10.8)	7.7
Middle East	7.2	4.2	7.5	7.8	(7.7)	7.2
Europe	5.1	2.0	5.2	5.0	(3.4)	4.8

**Notes:**

- (1) Calculated on the first three months of 2015 as against the first three months of 2014
- (2) Calculated as passengers carried multiplied by distance flown (in kilometres) for each flight.
- (3) Calculated as number of available seats multiplied by distance flown (in kilometres) for each flight.
- (4) Calculated as RPK divided by ASK and expressed as a percentage.
- (5) Calculated as passenger revenue from scheduled transfers divided by RPK.

## Japan, Korea and the PRC

In 2014, Japan, Korea and the PRC represented Garuda's most important international market as measured by passenger traffic in RPK and passenger revenues, accounting for approximately 48.5% of its total international RPK and 38.6% of its total international passengers on scheduled flight services. For the three months ended 31 March 2015, Japan, Korea and the PRC accounted for approximately 40.9% of Garuda's total international RPK and 33.8% of its total international passengers on scheduled flight services. Within Japan, Korea and the PRC, Garuda operates routes to Beijing, Osaka, Seoul, Shanghai, Tokyo and Guangzhou. Garuda also offers routes to Taipei, Nagoya, Sendai, Fukuoka, Chitose, Takamatsu and Komatsu, through its code-share agreements with China Airlines and All Nippon Airways.

## Asia (excluding Japan, Korea and the PRC)

In 2014, Asia (excluding Japan, Korea and the PRC) accounted for approximately 11.2% of Garuda's total international RPK and 35.4% of its total international passengers on scheduled flight services. For the three months ended 31 March 2015, Asia (excluding Japan, Korea and the PRC) accounted for approximately 10.9% of its total international RPK and 35.7% of its total international passengers on scheduled flight services. Within Asia (excluding Japan, Korea and the PRC) Garuda operates routes to Bangkok, Hong Kong, Kuala Lumpur and Singapore. Garuda also offers routes to various cities in Asia (excluding Japan, Korea and the PRC) including Manila, Kuala Lumpur, Ho Chi Minh City, Bandar Seri Begawan, Mumbai, New Delhi and Chennai, through its code-share agreements with Philippine Airlines, Malaysia Airlines, Vietnam Airlines, Royal Brunei Airlines, Myanmar Airways, Bangkok Airways and Jet Airways.

## Middle East

In 2014, the Middle East accounted for approximately 14.8% of Garuda's total international RPK and 7.1% of its total international passengers on scheduled flight services (excluding *hajj* flight operations). For the three months ended 31 March 2015, the Middle East accounted for approximately 26.1% of its total international RPK and 12.8% of its total international passengers on scheduled flight services (excluding *hajj* flight operations). Garuda operates routes to Jeddah. Garuda also offers routes to various cities in the Middle East and Africa, including Abu Dhabi, Muscat, Bahrain, Dubai, Nairobi and Cairo through its code-share agreements with Etihad and Kenya Airways.

## Australia

In 2014, Australia accounted for approximately 17.1% of Garuda's total international RPK and 15.5% of its total international passengers on scheduled flight services. For the three months ended 31 March 2015, Australia accounted for approximately 14.9% of Garuda's total international RPK and 14.4% of its total international passengers on scheduled flight services. Garuda operates routes to Melbourne, Sydney and Perth.

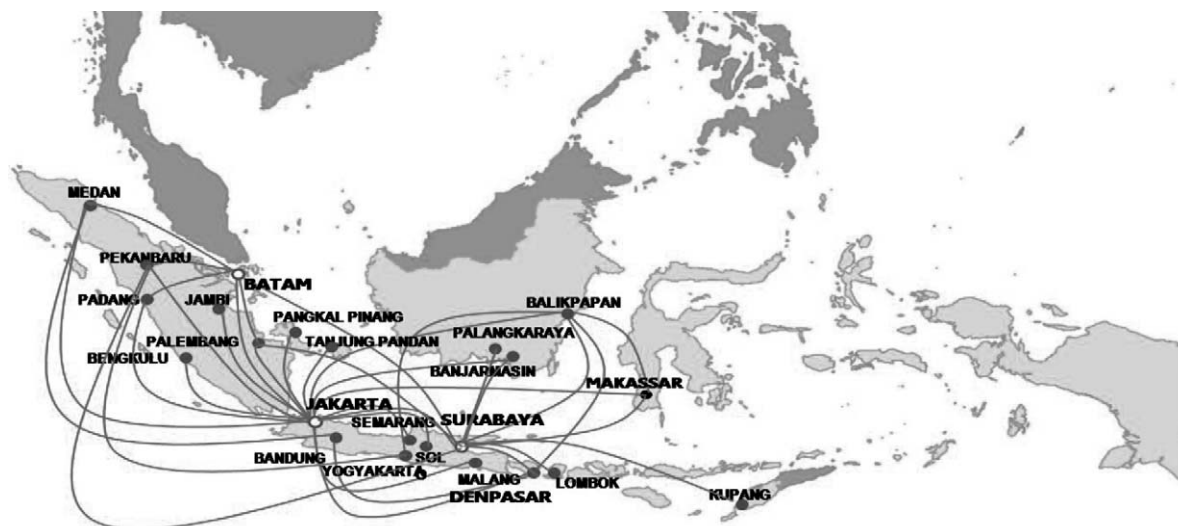
## Europe and U.S.

In 2014, the only European routes serviced by Garuda were London and Amsterdam. European destinations accounted for approximately 8.4% of Garuda's total international RPK and 3.4% of its total international passengers on scheduled flight services. For the three months ended 31 March 2015, Europe accounted for approximately 7.3% of its total international RPK and 3.2% of its total international passengers on scheduled flight services. Garuda currently operates routes to Amsterdam and London (Gatwick). Garuda also offers routes to Istanbul, Athens, Barcelona, Brussels, Dublin, Düsseldorf, Frankfurt, London, Madrid, Manchester, Berlin, Oslo, Stockholm, Copenhagen, Venice, Milan, Moscow, Munich, Paris, Rome, Seattle, Los Angeles and San Francisco through its code-share agreement with Turkish Airline, Etihad, KLM, Air France, Delta Airlines and China Airlines.

## Citilink

Citilink was initially launched by Garuda in May 2001 with Fokker 28 aircraft to meet Indonesia's increasing demand for LCC services in the domestic market. Garuda briefly suspended Citilink's operation in 2008, whilst it replaced the Fokker 28 aircraft with more modern fuel efficient aircraft following which Citilink was re-launched in January 2009. Citilink obtained its own AOC in June 2012. The Citilink route network currently focuses on routes with low yield and high density to capture growth in the price sensitive LCC market. As of 31 March 2015, 42 routes are served by Citilink.

The map below provides a graphic representation of the Citilink route network:



As of 31 March 2015, Citilink owns four Boeing 737-300, consisting of aircraft with 142 economy passenger seats, and operates 34 Airbus A320-200 aircraft, with 180 economy passenger seats. In May 2015, Garuda transferred ownership of four B737-500 aircraft to Citilink. See “— Recent Developments”. Each Citilink flight is staffed by two pilots and three flight attendants, as compared with the two pilots and five flight attendants that normally staff a Garuda Boeing 737-300 flight. As of 31 March 2015, Citilink employed 266 pilots and 508 flight attendants. Citilink pilots receive periodic training at the Garuda training facility in Jakarta. Citilink flight attendants are also trained at the Garuda training facility in Jakarta.

Citilink currently sells tickets online and through travel agent sales distribution outlets. Citilink plans to focus its ticket distribution primarily through online direct sales as the infrastructure and market in Indonesia develops.

For the three months ended 31 March 2015, Citilink received approximately 19% of reservations through its business-to-customer internet-booking engine for direct consumer sales and approximately 81% of reservations through its business-to-business internet-booking engine for travel agents who are paid a nominal service fee.

Citilink fares are non-refundable, although scheduled passenger booking may be changed upon payment of an additional fee at least 24 hours before departure. Citilink generally conducts promotional campaigns through the internet, as well as on local newspapers and radio, and airport billboard advertising, in its hub and destination markets.

Citilink's MRO services are provided by GMFAA, ground handling services are provided by Gapura Angkasa, PT Jasa Angkasa Semesta Tbk. ("JAS") and other providers on a cost competitive basis, and jet fuel is sourced under the Garuda contract with Pertamina to take advantage of volume discounts. Citilink focuses on faster flight turnaround, which is targeted at 30 minutes for Citilink flights as compared to 45 minutes for Garuda flights.

Citilink's MRO expenses are typically lower than Garuda's MRO expenses due to the "no-frills" cabin configuration, such as the absence of in-flight entertainment and catering services. GMFAA does not, however, provide certain conversion services for the "all economy" configuration of Citilink's aircraft. All economy conversions such as removal of the forward galley must be carried out overseas.

The table below sets out, for the periods indicated, certain information relating to Citilink's passenger services (unaudited):

	For the year ended 31 December			For the three-month period ended 31 March		Growth
	2012	2013	2014	2014	2015	
<b>Passenger Services:</b>						
Aircraft Fleet — end of period .....	21	30	36	28	37	32%
Aircraft Utilisation.....	7:24	7:23	8:46	8:58	8:38	(9%)
Number of cities served .....	11	23	23	20	23	15%
Number of routes .....	19	28	42	34	38	24%
Average stage length.....	781	789	766	775	821	6%
Number of Employees — end of period.....	531	951	1,151	998	1,198	20%
RPK (in millions) <sup>(2)</sup> .....	2,238	4,198	5,842	1,398	1,725	23%
ASK (in millions) <sup>(3)</sup> .....	3,121	5,455	7,340	1,776	2,146	21%
Passenger load factor (%) <sup>(4)</sup> .....	71.7%	77.0%	79.6%	78.7%	80.3%	1.6p.p.
Number of passengers carried (in thousands) .....	2,861	5,345	7,553	1,753	2,080	19%
Passenger yield (U.S. cents per RPK) <sup>(1)(5)</sup> .....	5.8	6.1	6.3	5.9	5.8	(2%)
Cost per ASK (U.S. cents) <sup>(1)(6)</sup> .....	6.5	6.1	5.7	5.6	4.9	(12%)
Cost per ASK excluding fuel (U.S. cents) <sup>(1)(7)</sup> .....	3.2	3.2	2.9	2.9	3.2	8%
Market share — Passenger (%) <sup>(8)</sup> .....	5.2%	9.6%	12.8%	13.0%	12.9% <sup>(9)</sup>	NA

**Notes:**

- (1) Garuda has translated the Rupiah amounts of passenger yield, revenue per ASK and cost per ASK, excluding fuel, to U.S. dollars, on a monthly basis, using the middle exchange rate announced by Bank Indonesia as of the last day of the previous month.
- (2) Calculated as number of revenue passengers carried multiplied by distance flown (in kilometres) for each flight leg.
- (3) Calculated as number of available seats multiplied by distance flown (in kilometres) for each flight leg.
- (4) Calculated as RPK divided by ASK and expressed as a percentage.
- (5) Calculated as passenger revenue from scheduled services divided by RPK.
- (6) Calculated as total costs related to Garuda's passenger flight operations (including direct and indirect costs, overhead and fleet costs) as reflected in its accounting records divided by ASK.

- (7) Calculated as total costs related to Garuda's passenger flight operations (including direct and indirect costs, overhead and fleet costs) as reflected in its accounting records minus fuel expenses and divided by ASK.
- (8) Flight with AOC PT Citilink Indonesia.
- (9) Market Share YTD Feb 2015

### ***Non-Scheduled Passenger Services***

Garuda provides non-scheduled international and domestic passenger services to Saudi Arabia for *hajj* pilgrims (*hajj* services) and charter flight services. Garuda's non-scheduled passenger services accounted for approximately 5.7% and 5.2% of its total operating revenues in 2013 and 2014, respectively.

#### **Hajj Services**

Indonesia is the world's fourth most populous country and with approximately 87% of the Indonesian population being Muslim (Government 2010 census), is the country with the world's largest Muslim population. The *hajj* is an annual Islamic pilgrimage to Mecca, and a mandatory religious duty for Muslims which must be carried out at least once in a lifetime by all adult Muslims who are physically and financially capable of undertaking the journey.

Garuda commenced *hajj* flight operations in 1956, and it operated 295, 234 and 206 flights, and carried a total of 89,946 and 82,961 Muslim pilgrim passengers, on round trips from Indonesia to Jeddah for the annual *hajj* pilgrimage arranged by the Ministry of Religious Affairs ("MRA") in 2013 and 2014, respectively.

Garuda's *hajj* flight services are provided at the request of the Government at rates based on a variety of factors including the Rupiah-U.S. dollar exchange rate, aircraft charter rates and the price of jet fuel. The MRA is responsible for travel arrangements for *hajj* pilgrims, including flight arrangements to and from Saudi Arabia. Airfares for *hajj* pilgrims are paid to Garuda by the MRA pursuant to agreements entered into between Garuda and the MRA, and are renegotiated annually. Garuda's *hajj* flight services accounted for approximately 5.2% and 4.6% of its consolidated total operating revenues for 2013 and 2014, respectively, and approximately 90.4% and 89.3% of its revenues from non-scheduled passenger services in 2013 and 2014. *Hajj* flight operations vary annually with the Muslim lunar calendar. Garuda's *hajj* flight operations in the period from 2012 through 2014 generally covered a 12-week period commencing in each year on a date moving forward from December to September. *Hajj* flight operations in 2014 ran from 1 September to 6 November 2014.

Garuda is currently the only Indonesian airline contracted by the MRA for *hajj* travel and operates approximately 53% of all *hajj* flights out of Indonesia, with Saudi Arabia Airlines operating the remaining 47%. The MRA may, in the future, invite other Indonesian airlines to tender for *hajj* business, but potential bidders would have to demonstrate to the MRA that they have the operational capacity to transport 200,000 people to and from Mecca, Jeddah and Madinah within a six-week period.

#### **Charter Services**

Garuda operates charter flights for government, business, educational and tourist groups travelling to international and domestic destinations. Garuda determines its charter flight arrangements primarily in accordance with market demand and aircraft availability. Garuda typically seeks to determine its charter schedule two weeks to one month prior to implementing such a schedule, but arranges charter flights on shorter notice. The operation of charter flights may at times involve the redeployment of aircraft away from regularly scheduled passenger flights.



Charter services accounted for approximately 9.6%, 10.7% and 100% of the Group's revenues from non-scheduled passenger services in 2013, 2014 and the three-month period ended 31 March 2015, respectively.

### Cargo Services

Garuda is the largest local provider of air cargo services in Indonesia as measured by total cargo volume, accounting for approximately 56.1% of the total traffic in Indonesia for the year ended 2014 according to PT Angkasa Pura II ("AP II"). For the year 2014, Garuda transported approximately 298,720 tons of cargo and generated US\$218.4 million in revenue from its cargo services and warehouse operation. Garuda's cargo services accounted for approximately 5.2%, 5.6% and 5.2% of Garuda's total operating revenue in 2013, 2014 and in the three-month period ended 31 March 2015. The table below sets out, for the periods indicated, certain information relating to Garuda's cargo services (unaudited):

Description	For the year ended 31 December				For the three-month period ended 31 March	
	2012	%	2013	%	2014	2015
		(year-on-year)		(year-on-year)		
<b>Cargo Services:</b>						
RFTK (in thousand) <sup>(1)</sup> .....	495	15	570	8	616	148
International .....	327	14	374	4	391	89
Domestic .....	168	17	196	15	225	59
AFTK (in thousand) <sup>(2)</sup> .....	1,009	15	1,163	20	1,391	353
International .....	711	16	827	21	999	250
Domestic .....	298	12	335	17	392	103
Cargo and mail carried.....						
(in thousand tonnes).....	164	64	269	11	299	76
CLF <sup>(3)</sup> .....	49	0	49	(10)	44	42
International .....	46	(2)	45	(14)	39	36
Domestic .....	56	4	58	(1)	58	57
<i>Cargo yield (USc)</i> <sup>(4)</sup> .....	37.33	(8)	34.21	0	34.35	30.98

#### Notes:

- (1) Calculated as cargo and mail load carried (in tons) multiplied by distance flown (in kilometres) for each flight.
- (2) Calculated as total cargo capacity (in tons) multiplied by distance flown (in kilometres).
- (3) Calculated as cargo and mail load (in tons-kilometres) divided by total available payload (in tons-kilometres) per aircraft type per flight and expressed as a percentage.
- (4) Calculated as revenue from cargo services divided by RFTK.

Garuda's cargo services include general air cargo services and special cargo services for goods and materials that require special handling, including perishables, live animals, valuables and dangerous goods. In cooperation with Pandu Logistic, Garuda also offers "GO Express", a door-to-door cargo service. Garuda's key cargo customers are major logistic companies/forwarding service providers.

Garuda's primary cargo terminal is a 23,000 sq. metre facility leased by it at CGK Airport, which can handle approximately 300,000 tons of cargo each year. In 2014 Garuda's cargo handling capacity in Jakarta increased following a partnership between Gapura and Poslog which resulted in Garuda gaining access to an additional 1,626 sq. metre facility that should allow it to process an additional 44,000 tons of cargo per year.

To strengthen its cargo services, Garuda plans to increase its network coverage through greater cooperation with other airlines and freighter operators, in addition to appointing general sales agents ("GSA's") in offline overseas locations. The introduction of GSA's is designed to mitigate Garuda's financial risk and to optimize operations. Garuda believes that joining a recognised cargo network will help achieve its aims for its cargo services and is therefore in the process of joining the SkyTeam Cargo network. Membership to the SkyTeam Cargo network will provide Garuda with increased network coverage and access to a global standard of cargo operations.

Domestically, Garuda plans to expand its cargo services offerings through the establishment of new cargo service centres' in conjunction with third parties. Customers utilising the new services would be presented with a greater range of delivery options including city to city and city to door options.

### ***Other Airline-Related Services***

Garuda also provides airline-related services such as ground services, MRO services and in-flight catering services. Other airline services accounted for approximately 9.9% and 8.8% of Garuda's total operating revenues in 2013 and 2014 and 8.9% in the three-month period ended 31 March 2015.

### **Garuda's Fleet**

#### ***Aircraft Procurement and Disposal Policy***

Garuda seeks to maintain a rationalised, streamlined and modern fleet to serve its route network and multiple markets. When evaluating its aircraft procurement and disposition plan, Garuda considers many factors, including demand forecasts for the aviation industry, current fleet capacity, current and future aircraft requirements, capital structure, cash flows, purchase and leasing costs, prevailing interest rates and other market conditions which may impact financing costs. Garuda evaluates on a case-by-case basis the retirement or disposal of a particular aircraft based on a number of factors, including operating and safety efficiency and market demand for a particular aircraft type. Moreover, Garuda carefully balances the jet fuel consumption and maintenance costs of ageing aircraft against the financing costs and depreciation expenses which may be incurred by acquiring newer replacement aircraft. Garuda typically purchases or leases new aircraft.

## *Fleet Composition*

As of 31 March 2015, Garuda (including Citilink) owned a fleet of 174, both operating and non-operating, passenger aircraft. The table below sets out certain information regarding Garuda's fleet as of 31 March 2015:

Description	Number of Aircraft			Fleet	Seat Configuration <sup>1</sup> (standard)
	Owned	Finance Lease	Operating Lease		
Passenger aircraft:					
<i>Narrow-body:</i>					
B737-300 .....	1	—	—	1	16C + 94Y
B737-500 .....	4	—	—	4	12C + 84Y
B737-800 .....	—	—	78	78	12C + 150Y
CRJ1000 .....	—	6	9	15	12C + 84Y
ATR 72-600 .....	—	—	8	8	70Y
<b>Sub-total</b> .....	<b>5</b>	<b>6</b>	<b>95</b>	<b>106</b>	
<i>Wide-body:</i>					
B777-300 .....	—	—	6	6	8F + 38C + 268Y
B747-400 .....	2	—	—	2	22C + 435Y
A330-300 .....	6	—	5	11	42C + 215Y/ 36C + 215Y
A330-200 .....	—	—	11	11	36C + 186Y
<b>Sub-total</b> .....	<b>8</b>	<b>—</b>	<b>22</b>	<b>30</b>	
Citilink aircraft: <sup>2</sup>					
<i>Narrow-body:</i>					
B737-300 .....	4	—	—	4	148Y
A320 .....	—	—	34	34	180Y
<b>Sub-total</b> .....	<b>4</b>	<b>—</b>	<b>34</b>	<b>38</b>	
<b>Total</b> .....	<b>17</b>	<b>6</b>	<b>151</b>	<b>174</b>	

### *Notes:*

- (1) F = first class; C = business class; Y = economy class.
- (2) In May 2015, Garuda transferred ownership of four B737-500 aircraft to Citilink. See "Description of Garuda — Recent Developments".

The Group's total fleet size was 106, 140 and 174 aircrafts for the years ended 31 December 2013, 2014 and the three months ended 31 March 2015, respectively. The average age of Garuda's fleet was 5.0, 4.5 and 5.4 years for the years ended 31 December 2013, 2014 and the three months ended 31 March 2015, respectively. According to industry standards, the actual operating life of an aircraft ranges from 20 to 40 years, depending on its aircraft type, maintenance record, utilisation rate and operating environment. Ageing aircraft typically require higher maintenance, repair and overhaul services to maintain safe and efficient operations. As of 31 March 2015, 13 aircraft in Garuda's fleet were over 15 years of age and the oldest aircraft in its fleet was 22 years of age.

### *Aircraft Delivery and Disposal Schedule*

As of 31 March 2015, Garuda had aircraft purchase commitments to purchase 112 additional aircraft between 2015 and 2023, comprising 50 Boeing 737 MAX 8, four Boeing 737-800NG, four Boeing 777-300ER, 13 Airbus 330-300, 21 Airbus 320-200, three Bombardier CRJ 1000 and 17 ATR 72-600 deliveries, and has options to purchase an additional 10 ATR 72-600 and 18 Bombardier CRJ 1000. The pre-delivery payments for these purchases are typically financed initially through operating cash flows and debt financings, which Garuda will then convert to operating lease arrangements under sale and leaseback transactions with aircraft leasing companies, which allows Garuda to recover its pre-delivery payments and should reduce its total capital expenditure commitments.

The table below sets out, as of 31 March 2015, certain information relating to the expected delivery schedule, the aircraft model, the number of aircraft and the capacity measured in terms of number of seats:

<u>Expected Acquisition Schedule</u>	<u>Aircraft Model</u>	<u>Number</u>	<u>Seat Configuration* (Standard)</u>
2015 .....	B737-800	7	12C + 150Y
	A330-300	2	36C + 215Y
	B777-300ER	3	26C + 367Y
	CRJ1000	3	12C + 84Y
	ATR72-600	3	70Y
	A320-200	5	180Y
2016 .....	ATR72-600	9	70Y
	A330-300	5	36C + 215Y
	B777-300ER	1	26C + 367Y
	A320-200	7	180Y
2017 .....	ATR72-600	5	70Y
	A330-300	6	36C + 215Y
	A320-200	6	180Y
	B737 MAX8	1	TBC
2018 .....	A320-200	5	180Y
	B737 MAX 8	5	TBC
2019 .....	B737 MAX 8	5	TBC
2020 .....	B737 MAX 8	5	TBC

**Notes:** F = first class; C = business class; y = economy class

As of 31 March 2015, Garuda also had options to purchase 10 ATR 72-600 and 18 Bombardier CRJ 1000 aircraft. As of 31 March 2015, Garuda had executed letters of intent for operating leases for 18 aircraft to commence operation in 2015. Owing to several of its operating leases expiring over the next couple of years, Garuda has arranged for new operating leases to commence, such that there will be no decrease in the number of aircraft available to Garuda.

The table below sets out, as of 31 March 2015, Garuda's expected aircraft (including aircraft retired or returned on expiry of operating leases) disposal schedule, the aircraft model, the number of aircraft and the capacity measured in terms of number of seats:

Expected Disposal Schedule	Aircraft Model	Number	Number of Seats (Standard)
2015 .....	B737-800	1	12C + 150Y
	A320-200	1	180Y
2016 .....	A330-200	4	36C + 186Y
	B737-800	6	12C + 150Y
	A320-200	2	180Y
2017 .....	B737-800	5	12C + 150Y
2018 .....	B737-800	1	12C + 150Y
	A330-300	2	42C + 215Y
	A320-200	5	180Y
2019 .....	B737-800	1	12C + 150Y
	A330-300	2	42C + 215Y
2020 .....	B737-800	8	12C + 150Y
	A330-200	1	36C + 186Y
	A330-300	2	42C + 215Y

#### *Aircraft Purchase and Leasing Arrangements*

Garuda's fleet consists of aircraft purchased or leased pursuant to finance and operating leases. As of 31 March 2015, Garuda owned 17 aircraft (including four operated by Citilink) and operated six aircraft under finance leases and 151 aircraft under operating leases. All of these aircraft are registered in Indonesia. In May 2015, Garuda transferred ownership of 4 aircraft to Citilink. See "Description of Garuda — Recent Developments".

#### Finance Leases

Under Garuda's finance leases, it makes lease payments to a special purpose company ("SPC") that finances repayment of the ECA that has funded 80% of the purchase price, with the remaining 20% of the purchase price being paid by Garuda. Garuda bears substantially all of the economic risks of the financing structure by providing a guarantee for the obligations of the SPC. During the financing period, the aircraft will be owned by the SPC and at the end of the lease period, Garuda will have the option to purchase the shares of the SPC and therefore obtain the title to the aircraft. The terms of Garuda's finance leases vary depending on the financing structures and commercial agreements reached by the parties concerned. Generally, the lenders provide the SPC with the option of floating rate or fixed rate financing. Lease payments are typically paid on a quarterly or semi-annual basis. The tenure of Garuda's finance leases is typically 10 years. Under certain leases, Garuda is given an option to terminate the lease early on a voluntary basis, if certain conditions are satisfied. Circumstances under which a lessor may have the right to terminate a lease early and require it to surrender the aircraft include the occurrence of an event of default such as non-payment of rent, failure to maintain insurance coverage for the aircraft, and insolvency. To date, Garuda's lessors have not terminated any finance leases early or required it to return any aircraft as a result of a default by Garuda.

#### Operating Leases

Garuda operating leases generally have original terms ranging from 10-12 years from an aircraft delivery. Under operating leases, Garuda is entitled to use the aircraft and is obliged to make rental payments according to the relevant lease agreements. The lessor bears the economic benefits and risks of ownership, including the risk of the residual value of the aircraft at the end of the lease term. Garuda is required to return the aircraft in the agreed condition at the end of the lease term. Although the title remains with the lessor, Garuda is responsible during the lease term for legal and regulatory

compliance, maintenance, servicing, insurance, taxes and repair of the aircraft. Garuda's operating leases require it to maintain and make contributions to maintenance and repair reserve funds during the term of the lease. Maintenance and repair reserve fund contributions are based on the use of the aircraft during the lease term and include reserves for airframe structure maintenance, engine performance restoration maintenance, engine life limited parts maintenance, landing gear maintenance, and auxiliary power unit maintenance. Garuda is required to maintain the aircraft to agreed standards during the term of the lease and is entitled to reimbursement by the lessor from the maintenance and repair reserve fund upon presentation of documentation showing completion of the required maintenance work, provided that no default has occurred. Depending on the specific operating lease agreements, the lessor may or may not retain the remaining balance in the maintenance and repair funds upon termination of the lease. Under certain of Garuda's operating leases, the lessor has the right to terminate a lease early and to require it to surrender the aircraft upon the occurrence of an event of default, such as the non-payment of rent, failure to make contributions to the maintenance and repair fund and failure to maintain insurance coverage for the aircraft, or insolvency. To date, Garuda's lessors have not early-terminated any operating leases or required Garuda to return any aircraft as a result of a default by it.

### Aircraft Purchases

Garuda may from time to time purchase aircraft directly from aircraft manufacturers. The pre-delivery payments for these purchases are typically financed initially through operating cash flows and debt financing, which Garuda will then convert to operating lease arrangements under sale and leaseback transactions with aircraft leasing companies, which allows Garuda to recover its pre-delivery payments and should reduce its total capital expenditure commitments. Under the terms of its aircraft purchase agreements, the acquisition price is subject to escalation adjustments for, among others, inflation and wage-related increases, as determined in accordance with pre-agreed formulas set out in each purchase agreement.

## **Garuda's Operations**

### *Route Planning*

Garuda's growth strategy includes identifying profitable routes that are inadequately serviced by other airlines, increasing the number of routes served, increasing the frequency of its flights and disposing of routes that it has identified as being unprofitable. Garuda established one new international route and three new domestic routes in the three months ended 31 March 2015, four new international routes and 35 new domestic routes in the year ended 31 December 2014, six new international routes and 26 new domestic routes in the year ended 31 December 2013, and four new international routes and 11 new domestic routes in the year ended 31 December 2012. Garuda constantly reviews and seeks to optimise its route network by identifying opportunities to offer direct international flights to and from Indonesia on routes that are primarily served through third country hubs, as well as opportunities to increase its flight frequencies on domestic flights within Indonesia. Garuda also reviews its route network to identify routes that no longer meet customer expectations and demands by assessing the route performance and profitability of such routes, its overall route network strategy, the competition on such routes and the market conditions for the aviation industry. Developing and exploiting profitable routes and flight frequencies depends on a number of factors, including Garuda's ability to obtain accurate market data for evaluation, the availability of aircraft and its ability to obtain landing rights at airports.

To maximise Garuda's fleet utilisation rates and enhance its competitiveness, Garuda carefully evaluates and plans its route network and flight schedule. Garuda's route planning department prepares and periodically updates rolling one-year and five-year route plans based on a number of factors, including its business strategies, market projections and analyses and competition. Garuda also evaluates each route's profitability and adjusts its flight schedule and frequency to maximise profitability. Garuda has several management information systems, including a network and schedule management system, to improve its market analysis, network planning and hub operations. Based on

its route plans, Garuda may seek regulatory approval for additional routes or modify flight frequency on certain routes to continuously improve its route network. Garuda cooperates closely with the regulatory authorities in seeking additional route rights under new or existing bilateral air services agreements and may assist the Government in its negotiations with foreign governments on such agreements.

### ***Flight Scheduling***

Garuda's marketing and sales department formulates flight schedules, based on market demand for various routes. Consistent with market practice and with IATA guidelines, it publishes summer and winter flight schedules each year. From time to time, Garuda also varies the flight frequency and type of aircraft utilised on scheduled routes based on anticipated seasonal demand.

### ***Flight Operations***

Garuda's operations control centre ("OCC") at CGK Airport near Jakarta supervises and controls its flight activities in accordance with its flight operation schedules. Garuda's OCC collects and analyses information relating to the projected payload, the weather conditions and the status of aircraft equipment, approves flight dispatches, and coordinates the necessary ground services. Garuda's OCC monitors flights by radio communications and the Air Communication and Reporting System and it expects to implement Air-to-Ground Data Link communications in the future. In the event of irregularities, the centre may adjust flight schedules, combine flights and, if necessary, cancel flights.

On-time departure and arrival is important to customer satisfaction, Garuda's brand reputation and cost control. According to its internal reports, in 2014 Garuda's average on-time departure rate was 88.8%, with 3.2% of its flights being irregular due to factors within its control (such as flight scheduling, mechanical incidents and passenger services), 7.5% of its flights being irregular due to factors beyond Garuda's control (such as airport congestion, limitations of airport facilities, air traffic control, poor weather and no-flight orders) and 0.6% of its flights being cancelled or rescheduled.

### ***Ground Services***

At domestic airports in Indonesia, Garuda's subsidiary Garuda Angkasa provides ground services for its own domestic flights, and also on a contract basis for other airlines. At airports in foreign countries, third-party ground service providers or the principal airlines based at such airports provide ground services to Garuda's flights, typically based on pre-set contractual fees. Ground services include the check-in service, boarding service, premium class lounge service, ramp service, luggage handling, loading and unloading services, cabin cleaning and transit services.

Garuda has established a coordinating team to oversee the adoption of best practices and to aid design of the new Terminal 3 being constructed at CGK Airport. The coordinating team is tasked with ensuring optimum passenger flows throughout the terminal (such as avoiding back-tracks and counterflows), efficient passenger transfers between flights (domestic to domestic, international to international and international to domestic/domestic to international), determining the location and number of service counters to enable transfers (e.g. overseeing the relocation of service counters to the departure level to reduce distance), the insertion of clear signage and the location of self-service check-in kiosks and also self-service baggage drops, and a dedicated ground-level gate for regional aircraft using weather protection. On the air side of the terminal, the coordinating team will be responsible for services relating to the boarding/disembarking and the use of remote stands to disembark aircraft in addition to addressing any shortcomings with the service road designs to facilitate transfers to and from aircraft to terminals with the apron buses.

Where beneficial, the new designs and best practice procedures adopted at the new CGK Airport Terminal 3 will be introduced to Denpasar as a hub and Medan, Balikpapan and Makassar as bases.

To facilitate improvements to the transfer of passengers at Garuda's two largest hub airports, Garuda will be introducing new hub control centres at each, which will be responsible for passenger transfers and service recovery. This will assist Garuda's aim of improving services to all passengers, especially those requiring special assistance, and ensure that it can offer its first class passengers services commensurate with their expectations such as limousine pick-ups, special assistants and special immigration flow/fast-track security.

Garuda is continuing to modernise its baggage handling systems to ensure that they are compatible with the latest mobile, internet and self-service check-in counters. These systems are being rolled out in phases, of which mobile and internet check-in has been functioning since December 2013 under the Altea system. During 2015, PT Angkasa Pura I ("AP I") will install automated baggage handling systems throughout those airports currently used by Garuda as hubs.

### ***Jet Fuel***

Jet fuel costs represented 37.9%, 36.3% and 28.8% of Garuda's total consolidated operating expenses in 2013, 2014 and in the three-month period ended 31 March 2015. Jet fuel prices have been historically, and will in the future continue to be, subject to price volatility and fluctuations in supply and demand.

Garuda procures approximately 75% of its jet fuel, including all of the jet fuel required for its domestic operations, pursuant to agreements with Pertamina, the state-owned oil and gas company. Garuda typically enters into five-year supply agreements with Pertamina and one to two-year supply agreements with each of its international jet fuel suppliers. Garuda's international jet fuel supply agreements are renewed periodically or tendered every two years and provide for payment in U.S. Dollars or local currency (i.e. Japanese Yen). Garuda's domestic jet fuel supply agreements with Pertamina are also renewed periodically and provide for payment in Rupiah at prices denominated in Rupiah and US Dollars. International jet fuel prices are generally set at a margin to the mean price of oil traded through Singapore, the Arab Gulf, Saudi Arabia and the Netherlands as published by Platts under Mean of Platts Singapore ("MOPS"), Mean of Platts Arab Gulf ("MOPAG"), ARAMCO or Rotterdam. Domestic jet fuel prices are generally set at a discount to a production posting price established by Pertamina in its sole discretion, which Garuda believes has historically been higher than MOPS. While its prior jet fuel supply agreement with Pertamina provided it with a percentage discount to the production posting price, Garuda's new fuel supply agreement with Pertamina incorporates a fixed discount to the production posting price. As a result, the Group believes that, when compared to its prior fuel supply agreement with Pertamina, its new agreement will result in lower discounts (and higher fuel prices) as the Pertamina production posting price increases. See "*Risk Factors — Garuda is dependent on Pertamina for its domestic fuel supply*".

Garuda's international jet fuel supply agreements require payment in advance or presentation of a letter of credit against delivery of jet fuel, while its domestic jet fuel supply agreements with Pertamina currently allow it to make payment within two weeks following delivery.

Garuda currently hedges around 10% of its annual jet fuel requirements. This figure includes the 100% hedging of Garuda's jet fuel requirements for its hajj flight operations, which account for approximately 10% of Garuda's annual jet fuel requirements. The Group's hedging arrangements consist of derivatives and fixed price contracts with fuel suppliers.

Garuda has historically passed on a portion of its fuel costs to its customers in the form of fuel surcharges; however, the amount that Garuda can apply in fuel surcharges is regulated by the Government and since June 2010 its ability to pass fuel surcharges on to its customers has been substantially reduced. In addition, this practice has recently been challenged as anti-competitive by



the Indonesian Commission for the Supervision of Business Competition. Increases in the aggregate price of air travel (comprising airfares, related taxes and fuel and other surcharges) due to significant increases in the price of jet fuel may decrease demand for the Garuda's services. Accordingly, higher weighted jet fuel costs per barrel may adversely affect its profitability and results of operations. Due to Garuda's limited ability to continue to apply fuel surcharges outside of economy class fare caps, Garuda may increasingly rely on fuel hedges and fuel conservation strategies in order to manage its exposure to fuel price changes. For its international return flights, Garuda purchases jet fuel from international suppliers at prevailing international market prices. Garuda's principal international fuel suppliers are, among others: APSCO, Cosmo Oil, Air BP and Shell Malaysia Trading.

### ***In-Flight Catering***

Garuda's subsidiary, PT Aerofood Indonesia ("ACS"), a subsidiary of PT Aero Wisata, provides in-flight catering for its flights originating at its Jakarta and Denpasar hubs, as well as other domestic airports. For flights originating from international airports, Garuda's generally contracts with local airlines or local catering companies for in-flight catering, generally on a bi-annual basis and otherwise on terms that are customary in the industry.

Revenues from Garuda's in-flight catering operations consist of revenues earned by ACS from the provision of in-flight catering services to third party airlines operating out of the CGK Airport.

### ***Aircraft Maintenance, Repair and Overhaul***

Aircraft maintenance, repair and overhaul, also known as MRO, is critical to the safety and comfort of Garuda's passengers, the efficient use and maintenance of its aircraft and the optimisation of its fleet utilisation. The schedule and cycle of MRO services for Garuda's fleet varies depending on certain factors, including the age and type of aircraft and the manufacturers' specifications.

In 2002, Garuda incorporated GMFAA, its subsidiary, in order to support the Government's economy and development policies and to consolidate and integrate its maintenance engineering operations, such as the repair and maintenance of aircraft engines and components. GMFAA provides MRO services to Garuda in Indonesia using facilities leased by it, as well as to third party airlines.

GMFAA is certified by the DGCA, the FAA and the European Aviation Safety Agency ("EASA"). GMFAA provides Garuda with most of the airframe (line and base) and cabin maintenance services for Garuda's aircraft. Engine maintenance is provided by GMFAA on its Boeing 737-300/400/500 aircraft under the Power by the Hour Programme and by third parties, including Rolls Royce, under the Total Care Programme on the Group's Airbus A330 aircraft and EGAT under on the Maintenance Cost per Hour Programme for the Group's Boeing 747-400 aircraft. Maintenance of B737-800 engines is provided by CFMI under Rate Per Flight Hour and partnership with GMFAA for shop maintenance. GMFAA also provides Garuda with component maintenance for B737-300/400/500, B777-300ER, CRJ1000, and ATR72 aircraft. GMFAA is still in the capability development phase for A330 and B737-800 components maintenance, and will be Garuda's maintenance provider when this capability is ready.

### ***Hotel Services***

Garuda's subsidiaries, Aerowisata, PT Mirtasari Hotel Development, PT Senggigi Pratama Internasional and PT Bina Inti Dinamika, own and operate five hotels, and manage and operate other hotels.

### ***Travel Agency Services***

Garuda's subsidiaries, Aerowisata, PT Aero Globe Indonesia, PT Aerojasa Perhasa, Garuda Orient Holidays, Pty. Limited, Garuda Orient Holidays Japan Inc. and Garuda Orient Holidays Korea Co. Ltd., promote holiday packages and operate travel agencies located in Indonesia, Korea, Japan and Australia and also act as a general sales agent for other airlines.

### ***Transportation Services***

Garuda's subsidiary, PT AeroTRANS Services Indonesia, provides transportation services for flight crews and group travellers.

### ***Information Technology Services***

Garuda's subsidiary, PT Aero Systems Indonesia, provides information technology engineering systems, including consultation and maintenance services, to air carriers as well as other industries. PT Abacus Distribution Systems Indonesia provides computerised reservation systems and solutions, including leasing computer equipment and providing technical support to travel bureaus used by Garuda's FSC Garuda Indonesia business that utilises the computerised reservation systems.

### ***Revenue Management***

Garuda's business is impacted by the number of passengers flown and the fares charged. Garuda has implemented a revenue management system to maximise revenues by flight, by market and across its entire operations. Revenue management is an integrated set of business processes used to calculate the optimal pricing and seat inventories for premium and budget passengers to maximising revenue generated by the sale of tickets based on forecasting of demand behaviour for each market. Through its current revenue management system used by Garuda's FSC Garuda Indonesia business, Garuda seeks to maximise revenue per flight by optimising the allocation of seat inventories in several different fare classes.

Similar to other airlines, Garuda has a multiple pricing structure to meet the varying demands of each market segment. Garuda's aircraft cabins are physically divided into first class, executive and economy class cabins and virtually divided into fare sub-classes. Garuda determines the number of seats offered at each fare through a continual process of competitive analysis, being one of the most critical processes in revenue management, forecasting and optimisation. Generally, booking history and seasonal trends are used to forecast anticipated demand. Garuda uses historical forecasts, combined with current bookings, upcoming events, competitive pressures and other factors, to establish a fare structure to maximise revenues.

Garuda uses PROS, a revenue management software system used by most of major airlines. This system uses forecasting and optimisation models to rapidly analyse the economic trade-offs required to determine the number of seats offered for each fare, which enables Garuda to maximise revenues from existing capacity. Garuda has implemented this system with respect to all of its international and domestic routes. In line with joining SkyTeam, Garuda has started to implement Origin Destination Revenue Management, which provides for improved network optimisation by providing airfares at competitive prices. This will enable Garuda to improve its revenue based on segment and origin-destination, perform better allocation of seat inventories among various sub-classes and forecast demand more effectively. Garuda's revenue from international and domestic passenger services and passenger yields has historically correlated to its ability to apply fuel surcharges (which reflect fluctuations in the price of jet fuel) on top of its airfares.

Since April 2010, the DGCA has increased the domestic economy class fare cap and no longer permits Garuda to add a fuel surcharge on top of the domestic economy class fare cap. The domestic economy class fare cap can now only be adjusted when fuel prices or the Rupiah-U.S. dollar exchange rate exceeds certain thresholds established by the DGCA for a prescribed period. As a result of this new domestic regulatory regime, Garuda has shifted the focus of its revenue management — particularly for domestic flights — to allocation of seat inventories in the different fare classes. In October 2014, the Government revised the economy fare cap with a new regulation (PM 51 year 2014). In the new regulation, the average economy fare cap increased by 10% and brought the regulation on surcharges to an end.

Garuda's previous revenue management system had relatively limited capabilities when compared with certain of Garuda's competitors. Now Garuda uses Amadeus for its reservation, inventory and ticketing system. Like PROS, Amadeus is widely used by major international airlines. The current revenue management system improves Garuda's ability to manage seat inventories by origin and destination, allocate seat inventories among the different fare classes, and better forecast demand. Garuda's implementation of the new system enhances its competitiveness with other airlines. Garuda is also in the process of upgrading its passenger service solutions system in order to improve its direct selling channels to consumers. Garuda expects these upgrades will be completed in the next 12 to 18 months.

Citilink operated an integrated information technology system called Navitaire provided by Accenture, which includes components for revenue management, an inventory and booking system, a business-to-business internet-booking engine for travel agents, a business-to-enterprise and business-to-customer internet-booking engine for direct consumer sales, a departure control system, crew management and flight operations, revenue accounting and management information and reporting. Citilink uses the Geneva system for crew management and flight operations software.

## **Marketing, Sales and Reservations**

### ***Passenger Services***

#### *Marketing*

Garuda's marketing strategy is to leverage its strong brand name to expand its market share in Indonesia's growing passenger market and to improve awareness of the "Garuda" brand in the international market. Garuda believes that, as the national flag carrier, the "Garuda Indonesia" brand is widely recognised in Indonesia and abroad. Moreover, Garuda believes that providing chartered flight services to national leaders and VIP delegations enhances its prestige and reputation.

Garuda advertises mainly through its internet website, outdoor billboards, newspapers and magazines and television and radio commercials. Garuda also engages in numerous promotional activities, including sponsorship of important cultural and sporting events and serving as the designated airline of special Indonesian cultural and sporting delegations. In 2014 Garuda started its sponsorship of the Liverpool Football Club in the English Premier League.

Garuda's frequent flyer programme was established in 1999, as Garuda Frequent Flyer and was the first such programme established by an Indonesian airline. Following Garuda joining the SkyTeam's global alliance, Garuda rebranded its frequent flyer programme to be called GarudaMiles. Garuda has approximately 75,816 new members enrolled YTD 31 March 2015 and GarudaMiles members collectively accounted for 31.3% of total passengers for the three months ended 31 March 2015. Garuda believes its frequent flyer programme promotes loyalty, particularly among business travellers, by offering award redemption for continued patronage. Members can earn mileage credits on its flights, or by using the services of other programme participants, including credit card issuers, hotels and telecommunications service providers. Mileage credits can be redeemed for free or for discounted or upgraded travel on its flights, or exchanged for certain goods sold through in-flight sales. GarudaMiles members are able to accrue and redeem their air miles to fly to 1,054 destinations of SkyTeam members. The redemption process can be carried out in Garuda's Indonesia ticketing office. Similarly, other SkyTeam frequent flyer members are also able to redeem their mileage in their own ticketing offices.

## *Awards*

Over the last three years, Garuda received Skytrax awards including “World’s Best Regional Airline” in 2012, “World’s Best Economy Class” and “World’s Best Economy Class Seats” in 2013, and in 2014 Garuda was ranked seventh in the Skytrax 2014 Best Airlines awards in addition to winning Skytrax’s award for “World’s Best Cabin Crew” and being rated a 5-Star Airline by Skytrax. In 2014, Garuda won a total of 73 awards; 49 domestic awards and 24 international awards for its service and operational performance.

## *SkyTeam Global Alliance*

In March 2014 Garuda officially joined the SkyTeam global alliance in order to expand its international network and to increase its market share for international air travel. Garuda believes that its participation in the SkyTeam global alliance will enable the SkyTeam global alliance to bridge the gap between its networks in Southeast Asia and the Southwest Pacific region, providing SkyTeam global alliance members with access to a new region of the world and a greater variety of destinations. Garuda believes that it will also benefit from the wide networks covered by other members of the alliance, which include Europe, the Americas and Africa. In order to become a member of the SkyTeam global alliance, Garuda has to fulfil certain membership requirements and pass several phases of audits, including audits of governance and organisation, safety and security, purchasing and synergies, reservations and distribution, frequent flyer programmes, airport customer services and lounges audits, and IT and sales. The Group believes that being a member of the SkyTeam global alliance will enable it to strengthen its image in the airline industry.

Garuda’s membership to the SkyTeam global alliance allows it to offer a wider choice of travel options, products and services to its customers, while cooperating on a number of customercentric initiatives with other members. However, SkyTeam global alliance members remain competitors and therefore, members are strictly forbidden to exchange any information in competitively sensitive areas, among these being:

- prices, discounts, rebates, surcharges, tariffs and terms;
- traffic and revenue data;
- identity of customers/suppliers;
- costs; and
- business plans, strategy, marketing plans and in general any other confidential business information that has not been publicly disclosed.

## *Sales and Distribution*

Garuda maintains a network of 70 domestic and 20 international branch offices and sales offices staffed by its own personnel. Garuda operates regional sales offices in most major cities in Indonesia, including Jakarta, Surabaya, Denpasar, Medan and Makassar. Garuda also maintains international sales offices in, among other cities, Singapore, Tokyo, Jeddah, Sydney and Perth. In the three months ended 31 March 2015, approximately 26% of Garuda’s passenger revenues were derived from its own sales offices.

As of 31 March 2015, Garuda has a network of 2506 travel agents (803 IATA agents and 1703 sub-agents) in Indonesia and, to support its international sales, a network of over 10,107 IATA travel agents internationally. Garuda has appointed 29 general sales agents in 15 countries, including the U.S., Canada, India and New Zealand. The commission structure of agent sales varies depending on

a number of factors, including whether the sale is for domestic or international flights and the fare structure of a particular route. For the three months ended 31 March 2015, ticket sales from travel agents (excluding sales to Garuda's corporate customers) generated approximately 51% of Garuda's total passenger net sales.

Garuda also makes online direct sales through its call centre or its website, which provides direct payment facilities. For the three months ended 31 March 2015, ticket sales from online direct sales generated approximately 20% of its total passenger net sales.

Garuda also makes direct sales to government and corporate customers, benefiting from its geographic proximity to many Jakarta-based government and corporate customers, and has entered into long-term preferred service agreements with such customers.

All of Garuda's sales offices are connected to the Amadeus ALTEA computerised ticketing and reservations system. Garuda has also entered into agreements with several global distribution systems, including Abacus in Southeast Asia, Sabre and Galileo in the United States and Amadeus in Europe. These reservations systems provide real-time information to facilitate the booking and management of reservations of airline tickets and are cost-effective ways to expand Garuda's sales channels.

### *Air Cargo Services*

Garuda's strategic cargo business unit is responsible for sales and marketing activities, and warehouse operations (in relation to CGK Airport only) with respect to its air cargo services. Although Garuda enters into direct sales with customers, its primary sales and marketing channel is through independent cargo agents. Such agents track available air cargo space among all airlines and act as intermediaries between the customer and the cargo service provider. Garuda typically pays such agents a commission based on a percentage of the cargo freight rate.

Garuda engages three types of agent:

- global transport and logistics companies with extensive overseas sales networks to serve the needs of multinational companies and import/export companies;
- domestic conglomerates with extensive domestic sales networks; and
- local agents (both Indonesian and abroad) that typically have large market shares in their local markets and are knowledgeable of local regulatory requirements and customs procedures.

Garuda's principal competitors for cargo services are Lion Air in the domestic cargo market and Singapore Airlines, China Airlines, Cathay Pacific and Emirates in the international cargo market.

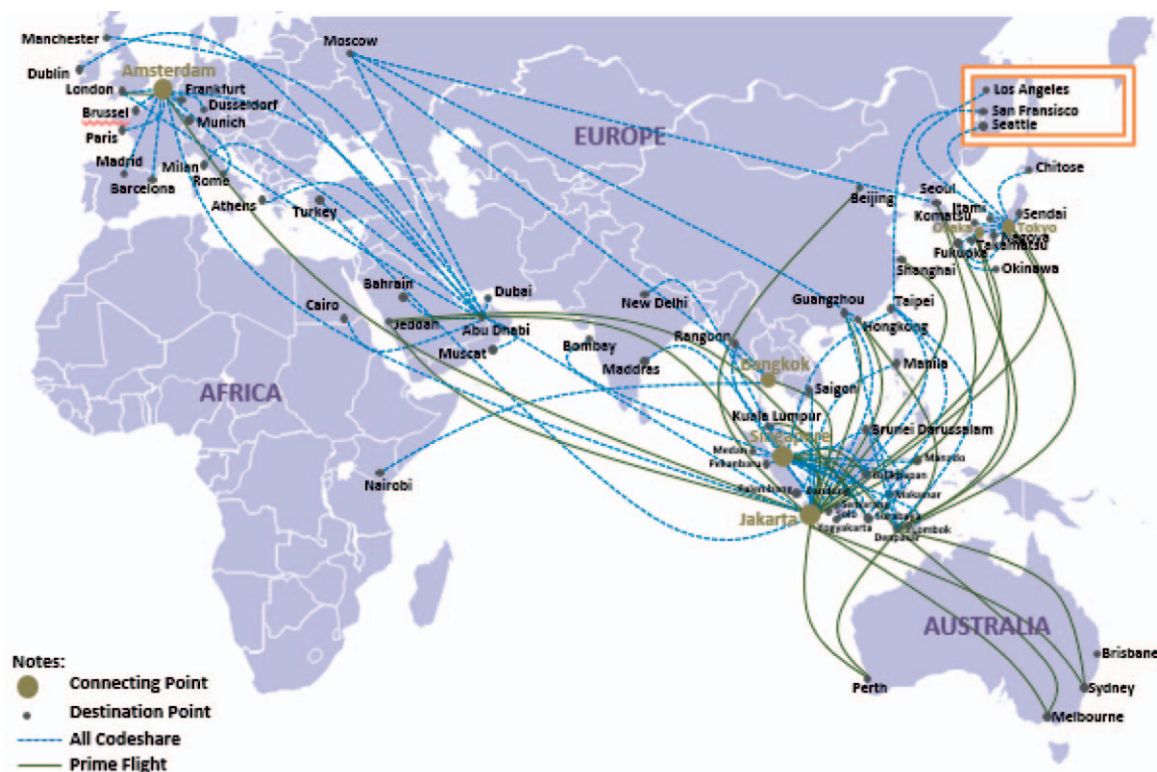
### *Code-share Agreements*

Code-sharing is a marketing arrangement whereby the non-operating airline, sells seats and/or space on flights operated by its code-share partner as its own product using its own two-letter airline designator code. Code-share typically allows free-sale, seat swap or space blocks. The majority of Garuda's code-share agreements are undertaken using a free-sale arrangement. This allows the operating airline to set the price of the code-share route, whilst Garuda as the marketing airline is entitled to keep any margin over the operating airlines price subject to the negotiated position of the relevant operating airline.

Garuda has successfully established code-share partnerships with various international airlines including Aeroflot, All Nippon Airways, Air France, Bangkok Airways, China Airlines, China Eastern Airlines, China Southern Airlines, Delta Airlines, Etihad, Jet Airways, Kenya Airways, KLM, Korean Air, Malaysian Airlines, Myanmar Airways, Philippine Airlines, Royal Brunei Airlines, Silk Air, Singapore Airlines, Turkish Airlines, Vietnam Airlines and Xiamen Air, and Garuda believes that it has

one of the most extensive code-share arrangements among Indonesian airlines. Garuda typically seeks code-share arrangements to service important markets outside its current international route network that cannot be profitably served due to low passenger volumes. Garuda believes that code-share arrangements are a cost-effective means to expand the scope of its passenger services, increase its revenues and enhance its image in the international market. As of 31 March 2015, Garuda has 1,066 scheduled code-share round-trip flights every week operated by its code-share partners, and Garuda operated 751 scheduled code-share round-trip flights every week.

The map below provides a graphic representation of Garuda's international code-share route network:



By the end of December 2015, Garuda is aiming to complete code-share agreements with Air Europa, Hongkong Airlines, Czech Airlines, Oman Air, AeroMexico and Saudi Arabian Airlines. Garuda is also still in the process of finalising code-share agreements with European train companies, such as Thalys and DB Bahn, and is expecting to have those completed in 2015.

### Management Information Systems

Management information systems are critical to Garuda's business. Garuda has implemented the following management information systems:

- a passenger service solutions system providing reservations, ticketing, seat inventory and departure control functions to enable Garuda to manage flight scheduling and passenger seating, as well as providing Garuda with a distribution and ticketing platform;
- an internet booking engine and online payment system providing reservations, e-ticketing, an interface between the booking engine and the payment gateway and email notifications;
- a revenue management system providing market data analysis (including changes in the airfares of Garuda's partners and competitors) to enable it to establish segmented pricing for its airfares and allocate its seat inventories across price segments in order to effectively maximise passenger yield;

- a data warehouse system, designed to effectively extract and integrate information from its financial, market and operating data;
- integrated cargo solution that provides functionality for cargo reservations, airway bills, inventories, tracking/control systems to manage the flights, capacity, cargo inventories and financial management of cargo revenues;
- a network and schedule management system for the development and management of route networks and flight scheduling in order to reduce operating expenses and maximise revenues;
- a finance system designed to help Garuda prepare consolidated accounts and financial statements and reports, including airline standard forms and government report forms, manage cash flows, and prepare various financial statements;
- a human resources (“HR”) system, automation of core HR processes, including employee administration, payroll and legal reporting to increase efficiency and to support Garuda’s compliance with evolving global and local regulations;
- a logistics system, including an enterprise resource planning module to meet the needs of MRO services and a Fuel Online Garuda application at all branch offices to provide ease of management and control of aircraft fuel use for every flight;
- an aviation supplies management system, designed to help Garuda minimise its inventory levels while maintaining sufficient inventories of spare parts;
- an integrated operations control system to manage aviation operations; and
- communications infrastructure updates by IP-based technology for both domestic and international networks which promote cost-efficiency in the communications network.

Garuda also intends to implement Customer Relationship Management in order to better manage its relationship with its GarudaMiles members, who collectively accounted for 31.3% of total passengers for the three months ended 31 March 2015. Garuda is also currently in the process of upgrading its passenger service and revenue management systems in conjunction with the establishment of a new data centre.

## **Competition**

### *Scheduled Passenger Services*

#### *International Passenger Services*

Garuda competes with many other well-established international airlines, both FSCs and LCCs, on its international routes. Garuda competes in the international market with a variety of airlines, which vary on each route. Garuda competes with Cathay Pacific, Hong Kong Airlines, Dragonair, China Airlines, China Eastern Airlines, China Southern Airlines, Korean Air, Asiana Airlines, and All Nippon Airways in the Japanese, the PRC, and Korean markets. Garuda competes with Indonesia AirAsia, AirAsia, Lion Air, Malaysian Airlines, Malindo Air, Singapore Airlines, SilkAir and Tigerair in Southeast Asia. Garuda competes with Qantas, Virgin and Jetstar in the Australian market. Garuda competes with Saudi Arabian Airlines, Emirates and Etihad in the Middle East, and with Singapore Airlines, Emirates, Qatar Airways, Cathay Pacific and Etihad in the European market. The intensity of competition varies from route to route, depending on the number and nature of the competitors. Compared with Garuda, many of Garuda’s international airline competitors may have longer operating histories, substantially greater financial and technological resources, larger sales networks, greater

name recognition and more widely accessible reservation systems. Moreover, Garuda may face additional competition as a result of global airline alliances. Members of global airline alliances enjoy certain benefits such as code-sharing, shared airport lounge facilities, the shared benefits of frequent flyer programmes, and increased brand enhancement.

### *Domestic Passenger Services*

Garuda is the leading FSC and the only Indonesian carrier with IOSA safety certification serving the domestic passenger market. As the leading FSC, Garuda believes that it has a strong brand position and enjoys strong brand loyalty among premium passengers in the domestic market, particularly among its Garuda Miles members.

Garuda competes for budget passengers with Indonesian LCCs, including Lion Air, Sriwijaya Air and AirAsia Indonesia and Wings Air. The intensity of competition on Garuda's domestic routes varies from route to route, depending on the number and nature of the competitors. Garuda has faced and will continue to face competition from other forms of transport for domestic travel, including rail and coach services.

Domestic flight routes that are highly competitive include routes such as Jakarta-Denpasar, Jakarta-Surabaya, Jakarta-Medan and Jakarta-Makassar.

### *Air Cargo Services*

The Indonesian air cargo sector is highly competitive. Garuda competes in the international and domestic air cargo sectors with other passenger airlines, including Singapore Airlines, Malaysian Airlines, Korean Air and China Airlines, that offer air cargo services in connection with scheduled passenger services as well as with dedicated air cargo airlines. Garuda also competes with dedicated air cargo carriers and integrated air cargo carriers such as DHL and UPS that have their own ground transport and offer door-to-door air cargo services. Garuda believes that it is the leader in the domestic market due to its domestic network coverage and consistency in meeting scheduling demands. In the international air cargo market, its market share is low due to its limited cargo capacity as compared with other operators in the Asia region, including Singapore Airlines, Malaysian Airlines, Cathay Pacific, Korean Air and China Airlines, which operate a larger fleet of wide-body aircraft and freighters.

### **Pilots and Flight Attendants**

Garuda hires most of its pilots directly from Sekolah Tinggi Penerbangan Indonesia, the premier pilot training institute in Indonesia, Bali International Flying Academy and other domestic and international pilot training academies. Garuda also hires pilots from other sources, including through occasional lateral hires from other airlines. Garuda has in the past sent recruits to foreign pilot schools for additional training before they join it. The DGCA regulates the recruitment of pilots. As of 31 March 2015, the average experience of the Captains was 24 years and for First Officers was 4.5 years.

Garuda provides additional training for its pilots at its own training centres in Jakarta, which are equipped with full flight simulators for various aircraft. Garuda combines classroom instruction with flight simulation training. Garuda intends to send some of its pilots to attend the training programmes of its airline affiliates. When a new aircraft type is introduced into its fleet, Airbus or Boeing typically offers training for its pilots. All pilots of Indonesian airlines, including Garuda's, are licenced by the DGCA, which requires Indonesian pilots to undergo an annual re-certification examination.

Garuda trains its flight attendants in its own flight attendant vocational schools, which provide a training programme consisting of courses in safety, security and service. The training programme consists of 64 days of ground training, three mentor training flights and one examination flight. Garuda also conducts annual safety, security and service training sessions for its flight attendants.



Garuda also recruits trainee flight attendants from all provinces in Indonesia as part of its strategy to develop its “Garuda Indonesia Experience” to provide its Indonesian passengers with a familiar on-board culture and to introduce its foreign passengers to Indonesian culture and hospitality. In order to meet the demands of its international passengers, Garuda also recruits trainee flight attendants from Japan, Korea and the PRC. Garuda’s flight attendants participate in periodic training programmes and are licenced by the DGCA.

There is currently a shortage of experienced pilots in the Indonesian aviation sector and Garuda intends to increase the proportion of pilots recruited overseas. In July 2010, the DGCA allowed Garuda to hire foreign pilots on one year (extendable) contracts. In addition, Garuda also intended to address the shortage of pilots by internal promotion of co-pilots to pilots through its captaincy programme and by external hiring of pilots in Indonesia. Garuda’s strategy for external hiring includes recruiting Indonesian pilots with experience from other international aircraft operators, hiring foreign nationals on a short-term basis, and hiring pilots on a short-term basis from other Indonesian carriers where such pilots are underutilised.

## **Safety**

Garuda is subject to the safety standards promulgated by the Minister of Transport through the DGCA. The DGCA is a member of ICAO, which establishes global safety standards for the airline industry. The civil aviation administration authority of the country in which the airline is incorporated implements related regulations and is responsible for ensuring that the Airworthiness and Operations including Flight Operations, Cabin Operations, Flight Dispatch, Ground Operations and Personnel Qualifications meet such standards. Members of ICAO typically recognise the certification of compliance issued by the country of registry.

The DGCA has jurisdiction over operational safety, maintenance and training standards for all Indonesian airlines. The DGCA also issues rules and regulations relating to, among other things, aircraft maintenance and operations, equipment, dispatch, communications, flight personnel and other matters affecting air safety. The DGCA requires each Indonesian airline to provide flight safety records to the DGCA periodically, including reports of flight incidents or accidents involving its aircraft during the relevant reporting period and other safety-related problems. To ensure compliance with its regulations, the DGCA conducts periodic safety inspections on each Indonesian airline. Failure to meet the safety standards may result in fines or other administrative penalties. Garuda is in compliance with directives and measures of the DGCA and has not incurred any material fines or penalties for failure to comply with safety standards in effect.

In addition to safety standard certifications and compliance with DGCA safety regulations, Garuda is required to comply with safety standards promulgated by the aviation regulatory authority of each international destination to which Garuda operates flights, as well as international safety standards and best practices issued by associations such as the IATA. Garuda is required to obtain certification from the appropriate authorities in each international destination to which Garuda operates flight routes (such as Foreign AOC; EASA European Union; CASA Australia; GACA Kingdom of Saudi Arabia; CAA China and etc). As airlines have responsibility for passenger and employee safety, Garuda is also subject to risks that may arise as a result of safety failures by airports.

Garuda is dedicated to ensuring the safety of its passengers and maintaining strict compliance with all laws and regulations applicable to flight safety. Garuda has established a safety committee consisting of members of its senior management to formulate safety policies and monitor the effectiveness of the Safety Management System’s (“SMS”) implementation. Garuda Indonesia established a DGCA approved SMS in 2007, before DGCA mandated all airlines establish SMS at the start of 2009. Garuda prepares and distributes to its employees DGCA-approved safety manuals and training guidelines. Garuda periodically evaluates the skills, experiences and training record of its SSAA (Sensitive Safety Aviation Activities) personnel such as Pilots, Cabin Crew, Dispatchers and Engineers.

Garuda has adopted measures to eliminate factors that may impair flight safety. It had 0.29 flight incidents per 1,000 departures in 2014 and 0.45 flight incidents per 1,000 departures in the three months ended 31 March 2015. The incident rate number means that for 1,000 departures there were 0.45 incidents and that every 1,000 Garuda Indonesia's flights are 99.9% industry safe. Over the last 10 years, 2004 — 2014, the incident rate has always been below the maximum incident rate target established by the management. The incident rate trend up to 2014 showed Garuda continues to manage its operational risks.

Based on ICAO Annex 13, an incident is defined as an occurrence, other than an accident, associated with the operation of an aircraft that affects or could affect the safety of its operations. The DGCA does not set standards for acceptable flight incident ratios.

Garuda's various code-share agreements, as detailed above (see "*Code Share Agreements*"), typically require code-share partners to audit for the purpose of ensuring Safety Management Systems are in place and meet Applicable Regulations and Airline Industry Standards. These safety audits are typically conducted prior to the implementation of the code-share arrangements. The reciprocal recognition of the other party's safety standards is important to the successful implementation of code-share agreements. Garuda's code-share agreements typically provide that each party's audit obligations shall be deemed to be satisfied for such time as that party is registered as an operator under the IATA Operational Safety Audit ("**IOSA**") programme. Pursuant to the registration requirements of the IOSA programme, airlines are required to renew their registration on a bi-annual basis through the conduct of a renewal audit. Garuda became the first Indonesian airline to obtain registration as an operator under the IOSA programme in 2008, and most recently renewed its registration in April 2014. This registration expires on 8 September 2016.

Garuda is the only member of IATA in Indonesia and now IOSA, which is a prerequisite for IATA membership. IOSA's audit programme was developed by IATA to improve global safety levels and reduce redundant audits in the airline industry.

Enhanced IOSA ("**E-IOSA**") is a next generation audit which was launched by IATA in 2013 and will be effective in September 2015 and all IOSA operators will be expected to comply with this provision during renewal certification. Garuda Indonesia hopes the strategies for high performance organisation will improve the knowledge, skill and experience of internal auditors through courses conducted by the Endorsed Training Organisation ("**ETO**"). Garuda Indonesia continues to strive to improve further its safety performance. Enhanced IOSA will introduce significant new elements into the IOSA process which have been applied and evaluated during proof-of-concept workshops and tested during live trial audits.

IOSA registered airlines will incorporate continuous internal assessments using the IOSA provisions in their Quality Assurance Programmes.

The following is a summary of Garuda's other major flight accidents in the past 15 years:

- On 7 March 2007, Garuda Indonesia Flight GA200 overran the runway on landing at Adisucipto International Airport in Yogyakarta. Of the 140 passengers and crew on board the flight, 21 passengers and crew members died. The NTSC accident investigation determined that the cause of the accident was pilot error, and that the pilot ignored multiple automated warnings of excessive landing speed and company procedures to abort the landing. The pilot was subsequently convicted of criminal negligence, although this conviction was later overturned on appeal. Since 2007 until September 2010, Garuda has paid approximately USD82.4 million in compensation to passengers and the families of deceased passengers, and incurred losses of USD21.6 million relating to the writing-off of aircraft, and Garuda has received an aggregate of USD104.0 million in compensation under Garuda's insurance policies.

- On 16 January 2002, GA Flight 421 on a Boeing 737-300 aircraft flying from Ampenan to Yogyakarta, crashed when both of its engines flamed out while encountering severe turbulence during the flight. The flight crew were unable to restart the engines and crash-landed the aircraft on the Bengawan Solo River. Of the 60 passengers and crew members on board the flight, one crew member died, with 13 passengers and crew members suffering severe injuries. Garuda paid approximately USD1.4 million in compensation to passengers and the family of the deceased, and incurred losses of USD21.5 million relating to the writing-off of the aircraft. Garuda received an aggregate of USD22.9 million in compensation under its insurance policies.

All claims made in relation to these two accidents have been settled.

### **Garuda's Properties and Facilities**

Garuda's headquarters are located at Garuda City at CGK Airport in Cengkareng near Jakarta and include hangars, food preparation centres and other related services. Garuda also owns certain properties located in various destinations to which Garuda operates routes for the housing of its crew, as well as certain buildings for the training of pilots and flight attendants and housing certain flight equipment such as simulators. Garuda also owns certain properties in connection with its hotel operations.

#### ***Airport Facilities***

Garuda leases substantially all of its facilities at each of the domestic and international airports that it serves. Leases for its passenger service facilities in the terminals, which include ticket counters and gate spaces, operations support areas and baggage service offices, generally have a lease term ranging from one year to five years, and contain provisions for periodic adjustments of lease rates. From time to time, Garuda is also responsible for maintenance, insurance and other facility-related expenses and services. Garuda also leases aircraft maintenance facilities at certain airports. In general, Garuda pays for the cost of providing, operating and maintaining these facilities. In most airports that Garuda flies to, it enters into service agreements and pays for the usage of airport facilities.

### **Insurance**

Garuda maintains comprehensive all risk insurance policies with respect to Aviation Insurance Policy and Property Insurance Policy. Aviation Insurance Policy covers Airline Hull and Spares "All Risk" and Liability (including Personal Accident) Insurance; Aviation Hull and Spares War and Allied Perils Insurance; Aviation Hull and Spares Deductible Insurance; and Aviation War, Hi-Jacking and Other Perils Excess Liability Insurance. Property Insurance Policy covers property all risk, earthquake in Indonesia, machinery breakdown, electronic equipment insurance (computer), electronic equipment insurance (simulator), and contractor's plant and machinery.

Garuda is insured for liabilities arising from (a) deaths or bodily injury to passengers, crew members and third parties, (b) damage to baggage, cargo and mail, (c) loss of pilot licences and (d) damage to aircraft hulls and third-party property. For bodily injury, personal injury and property damage, including declared values on cargo and baggage, Garuda is insured for a combined single limit of USD1.75 billion (or the currency equivalent) for any one occurrence. For damage to aircraft hulls, Garuda is insured up to the "agreed value" of the aircraft in each case.

Indonesia is a party to the Warsaw Convention, which establishes the principle of the limited liability of air transport companies based on a presumption of fault. Garuda believes that it maintains reasonable levels of insurance coverage given the maximum civil liability that can be imposed arising from injury to passengers under Indonesian law, the Warsaw Convention and any other applicable bilateral agreements. Generally speaking, insurance policy for passengers have been covered by Aviation Insurance policy mentioned above. (i.e; (1) Airline Hull and Spares "All Risk" and Liability (including Personal Accident), (2) Insurance and Aviation War, Hi-Jacking and Other Perils Excess Liability Insurance). Furthermore, Garuda has an additional insurance (without overlapping the

coverage provided by Aviation Insurance policy) in order to comply with the requirement of MOT Regulation No. PM 77 of 2011 on Air Transportation Carrier Responsibilities (“PM 77/2011”) as amended by MOT Regulation No. 92 of 2011 on the amendment of PM 77/2011. Garuda also mandatorily collect travel insurance from each passenger based on the requirement of Law No. 33 of 1964 on Mandatory Insurance Fund for Passenger Accidents.

### **Environmental Issues**

Garuda is subject to Indonesian noise regulations and its aircraft noise levels are certified by the DGCA. The Indonesian airports where it operates are subject to regulations relating to discharges to surface and subsurface waters, the management of hazardous substances, oil and waste materials, and noise levels. Garuda is also subject to the environmental and noise regulations in each country where it flies. Garuda is in compliance with relevant Indonesian environmental and noise regulations.

To reduce carbon emission levels, Garuda continuously promotes fuel conservation programmes by improving the process of its operations. Garuda actively participates in Aviation Biofuel and Renewable Energy Task Force (“ABRETF”) that was formed by the DGCA. The task force is in charge with undertaking discussions on future feasibility studies in Indonesia relating to the use and implementation of aviation biofuel. Garuda also has several environmental programmes and initiatives which maintain sustainable nature conservation. “More Passengers More Trees” is part of Garuda’s commitment to reducing carbon emissions in Indonesia through the planting of trees in several locations. As part of the campaign against shark trading #SOSsharks, initiated by WWF, Garuda has ceased all kinds of shipping and transportation of shark fins and other goods produced from exploitation of sharks. Garuda also contributes to the effort to ban shark fin trading in global markets. Since 2009, Garuda and its subsidiaries have been consistently participating in one of the world’s largest environmental campaigns, Earth Hour, to reduce the negative impact of greenhouse gas emissions.

Garuda, together with Coca Cola Amatil and Quicksilver Indonesia, organise the “Bali Beach Clean Up” to improve, clean and maintain the Bali Coastline (Kuta beach, Seminyak, Jimbaran, Legian and Kedongdongan). Garuda’s efforts to reduce its impact on the environment has been recognized through awards including, the “Indonesia Green Award”, Aksi Untuk Bumi Award from WWF-Indonesia, Indonesia Green Company, and the Sustainable Business Award.

### **Intellectual Property**

Garuda has various domestic intellectual property rights relating to its business. Such rights are granted in the ordinary course of its business and are generally are ancillary to its procurement of equipment from independent third parties on a non-exclusive and non-transferable basis. Garuda owns various trademarks, including the name “Garuda Indonesia” and Garuda’s four logos. It is Garuda’s policy to pursue those that breach its various trademarks and intellectual property rights with legal action.

Garuda does not use any third party licences.

### **Garuda’s Employees**

As at 31 March 2015, Garuda had 8,486 employees.

Three labour unions represent the interests of Garuda’s pilots, flight attendants and other employees (*Serikat Karyawan Garuda*), respectively.

Garuda’s employees receive cash remuneration consisting of salary and other cash subsidies. In general, employee salaries are determined based on the employee’s qualifications, position, seniority and performance. Cash subsidies may include living subsidies, and may vary depending on circumstances. Garuda also provides non-cash benefits, including medical insurance, unemployment

insurance, early retirement and other social welfare benefits, as required under Indonesian law. In addition, all of Garuda's full-time employees in Indonesia are covered by a defined contribution retirement scheme, to which Garuda is required to make annual contributions at a rate of 7% of its employees' base salary.

### **Litigation and Other Legal Proceedings**

Garuda is not currently involved in any legal proceedings that could have or be expected to have a material adverse effect on the financial condition or business operations of Garuda.

As at 31 March 2015, Garuda has made provision for legal costs and a potential liability of SAR2,579,383 and USD2,202,367.

### **Management**

#### *Management*

Garuda's Board of Commissioners consists of six members and its Board of Directors consists of six members. Members of its Board of Commissioners are elected for a five-year term commencing as of the date of the general meeting of shareholders appointing such members. A member of the Board of Directors may be reappointed for another term after serving a full term. The duties and authority of each member of the Board of Commissioners and the Board of Directors are regulated by Garuda's articles of association.

Garuda's Board of Commissioners is responsible for providing supervision and advice to the Board of Directors. As of the date of this Offering Circular, its Board of Commissioners consists of six members:

#### *Board of Commissioners*

<u>Name</u>	<u>Age</u>	<u>Commissioner Since</u>	<u>Position</u>
Jusman Syafii Djamal .....	60	2014	President Commissioner and Independent Commissioner
Hasan M. Soedjono .....	63	2014	Independent Commissioner
Muzaffar Ismail .....	56	2014	Commissioner
Chairal Tanjung .....	48	2014	Commissioner
Isa Rachmatarwata .....	48	2014	Commissioner
Dony Oskaria .....	45	2014	Commissioner

**Jusman Syafii Djamal** was appointed as President Commissioner and Independent Commissioner in December 2014. He also currently serves as President Commissioner at PT Telekomunikasi Indonesia. He previously served as Minister of Transportation of Indonesia, President Director at PT Dirgantara Indonesia, Director of Human Resources at PT IPTN and Director at Helikoper, Sistem Senjata & Antariksa (Helicopters, Weapon Systems & Outer Space).

Jusman Syafii Djamal graduated with a Bachelor's degree in Mechanical Engineering with a concentration in Aeronautical Engineering from Bandung Institute of Technology (ITB).

**Hasan M. Soedjono** was appointed as Independent Commissioner in December 2014. He also maintains a position as Chairman of The Board Flight Focus Pte. Ltd., CEO at Aerostratos Pte. Ltd., Chairman at PT Naviga Tech Asia, SE Asia Representatives at Aircraft Portfolio Management Pte. Ltd., and Chairman at PT Sumarno — Pabottingi Associates. Previously, he was CEO at Yayasan Pendidikan Universitas Presiden, Vice Chairman at PT Republika Media Mandiri and CEO at PT Simpati Air.

Hasan M. Soedjono received a Bachelor of Science double degree in Systems Engineering and Chemical Engineering from King Fahd University of Petroleum and Minerals, Dhahran, Saudi Arabia.

**Muzaffar Ismail** was appointed as Commissioner in December 2014. Presently, he also serves as Director of Air Worthiness and Operation of the Aircraft at the Ministry of Transportation. Previously he served as Head of Sub Directorate Handling at the Ministry of Transportation.

Muzaffar Ismail received his Bachelor's degree in Shipyard Engineering from Sepuluh Nopember Institute of Technology (ITS) Surabaya, and Master's in Public Administration from STIAMI.

**Chairal Tanjung** was appointed as Commissioner in December 2014. Presently, he also serves as Director at CT Corp. Previously, he served as Finance Manager at CT Corp and Auditor at BPKP.

Chairal Tanjung received his Degree from STAN, and Bachelor's and Master's in Economics from University of Indonesia, Jakarta.

**Isa Rachmatarwata** has served as Commissioner since April 2014. He currently also serves as Expert Staff on Policies and Regulations of Financial Services and Capital Markets at the Ministry of Finance. He previously worked as High Official at the Fiscal Policy Agency and Head of Insurance Bureau at the Ministry of Finance.

Isa Rachmatarwata obtained his Bachelor's degree in Mathematics from Bandung Institute of Technology (ITB) and Master's degree in Mathematics (Actuarial Science) from University of Waterloo, Canada.

**Dony Oskaria** was appointed as Commissioner in December 2014. Presently, he also serves as CEO at Kawasan Terpadu Trans Studio. Previously, he held many strategic positions at Bank Mega, such as Funding Director, Business Director of West Indonesia, Regional Manager of Bandung, Corporate Secretary & Service Development Division Head, and Operation Development Division Head.

Dony Oskaria received his Bachelor's degree in International Relations from Padjajaran University Bandung and MBA from the Institute of Management Philippine.

Under IDX Listing Regulation No. I-A, Garuda is required to have independent commissioners comprising at least 30% of the total number of members of the Board of Commissioners. As of the date of this Offering Circular, two of the six members of Garuda's Board of Commissioners are independent commissioners, and Garuda therefore has the requisite number of independent commissioners.

### ***Board of Directors***

Garuda's Board of Directors is responsible for the overall management and day-to-day operations of the Company. As of the date of this Offering Circular, its Board of Directors consists of six members:

<b>Name</b>	<b>Age</b>	<b>Director Since</b>	<b>Position</b>
M. Arif Wibowo.....	48	2014	President and CEO
IGN Askhara Danadiputra .....	43	2014	Independent Director — Director of Finance & Risk Management
Handayani.....	49	2014	Director — Director of Commercial
Iwan Joeniarto .....	46	2014	Director — Director of Maintenance & Information Technology
Novianto Herupratomo .....	55	2012	Director — Director of Operations
Heriyanto Agung Putra.....	49	2012	Director — Director of Human Capital & Corporate Affairs
Nicodemus Panarung Lampe ..	54	2015	Director

**M. Arif Wibowo** was appointed as President & CEO in December 2014. Previously, he served as President and CEO of PT Citilink Indonesia, and held many strategic positions in Garuda Indonesia such as EVP of Marketing & Sales, Senior General Manager of West Indonesia, Senior General Manager of Japan, Korea, China & USA, General Manager of Fukuoka, Japan, and General Manager of Agency & Interline. Presently, he also serves as President of Indonesia National Air Carriers Association (INACA).

Arif Wibowo obtained a Bachelor's in Mechanical Engineering from Sepuluh Nopember Institute of Technology (ITS), Surabaya and Master's in Management of Air Transportation from University of Indonesia, Jakarta.

**IGN Askhara Danadiputra** was appointed as Director of Finance & Risk Management in December 2014. Previously, he served as Finance Director at PT Pelindo III, Head of Natural Resources Group and SOE-Executive Director at PT ANZ Bank Indonesia, Director at Standard Chartered Singapore and Director at Barclays Capital.

IGN Askhara Danadiputra holds a Bachelor's in Economics from Gajah Mada University, Yogyakarta and a MBA with a concentration in International Finance.

**Handayani** was appointed as Director of Commercial in December 2014. Previously, she served as Marketing & Alternate Director at PT AXA Mandiri and Senior Vice President Group Head — Consumer Cards Group, Vice President Department Head Card Business and Assistant Vice President Department Head Card Marketing at Bank Mandiri.

Handayani holds a Bachelor's degree in Dentistry from Airlangga University, Surabaya and Management degree from Padjajaran University, Bandung.

**Iwan Joeniarto** was appointed as Director of Maintenance & Information Technology in December 2014. Previously, he held many strategic positions in PT GMF Aeroasia, including EVP of Operations, Vice President of Base Maintenance, General Manager of Base Maintenance Planning & Control, General Manager of Hanggar Aircraft Wide Body Maintenance, and General Manager of Aircraft Cabin Base Management.

Iwan Joeniarto holds a Bachelor's degree in Industrial Engineering from Sepuluh Nopember Institute of Technology (ITS), Surabaya.

**Novianto Herupratomo** has served as Director of Operations since April 2012. He previously served as VYP of Corporate Quality, Safety & Environment Management, VP of Flight Safety, Aviation Security & Environment, GM of Incident Management, GM of Incident Investigation, Company Check Pilot B-737 Strata III, GM of Flight Standard, Manager of Company Operating Procedure, Manager of Technical, Pilot B-737, Simulator Instructor B-737, Captain of Narrow Body Aircraft, Senior Flight Officer of Wide Body Aircraft, and Co-pilot of DC-9 and Junior Co-pilot of DC-9. He has been a pilot with Garuda Indonesia since 27 November 1981.

Novianto Herupratomo graduated from Lembaga Pendidikan Perhubungan Udara (LPPU) Curug.

**Heriyanto Agung Putra** has served as Director of Human Capital and Corporate Affairs since April 2012. He previously served as VP of Human Capital Management, VP of Business Support, GM of General Strategic Sourcing, GM of Corporate Services and GM of Cost Controlling.

Heriyanto Agung Putra graduated with a Bachelor's degree in Financial Management from STIM YPLG, Jakarta, and obtained an MBA from University of Indonesia, Jakarta.

**Nicodemus Panarung Lampe** was appointed as Director in May 2015. He previously held many strategic positions in Garuda, including Vice President Ground Service, Vice President Domestic Region 2, Vice President Asia Region and Vice President Consumer Loyalty.

Nicodemus Panarung Lampe obtained a Bachelor's in Economics from Sebelas Maret University, Solo and a Master of Air Transportation from University of Indonesia — MIT.

### *Term of Office*

The members of Garuda's Board of Commissioners and Board of Directors of the Company were elected for a term of five years at the General Meetings of Shareholders.

### *Compensation*

The total compensation of Garuda's Board of Directors in 2013 and 2014 was USD2,409,614 and USD1,776,696 respectively.

To improve the management and supervision of State-Owned Enterprises, the Regulation of the Minister of State Owned Enterprises No. PER-12/MBU/2012 on the Supporting Company Organ of the Board of Commissioners/Supervisory Board of SOEs states that the Board of Supervisors/Board of Commissioners may only have an Audit Committee and one other Committee, with both committees including members from outside the Board of Commissioners/Board of Supervisors.

### *Audit Committee*

In compliance with the latest regulations issued by the Financial Service Authority (OJK, previously Bapepam-LK) and the State Owned Enterprises Ministry, the Audit Committee established a new Audit Committee Charter in 2013. The Charter was signed by the Board of Commissioners and has been effective since 25 June 2013. The term of office of committee members who are not members of the Board of Commissioners is a maximum of three years and these members are eligible to be re-appointed for one more term of two years in office, without taking away the right of the Board of Commissioners to dismiss the said member at any time.

The current committee is composed of the following members:

**Hasan M. Soedjono** (Chairman) — see “Board of Commissioners” above.

**Prasetyo Suhardi** has served as a member of the Audit Committee since January 2013. He currently also serves as a member of the Institut Teknologi Bandung Advisory Board and is a Partner at TASS Consulting. He previously served as Associate Director at PwC Indonesia and as Manager at SGV Utomo/Andersen Consulting.

Prasetyo Suhardi graduated with a Bachelor of Industrial Engineering from Institut Teknologi Bandung (“ITB”), and took a Business Management Process Programme at the Asian Institute of Management.

**Regina Jansen Arsjah** has served as a member of the Audit Committee since September 2014. She currently serves as Managing Director of PT Citra Bakti Indonesia, and is a Lecturer and Dissertation Supervisor at the Doctoral Programs, Faculty of Economics at Universitas Trisakti. She currently also serves as Examiner at the Bachelor, Master and Doctoral Programs at Universitas Indonesia and is a Senior Researcher at the Indonesian Institute for Corporate Governance. She previously served as Full Time Lecturer at the Bakrie University and Chairman of STIE Bakrie School of Management.

Regina Jansen Arjah graduated with a Bachelor's degree in Economics and Accounting from Universitas Indonesia and a Master's degree in Accounting from Universitas Indonesia. She has a PhD in Management Science from Universitas Indonesia.

### *Business Development and Risk Monitoring Committee*

**Dony Oskaria** (Chairman) — see “Board of Commissioners” above.

**Isa Rachmatarwata** (Vice-chairman) — see “Board of Commissioners” above.

**Muzaffar Ismail** (Vice-chairman) — see “Board of Commissioners” above.



**Asril Fitri Syamas** has served as a member of the Business Development and Risk Monitoring Committee since May 2012. He currently serves as Head of the Indonesian Business Incubator Association/Asosiasi Inkubator Bisnis Indonesia (“**AIBI**”), an institution concerned with the development and promotion of young entrepreneurs and their enterprises. He previously served as President Commissioner of PT Nusantara System International, and Finance Director and Commissioner of PT Industri Pesawat Terbang Nusantara (“**IPTN**”).

Asril Fitri Syamas graduated with a Bachelor of Electrical Engineering from Universitas Indonesia, and a Master’s in Technological Economics from University of Stirling, England. In 2009, he obtained a Professional Risk Management Certificate from a Professional Risk Management Certification Institution/Lembaga Sertifikasi Profesi Manajemen Resiko (“**LPSMR**”).

**Ahmad Ridwan Dalimunthe** has served as a member of the Business Development and Risk Monitoring Committee since October 2012. He currently also serves as Head of the BOC Secretariat of PT First Media Tbk., Director of PT Sidiq Indonesia in Yogyakarta, Founder and Director of CV Momentum Anak Negeri in Yogyakarta, and Founder and Director of CV Yakin Usaha in Yogyakarta.

Ahmad Ridwan Dalimunthe graduated with a degree in Sociology from Universitas Gadjah Mada (“**UGM**”) and holds a Master’s in International Business Management from UGM.

#### *Internal Audit Committee*

**Sri Mulyati** has served as VP Internal Auditor since May 2000. Prior to joining the Company, she had worked at the State Financial and Development Supervisory Agency since 1984, ending her term there as the Section Head of Foreign Oil Contractor Supervision.

Sri Mulyati graduated from the Faculty of Economics at Airlangga University in Surabaya in 1982. She has attended various courses and training programmes in accounting and auditing by both local and foreign institutions.

#### *Vice President Corporate Secretary*

Heri Akhyar is the Vice President of Investor Relations, and also the acting Corporate Secretary of Garuda. Garuda intends to merge the roles of Investor Relations and Corporate Secretary, following which his formal permanent appointment as the Corporate Secretary will be made. Prior to joining Garuda in 2014, he was Head of Investor Relations at PT AKR Corporindo Tbk. He received his master degree in finance from Amsterdam Institute of Finance, Netherlands in 1997, having previously completed his finance degree at Sydney Institute of TAFE, NSW Australia in 1994.

Mr Akhyar began his career in Investor Relations in 1997 at PT Satelit Palapa Indonesia (“**Satelindo**”). Following his appointment at Satelindo he has gone on to hold several key positions covering both the roles of Corporate Secretary and Investor Relations in a number of companies. As a result, he is a well known figure within the Indonesian capital markets industry.

#### *Corporate Communications*

**Pujobroto** has served as Vice President Corporate Communications since 2009. Previously he was Vice President Corporate Secretary from 2007 and had served in a number of positions with Garuda Indonesia. He had also previously worked at Indo-PR, a public relations consultant company.

Pujobroto graduated with a Bachelor’s degree in Social and Political Science from Universitas Indonesia and a Master’s degree in Public Relations from Pittsburgh University, USA.

## DESCRIPTION OF MATERIAL INDEBTEDNESS

*The following summary of certain provisions of Garuda's loan facilities, bonds and other indebtedness does not purport to be complete and is subject to, and qualified in its entirety by reference to, the underlying credit agreements, bonds and other documentation. Furthermore, this summary relates only to Garuda's principal long-term indebtedness. Garuda utilises a variety of short-term debt instruments. Please refer to the financial statements and the notes thereto included in this Offering Circular for additional information with respect to such indebtedness.*

As at 31 March 2015, Garuda's total indebtedness (including long term loans, obligations under finance leases, bonds payable and short term borrowing) amounted to USD1,313,195,271, compared to USD1,169,613,000 as at 31 December 2014.

Most of the following debt documents require Garuda to maintain certain financial ratios (for example, debt ratio, coverage ratio and cash percentage ratio). Each of the debt documents provides specific methods and formula to calculate such financial ratios. However, in general, these ratios can be construed as follows: (i) "debt ratio" refers to the net financial indebtedness plus 8 times the rental payments for the relevant aircraft lease divided by the consolidated operating profit before interest, taxes, depreciation, amortisation and rental payments (the "EBITDAR"); (ii) "coverage ratio" refers to the EBITDAR divided by the relevant principal loan payments plus interest and rental payments; (iii) "minimum cash percentage" or cash holding refers to cash and cash equivalent investments as a percentage of total operating revenue; and (iv) "debt to equity ratio" refers to the interest bearing debt divided by total equity. Any breach of the foregoing financial covenants, if not remedied within the applicable grace period by Garuda or waived by the relevant parties, may lead to an acceleration of Garuda's existing indebtedness.

### **Export Development Canada ("EDC")**

On 3 October 2012, Garuda obtained financing from EDC related to CRJ1000 Next-Generation aircraft, and entered into a facility agreement with EDC with a maximum credit amount of USD135,000,000 valid until 30 November 2014. The two interest rates applicable to the financing are: (a) fixed interest rate, computed using the semi-annual 6-year swap rate + margin benchmark + premium rate; or (b) floating interest rate, computed using the 3-month LIBOR rate + margin benchmark + premium rate.

Significant covenants of the financing facility are: (a) the debt ratio of the Group to be less than 7.25x; (b) the coverage ratio of the Group to be more than 1x; and (c) the minimum cash percentage of the Group to be more than 5 per cent. for more than two consecutive quarters.

On 27 August 2014, the Group received a waiver from EDC in relation to non-compliance with the financial covenants for the fiscal quarter ending 31 March 2014, 30 September 2014 and 31 December 2014. Garuda also received a confirmation from EDC on 2 May 2015 that EDC has waived Garuda's obligation to comply with the financial ratios for the period ending 31 March 2015. EDC as lender, agent and security trustee agreed that exceeding the limit of such financial covenants does not make the loan immediately due and payable.

The outstanding balance of EDC financing under the Facility Agreement at 31 March 2015 amounted to USD114,496,737.

### **Syndicated Loan arranged by PT Bank Central Asia Tbk. (the "BCA Syndicated Loan")**

On 2 December 2013, Garuda entered into a syndicated loan facility with PT Bank Central Asia Tbk ("BCA"), as facility agent and security agent, Indonesia Eximbank, PT Bank Internasional Indonesia, Tbk. ("BII"), PT Bank CTBC Indonesia ("CTBC Indonesia") and Bank of China Limited, Jakarta

Branch (“**BOC, Jakarta Branch**”) (BCA, Indonesia Eximbank, BII, CTBC Indonesia and BOC, Jakarta Branch collectively referred to as the “**Creditors**”) as creditors under a Deed of Syndicate Credit Facility Agreement No. 1. The maximum credit amount is USD200,000,000 or its equivalent in Indonesian Rupiah. The final maturity date of the facilities is 2 December 2016. The purpose of the facilities is for the general purposes of the Group. The BCA Syndicated Loan is secured by money standing in escrow accounts, both in IDR and USD.

Unless otherwise permitted, the BCA Syndicated Loan prohibits Garuda and its material subsidiaries from: (i) creating or permitting to subsist any security interest over any asset, (ii) disposing any asset, (iii) lending money to any third party, and (iv) obtaining any new loan unless: (a) proceeds from such new loan will be solely used to refinance any existing indebtedness, (b) amounts drawn under such new loan cannot be greater than any existing indebtedness which will be refinanced, and (c) the period of the new facility cannot be less favourable than the existing indebtedness to be refinanced.

The BCA Syndicated Loan requires Garuda to comply with certain financial covenants including maintaining: (i) a debt ratio of the Group of a maximum of 5.75x from the date of the agreement to the first anniversary of the agreement; 6.25x from a day after the first anniversary of the agreement to the second anniversary of the agreement; 7.00x from a day after the second anniversary of the date when the loans have been fully repaid; (ii) a coverage ratio of the Group of a minimum of 1.00x; and (iii) a cash percentage ratio of a minimum of 5 per cent. The above financial covenants will be tested quarterly and Garuda is also required to furnish BCA with a compliance certificate which states that it has complied with the financial covenants on a quarterly basis.

The Creditors have the discretion to require Garuda to repay any amount outstanding under the facility in the event of a change of control, which will occur if the Government of Indonesia holds less than a specified percentage of Garuda’s shares. Subject to the Creditors’ approval, Garuda may also prepay the loan under the following conditions: (i) it shall provide written notification on the same at the latest 3 days before the prepayment date; (ii) the facility may only be prepaid after the last day of the availability period; (iii) any prepayment notifications cannot be revoked; and (iv) any amount prepaid under the BCA Syndicated Loan cannot be redrawn.

In the past, Garuda has failed to maintain the debt ratio and the coverage ratio mentioned above, and the Creditors have granted Garuda waivers by way of waiver letters dated 30 September 2014 and 14 November 2014 respectively that waive the breaches of the debt ratio and coverage ratios for the periods ending 30 June 2014, 30 September 2014 and 31 December 2014.

The BCA Syndicated Loan has been fully repaid as of 2 April 2015.

#### **Sharia Financing Facility with BII (the “Sharia Financing Facility”)**

On 27 March 2014, Garuda obtained the Sharia Financing Facility from BII with a maximum facility amount of USD100,000,000 with an adjustable profit sharing ratio under a Deed of Line Facility Agreement No. 53. The facility is secured by money standing in an escrow account. The facility will mature on 27 March 2017. The purpose of the facility is for the general purposes of the Group.

The Sharia Financing Facility requires Garuda to obtain prior written approval from BII before: (a) the Group incurs any additional indebtedness that will breach any financial covenants save for the permitted indebtedness under the facility and unless (i) proceeds from the new loan will be solely used to refinance the existing indebtedness; (ii) amounts drawn under the new loan are not greater than the existing indebtedness to be refinanced; and (iii) the period of the new facility cannot be less favourable than the existing indebtedness to be refinanced; (b) Garuda conducts any mergers or consolidation; or (c) disposes of any of the Group’s assets save in the ordinary course of its business.

The Sharia Financing Facility also requires Garuda to comply with certain financial covenants, including maintaining: (i) the Group's debt ratio of a maximum 7.00x; (ii) the Group's coverage ratio of a minimum 1.00x; and (iii) the Group's minimum cash percentage of 5 per cent. Although the above financial covenants will be tested using the numbers from the last 12 months, Garuda is also required to furnish BII with a compliance certificate which states that it has complied with the financial covenants on a quarterly basis.

In the event of a change of control, which will occur if the Government of Indonesia holds less than a specified percentage of Garuda's shares, BII has the discretion to require Garuda to repay any amount outstanding under the Sharia Financing Facility. Garuda may also voluntarily prepay the loan, provided that Garuda provides written notification on the same at the latest 3 days before the prepayment date and that any amount prepaid under the sharia financing facility cannot be redrawn.

In the past, Garuda has failed to maintain the debt ratio and the coverage ratio mentioned above, and BII has granted Garuda waivers by way of waiver letters dated 30 September 2014 and 6 November 2014 that waive the breaches of the debt ratio and coverage ratio for the periods ending 30 June 2014, 30 September 2014 and 31 December 2014. BII has also waived the breaches of the debt ratio and the coverage ratio for the period ending 31 March 2015 by way of a waiver letter dated 11 May 2015.

The outstanding balance under the Sharia Financing Facility as at 31 March 2015 amounted to USD92,500,000.

#### **IDR Bonds**

On 8 July 2013, Garuda issued IDR denominated bonds (the "**IDR Bonds**") with a principal amount of Rp2 trillion (approximately USD166,666,666.67) and a fixed interest rate of 9.25 per cent. which will mature in July 2018. PT Bank CIMB Niaga Tbk. ("**CIMB**") acted as trustee for the issuance of the IDR Bonds, which have been listed on the Indonesia Stock Exchange ("**IDX**") since 8 July 2013.

The trustee agreement for the IDR Bonds requires Garuda to comply with certain financial covenants, including maintaining: (i) a debt ratio of a maximum 7.00x and (ii) a coverage ratio of a minimum 1.00x. These financial covenants will be tested annually based on the Group's consolidated annual financial statements. Under the trustee agreement, CIMB is unauthorised to grant any approval to amend the trustee agreement and/or grant waivers for any breaches thereof. Accordingly, any amendment and/or waiver would typically require the approval of the holders of the IDR Bonds in a bondholders meeting.

On 21 January 2015, Garuda requested CIMB to hold a bondholders meeting to amend the financial covenants in the IDR Bonds trustee agreement. On 5 March 2015, the bondholders meeting approved the amendment of the financial covenants in the trustee agreement for the IDR Bonds. The new financial covenants are as follows, requiring Garuda to maintain: (i) a debt equity ratio of a maximum 2.50x; (ii) a cash percentage ratio of a minimum of 5 per cent; and (iii) a total equity of a minimum of USD800,000,000. Garuda complied with the financial covenants in 2013 and 2014.

The trustee agreement for the IDR Bonds also requires Garuda to obtain prior written approval from CIMB before: (i) Garuda conducts mergers with other companies; (ii) reduces its authorised capital; (iii) distributes dividends to its shareholders if Garuda defaults on the payment of interest or principal relating to the IDR Bonds; and (iv) submits a bankruptcy petition or an application for the suspension of payment.

The outstanding balance relating to the IDR Bonds as at 31 March 2015 amounted to Rp1,987,495,575,897 (equivalent to USD 151,902,750).

## **Export and Import Working Capital Facilities with PT Bank Rakyat Indonesia (Persero) Tbk. (“BRI”)**

On 30 December 2014, Garuda obtained an IDR import working capital facility (*kredit modal kerja import*, the “**IDR Import Facility**”), an IDR import suspension guarantee facility (*penangguhan jaminan import*, the “**IDR Import Guarantee**”), a USD import working facility (the **USD Import Facility**), a USD import suspension guarantee facility (the “**USD Import Guarantee**”), and a USD standby letter of credit (the “**USD LC**”) from BRI (the “**BRI Exim Facilities**”) with a maximum credit amount of Rp1,000,000,000,000 for the IDR Import Facility and the IDR Import Guarantee collectively and a maximum of USD30,000,000 for the USD Import Facility, the USD Import Guarantee and the USD LC collectively based on Deed of Credit Agreement No. 54.

The BRI Exim Facilities will be used for jet fuel purchases, aircrafts maintenance and guarantee payment to the relevant lessors of Garuda’s aircraft leases. The USD Import Guarantee and IDR Import Guarantee will be used for jet fuel purchases and aircraft maintenance by GMFAA in the form of LC/SKBDN, Sight, Usance and UPAS, the USD Import Facility and IDR Import Facility will be used to extend the tenor of the import suspension guarantee that has been due by changing the form of LC/SKBDN Sight, Usance and UPAS into short term cash loan and the USD LC (stand by letter of credit) will be used to guarantee payment to the relevant lessors of Garuda’s aircraft leases. Pursuant to the BRI Exim Facilities, Garuda is required to notify BRI when it incurs any additional debt. The final maturity date of the BRI Exim Facilities is 29 December 2015. The BRI Exim Facilities are unsecured.

The outstanding loans under these facilities as at 31 March 2015 amounted to USD30,000,000 and Rp998,067,413,859.

## **USD400,000,000 Islamic Financing**

On 11 March 2015, Garuda entered into an Islamic financing arrangement with Dubai Islamic Bank PJSC as investment agent with a maximum commitment amount of USD400,000,000 (the “**Islamic Financing**”). The purpose of this Islamic Financing is for the refinancing of the existing indebtedness of Garuda maturing in 2015, among others. This facility is mandatory to be taken out by the proceeds of the Certificates.

The Islamic Financing is subject to a Common Term Agreement dated 11 April 2015 (the “**CTA**”). The CTA requires Garuda to comply with certain financial covenants, including maintaining: (i) a debt ratio of a maximum 10.50x on 31 March 2015, 9.10x on 30 June 2015, 7.80x on 30 September 2015, and 6.50x on 31 December 2015; and (ii) a minimum coverage ratio of the Group of 1.00x on 30 September 2015 and 1.00x on 31 December 2015. Garuda was in compliance with all financial covenants as at 31 March 2015.

Unless otherwise permitted, the CTA prohibits the Group from obtaining any new loans unless: (a) proceeds from such new loans will be solely used to refinance any existing indebtedness; (b) amounts drawn under such new loans cannot be greater than any existing indebtedness which will be refinanced; and (c) the period of any new facility cannot be less favourable than the existing indebtedness to be refinanced. The outstanding balance of under the Islamic Financing as at 31 March 2015 amounted to USD292,201,923.

## **Floating Rate Notes payable (the “FRN”)**

On 2 November 2001, Garuda issued the FRN in USD and IDR. The initial maturity date of the FRN was in 2007. On 21 January 2010, the FRN was restructured resulting in the outstanding balance of the FRN amounting to USD75,026,737.20 and Rp108,914,496,000 respectively and the final maturity date of the FRN is January 2018. BNY Corporate Trustee Services Limited is acting as trustee for the FRN.

Unless Garuda obtains the trustee's prior written consent or the action is sanctioned by an extraordinary resolution of the holders of the FRN, the FRN prohibits Garuda from: (i) incurring any capital expenditure (other than permitted disposals which are applied towards the purchase of replacement assets or in utilising the proceeds received by Garuda under any insurance policy in repairing or replacing the relevant assets which has suffered damage or lost) if it would exceed 2.5 per cent. of Garuda's total operating revenue for the financial years 2010 to 2016; (ii) creating or permitting to subsist any encumbrance (other than permitted encumbrances) in respect of any financial indebtedness of Garuda for or in respect of an amount exceeding USD1,000,000 (other than the financial indebtedness under the FRN), over all or any of Garuda's assets without making an effective provision whereby all amounts payable under the FRN shall be secured by such encumbrance equally and rateably with such financial indebtedness to the reasonable satisfaction of the Trustee; and (iii) selling, assigning, transferring or otherwise disposing of any asset with a book value in excess of 10 per cent. of the aggregate value of Garuda's assets. Garuda was in compliance with all financial covenants as at 31 March 2015.

The outstanding balance of the FRN as of 31 March 2015 amounted to USD10,919,731 and Rp5,897,024,220.

#### **Indirect Credit Facility with PT Bank Negara Indonesia (Persero) Tbk. ("BNI") (the "BNI Facility")**

On 19 April 2013, Garuda obtained the BNI Facility in the form of an onshore letter of credit (*surat kredit berdokumen dalam negeri/SKBND*), a standby letter of credit (the "**SBLC**"), a usance payment at sight, and a bank guarantee from BNI with a maximum credit amount of USD40,000,000 pursuant to a Indirect Credit Facility Agreement No. 16 dated 19 April 2013 as amended by an Amendment Agreement No. 32 dated 16 October 2014. The BNI Facility is to be used for jet fuel purchase and operating activities.

Unless Garuda obtains BNI's prior written consent, the BNI Facility prohibits Garuda from conducting mergers or consolidations with another company, allowing any third party to manage Garuda in the interest of such third party, changing the legal status of Garuda, repaying any loans to Garuda's shareholders, or submitting a bankruptcy petition. Garuda is required to comply with certain financial covenants, including maintaining: (i) a debt to equity ratio to be less than 2.5x; (ii) total equity of a minimum USD800,000,000; and (iii) a cash per revenue ratio of a minimum 5 per cent. Garuda is also required to notify BNI when Garuda incurs any additional debt, changes the compositions of its Board of Directors and Board of Commissioners and distributes any kind of dividends to its shareholders.

In the past, Garuda has failed to maintain the debt ratio and the coverage ratio under the BNI Facility and for this BNI has granted Garuda waivers by way of a waiver letter dated 23 September 2014 that waives the obligations to maintain the debt ratio and the coverage ratio up to 31 December 2014.

The outstanding loan as at 31 March 2015 amounted to USD9,021,821.

#### **Working Capital Facility with BRI**

On 29 May 2013, Garuda obtained a working capital facility from BRI (the "**BRI Facility**") with a maximum credit amount of USD40,000,000 based on Deed of Working Capital Credit No. 99. The final maturity date of the BRI Facility is 28 May 2015. The BRI Facility is unsecured and will be used for general purposes including for the pre-delivery financing of aircraft purchases in 2013.

Unless Garuda obtains BRI's prior written consent, the BRI Facility prohibits Garuda from becoming a guarantor for any third party debts save for any existing guarantee, submitting a bankruptcy petition, or receiving any new debt if Garuda's debt to equity ratio exceeds five times.

The outstanding loans under the BRI Facility as at 31 March 2015 amounted to USD9,998,861.

### **Fixed Loan Facility with PT Bank Pan Indonesia Tbk. (“Panin”)**

On 2 August 2013, Garuda obtained a fixed loan facility from Panin (the “**Panin Facility**”) with a maximum credit amount of USD75,000,000 based on a Deed of Credit and Security Agreement No. 43 dated 2 August 2013. The final maturity date of the Panin Facility is three years after the first drawdown date of (14 August 2013). The Panin Facility is unsecured and will be used to finance the general working capital of the Group.

Unless Garuda obtains Panin’s prior written consent, the Panin Facility prohibits Garuda from, among others: (i) becoming a guarantor for any third party debts, (ii) conducting mergers, consolidations or acquisitions with a value of or more than 10 per cent. of Garuda’s issued capital, (iii) disposing any of Garuda’s assets with a value of or more than 10 per cent. of Garuda’s issued capital save in the ordinary course of its business, (iv) lending money to any third party save in the ordinary course of business, (v) obtaining loans from any third party, or (vi) issuing securities that will cause a breach of any financial covenants.

Garuda may also voluntarily prepay the loan under the Panin Facility under the following conditions, among others: (i) Garuda provides a written notification at the latest three working days before the prepayment date; (ii) the Panin Facility may only be prepaid after the last day of the availability period; and (iii) any amount prepaid under the Panin Facility cannot be redrawn.

Pursuant to the Panin Facility, Garuda is required to comply with certain financial covenants, including maintaining: (i) a maximum debt to equity; (ii) a minimum total equity of USD800,000,000; and (iii) a minimum cash and cash equivalent ratio of 5 per cent., each of which will be tested on a quarterly basis.

In the past, Garuda has failed to maintain the debt ratio and the coverage ratio as mentioned above, and Panin has granted Garuda waivers by way of a waiver letter dated 23 June 2014 from Panin that waives the breaches of the debt ratio and coverage ratio until the period ending 31 December 2014. The waiver letter has also amended the above financial covenants such that Garuda has to maintain a (i) maximum debt ratio of 7.00x and (ii) minimum coverage ratio of 1.00x, while cash holding remains the same. These amendments will come into effect after 31 December 2014.

The outstanding loans under the Panin Facility as at 31 March 2015 amounted to USD64,824,105.

### **Export Working Capital Credit Term Loan Facility with Indonesia Eximbank**

On 28 April 2014, Garuda obtained an export working capital credit term loan facility from Indonesia Eximbank (the “**Eximbank Facility**”) for a maximum credit amount of Rp500,000,000,000 under Deed of Export Working Capital Credit No. 19. The final maturity under the Eximbank Facility is 28 April 2017. The Eximbank Facility contains a negative pledge, in which Garuda undertakes that it currently does and will not create nor permit to subsist any security over its assets without the prior written consent of Indonesia Eximbank.

Unless Garuda obtains Indonesia Eximbank’s prior written consent, the Eximbank Facility prohibits Garuda from, among others: (i) conducting mergers or acquisitions, (ii) disposing of any of its assets save in the ordinary course of its business or, based on the Government’s policy, (iii) incurring any additional indebtedness save in the ordinary course of its business, and (iv) lending money to any third party.

Pursuant to the facility agreement relating to the Eximbank Facility, Garuda may also voluntarily prepay the loan under the following conditions: (i) Garuda to provide written notification to Eximbank at the latest 14 days before the prepayment date; (ii) the prepaid amount will be subject to a penalty as set out under the facility agreement relating to the Eximbank Facility; and (iii) any amount prepaid under the Eximbank Facility cannot be redrawn.

The outstanding loans under the Eximbank Facility as at 31 March 2015 amounted to Rp498,500,000,000.

#### **Banking Facility with Standard Chartered Bank (“SCB”)**

On 4 October 2012, Garuda obtained a bond and guarantees facility with the amount of USD50,000,000 from SCB (the “**SCB Facility**”) based on Banking Facility Letter No. JKT/FAB/3711 dated 4 October 2012 as amended by Letter dated 23 September 2013. The SCB Facility is unsecured and will be used for the issuance of bank guarantee including retention bonds and SBLC for general corporate purpose.

#### **Corporate Banking Facility with The Hongkong and Shanghai Banking Corporation Limited Jakarta Branch (“HSBC Jakarta”)**

On 26 August 2014, Garuda obtained corporate banking facilities in the form of a documentary credit facility, deferred payment credit facility, and usance payment at sight from HSBC Jakarta with a maximum credit amount of USD20,000,000 based on Corporate Facility Agreement No. DS/PERJ/DF-3393/2014 (the “**HSBC Facilities**”). The purpose of the HSBC Facilities is to fund fuel payments to Pertamina, payments to maintenance service providers and payments to airport operators for landing, handling, overflying and route charges.

The HSBC Facilities are unsecured and are valid for a period of one year as of the date of the relevant facility agreement and will continue to apply until HSBC Jakarta cancels, ceases or discharges Garuda in writing from its obligation under the HSBC Facilities.

The outstanding loan under the HSBC Facilities as at 31 March 2015 amounted to USD19,779,022.

#### **Sharia Financing Facility from BII in 2015 (the “2015 Sharia Financing Facility”)**

On 24 March 2015, Garuda obtained the 2015 Sharia Financing Facility from BII with a maximum facility amount of USD100,000,000 with an adjustable profit sharing ratio under a Deed of Line Facility Agreement dated 24 March 2015. The facility will expire on 23 March 2016. The purpose of the facility is for business expansion of Garuda through refinancing Garuda’s existing loans and/or providing finance to its subsidiaries.

The 2015 Sharia Financing Facility requires Garuda to obtain prior written approval from BII before: (a) the Group incurs any additional indebtedness that will breach any financial covenants save for the permitted indebtedness under the facility and unless (i) proceeds from the new loan will be solely used to refinance the existing indebtedness; (ii) amounts drawn under the new loan are not greater than the existing indebtedness to be refinanced; and (iii) the period of the new facility cannot be less favourable than the existing indebtedness to be refinanced; (b) Garuda conducts any mergers or consolidation; or (c) disposes of any of the Group’s assets save in the ordinary course of its business.

The 2015 Sharia Financing Facility also requires Garuda to comply with certain financial covenants, including maintaining: (i) the Group’s debt ratio of 10.5x on 31 March 2015, 9.1x on 30 June 2015, 7.8x on 30 September 2015, and 6.5x on 31 December 2015; and (ii) the Group’s coverage ratio of 1x on 30 September 2015 and 31 December 2015. Garuda was in compliance with all financial covenants as at 31 March 2015.

In the event of a change of control, which will occur if the Government of Indonesia holds less than a specified percentage of Garuda’s shares, BII has the discretion to require Garuda to repay any amount outstanding under the 2015 Sharia Financing Facility. Garuda may also voluntarily prepay the loan, provided that Garuda provides written notification on the same at the latest five days before the prepayment date and that any amount prepaid under the 2015 sharia financing facility cannot be redrawn. This facility is mandatory to be taken out by the proceeds of the Certificates.



The outstanding balance under the 2015 Sharia Financing Facility as at 31 March 2015 amounted to USD99,516,560.

#### **Omnibus Sight/Usance, Usance Payable at Sight (UPAS) L/C, SKBDN & SBLC line from ICBC (“ICBC”)**

On 14 November 2013, Garuda obtained the ICBC facility (the “**ICBC Facility**”) in the form of an Omnibus Sight/Usance, Usance Payable at Sight (UPAS) L/C, SKBDN & SBLC line from ICBC with a maximum credit amount of USD 40,000,000 pursuant to an Omnibus Sight/Usance, Usance Payable at Sight (UPAS) L/C, SKBDN & SBLC line Credit Facility Agreement No. 17 dated 14 November 2013 as amended by an Amendment Agreement No. 12 dated 11 February 2015. The ICBC Facility is to be used for working capital requirements. The final maturity date of the ICBC Facility is 14 November 2015 and it is unsecured.

Unless Garuda obtains ICBC’s prior written consent, the ICBC Facility prohibits Garuda from conducting mergers, demergers or consolidations with another company or acquisitions, creating or permitting to subsist any encumbrance (other than permitted encumbrances), lending to any party (other than permitted lending) and disposing any asset (other than permitted disposal), and changing the business activities and legal status of Garuda. The ICBC Facility also requires Garuda to notify ICBC of any change of its articles of association and its Board of Directors and Board of Commissioners.

Garuda is also required to maintain its debt to equity ratio at a maximum of 2.5x.

The outstanding loan as at 31 March 2015 amounted to USD32,495,204.

#### **Additional Material Indebtedness**

Save as disclosed below, there has been no material change in Garuda’s material indebtedness as disclosed in the section above headed “*Description of Material Indebtedness*”.

#### **Banking Facilities with PT Bank Permata Tbk. (“Permata”)**

On 1 April 2015, Garuda obtained an Omnibus revolving loan, PIF/LC/Usance/Sight/UPAS/UFAM facilities from Permata (the “**Permata Facility**”) with a maximum credit amount of USD70,000,000. The final maturity date of the Permata Facility is 31 March 2016. The purpose of the Permata Facility is for the general purposes of the Group. The Permata Facility is unsecured.

Unless otherwise permitted, the Permata Facility prohibits Garuda from, without the prior written consent from Permata: (i) changing the nature and activities of its business, (ii) becoming a guarantor for any third party’s debts, (iii) conducting mergers, consolidations or acquisitions, (iv) lending money to any third party save in the ordinary course of its business, and (v) distributing dividends to its shareholders. Garuda is also required to notify Permata when it incurs any additional debt, disposes any material assets, changes the compositions of its Board of Directors and Board of Commissioners and makes any amendment to its articles of association.

## SUMMARY OF THE PRINCIPAL TRANSACTION DOCUMENTS

The following is a summary of certain provisions of the principal Transaction Documents and is qualified in its entirety by reference to the detailed provisions of the principal Transaction Documents. Copies of the Transaction Documents will be available for inspection at the offices of the Principal Paying Agent (as defined in the Conditions).

### **Purchase of Services Agreement**

On the Issue Date, Garuda (in its capacity as Seller) and the Trustee will enter into a purchase of services agreement (the “**Purchase of Services Agreement**”), pursuant to which Garuda will sell and the Trustee will purchase certain Rights to Travel as more particularly described below. The Purchase of Services Agreement will be governed by English law.

Pursuant to the Purchase of Services Agreement, the Seller will sell to the Trustee and the Trustee will purchase from the Seller, in each case on the Issue Date: (i) certain Rights to Travel (measured in ASKs, in the amounts set out in the Purchase of Services Agreement) (including all rights, interests, benefits and entitlements, present and future, in, to and under the Rights to Travel) which are made available to the Trustee on the first day of each period identified in the Purchase of Services Agreement (each such period a “**Distribution Period**”), out of Garuda’s total available passenger capacity (measured in ASKs) for each Distribution Period (“**Allotted Rights to Travel**”); and (ii) certain additional Rights to Travel (measured in ASKs, in the amount set out in the Purchase of Services Agreement) (the “**Additional Rights to Travel**”), out of Garuda’s total available passenger capacity (measured in ASKs) for the last Distribution Period.

An aggregate of 7,658,051,076 Allotted Rights to Travel will be purchased by the Trustee as described in the previous paragraph, for the purposes of being sold in accordance with the Service Agency Agreement (as defined below) at the Minimum Sale Price (as described below) with the Sales Proceeds (as described below) of which being intended to generate sufficient amounts to pay all Periodic Distribution Amounts and Dissolution Distribution Amounts due under the Certificates. An aggregate of 1,148,707,661 Additional Rights to Travel will be purchased by the Trustee as described in the previous paragraph, for the purpose of allowing the Trustee to satisfy its obligation to pay any further profit that accumulates pursuant to Condition 7(c) (*Entitlement to Periodic Distribution Amounts*).

The Seller and the Trustee will acknowledge in the Purchase of Services Agreement that, as a consequence of the sale of the Allotted Rights to Travel and the Additional Rights to Travel thereunder at the purchase price of U.S.\$496,280,000, the acquisition cost per ASK equates to U.S.\$0.0564. For the purposes thereof, Garuda will represent, warrant and agree that such acquisition cost per ASK represents the cost of each ASK as stated under the heading “*Selected Financial Information — Other Financial Data*” (less such approximate amount determined by Garuda in accordance with its operating data to be attributable to costs of any flight services that are not Shari’a-compliant) divided by 1.15.

### **Service Agency Agreement**

On the Issue Date, Garuda and the Trustee will enter into a service agency agreement (the “**Service Agency Agreement**”), pursuant to which Garuda will be appointed as service agent (in such capacity the “**Service Agent**”) by the Trustee (as principal) to manage the aggregate Allotted Rights to Travel (measured in ASKs) held by the Trustee or by Garuda on its behalf that have not been sold pursuant to the Service Agency Agreement (the “**Outstanding Rights to Travel**”) and the Additional Rights to Travel. The Service Agency Agreement will be governed by English law.

The Service Agent will undertake to provide, or procure the provision of, certain services (the “**Services**”) to the Trustee for the period commencing on the Issue Date and ending on the Scheduled Dissolution Date or, if earlier, on the date on which all the Certificates are redeemed in full in accordance with the Conditions (the “**Period**”). The Services include an undertaking from the Service

Agent to sell exclusively, for and on behalf of the Trustee, in respect of each Distribution Period, the Allotted Rights to Travel (materialised in the form of passenger air transportation tickets issued by Garuda in accordance with its terms of business relating to passenger air travel as applied by it from time to time, if applicable) in such number as corresponds to the number of Allotted Rights to Travel specified for such Distribution Period in the Service Agency Agreement, at a price at least equal to the minimum sale price of U.S.\$0.085 (per ASK) (the “**Minimum Sale Price**”), subject to the adjustment of such number as described below. The relevant Allotted Rights to Travel and Additional Rights to Travel to be sold in each Distribution Period are made available to the Service Agent by the Trustee on the first day of each Distribution Period.

The Service Agency Agreement will provide that, following the effective transfer of Cancellation Rights to Travel pursuant to a Transfer Agreement (as defined in the Sale Undertaking) following the exercise by Garuda of its rights under the Sale Undertaking (as described below) or the effective sale of Change of Control Rights to Travel pursuant to a Sale Agreement (as defined in the Purchase Undertaking) following the exercise by the Trustee of its rights under the Purchase Undertaking (as described below), the Allotted Rights to Travel which the Service Agent is required to sell in the Distribution Period during which the date of effective transfer or effective sale (as the case may be) occurs and the Allotted Rights to Travel which the Service Agent is required to sell in all subsequent Distribution Periods shall be reduced pro rata to such number of Allotted Rights to Travel (measured in ASKs) that, if sold at the Minimum Sale Price in accordance with the terms of the Service Agency Agreement, would be sufficient to generate amounts received by the Service Agent in connection with the sale of Allotted Rights to Travel pursuant to the terms of the relevant ticket (“**Sales Proceeds**”) equal to the sum of the Periodic Distribution Amounts and (in the case of the final Distribution Period only) Dissolution Distribution Amounts payable by the Trustee for the Return Accumulation Period (determined as provided in the Conditions) corresponding to such Distribution Period (the “**Required Amount**”).

The Service Agent will be obliged to notify, in respect of each Distribution Period, the Trustee if: (i) it fails to sell all of the relevant Allotted Rights to Travel (measured in ASKs) in respect of a Distribution Period; or (ii) it sells all or a portion of the relevant Allotted Rights to Travel (measured in ASKs) for less than the Minimum Sale Price (in respect of each ASK) in respect of a Distribution Period.

The Service Agent will be required to create and maintain two accounts as internal records (such accounts being referred to as the “**Collection Account**” and the “**Reserve Account**”), each of which shall be denominated in United States dollars. All Sales Proceeds of Allotted Rights to Travel will be recorded in the Collection Account.

The Service Agent will be required to procure the application of amounts equal to the amounts standing to the credit of the Collection Account on the Business Day prior to each Periodic Distribution Date (the “**Distribution Determination Date**”) first in payment into the Transaction Account of the Required Amount payable on the immediately following Periodic Distribution Date or (in the case of the final Distribution Period only), the Scheduled Dissolution Date; and second, provided that no Dissolution Event has occurred and is continuing, for credit to the Reserve Account.

Under the terms of the Service Agency Agreement, the Service Agent will agree that if in respect of any Distribution Period any Allotted Rights to Travel (measured in ASKs) are sold for less than the Minimum Sale Price in breach of the terms of the Service Agency Agreement (the difference between (i) the sum of: (a) the aggregate Sales Proceeds of such Allotted Rights to Travel; and (b) the amounts standing to the credit of the Collection Account (if any); and (ii) the aggregate of the Minimum Sale Price for such Allotted Rights to Travel being referred to as the “**Sales Shortfall**”), the Service Agent will pay to the Trustee out of the Reserve Account (or, if the amounts standing to the credit of the Reserve Account are not sufficient after re-crediting any amounts used by the Service Agent for its own account (as described below), the Service Agent will pay to the Trustee by way of indemnity on an after tax basis) an amount equal to the Sales Shortfall and shall ensure that an amount in cash equal to such Sales Shortfall is paid into the Transaction Account by no later than the Business Day

immediately preceding the immediately following Periodic Distribution Date (each a “**Distribution Determination Date**”) and on the Business Day immediately preceding each Dissolution Date to ensure that the Trustee receives on each Distribution Determination Date and the Business Day immediately preceding the relevant Dissolution Date, as the case may be, the Required Amount payable by it in accordance with the Conditions on the immediately following Periodic Distribution Date or, as the case may be, all such amounts as are required to be paid on the relevant Dissolution Date, in respect of such Certificates.

The Service Agency Agreement will provide that amounts standing to the credit of the Reserve Account shall be applied as follows:

- (a) if on a Distribution Determination Date (after: (i) payment of an amount equal to the amounts standing to the credit of the Collection Account into the Transaction Account; and (ii) taking into account any other payments made or to be made into the Transaction Account pursuant to any other Transaction Document) there is a shortfall between: (a) the amounts standing to the credit of the Transaction Account; and (b) the Required Amount payable on the immediately following Periodic Distribution Date (each a “**Shortfall**”), by paying into the Transaction Account on that Distribution Determination Date an amount equal to the Shortfall (or such lesser amount as is then standing to the credit of the Reserve Account, after the re-credit to the Reserve Amount of all amounts (if any) that were previously deducted by and used by the Service Agent for its own account);
- (b) the Service Agent will be entitled to deduct amounts standing to the credit of the Reserve Account at any time during the Period and use such amounts for its own account, provided that it shall re-credit all such amounts to the Reserve Account if so required to fund a Shortfall or a Sales Shortfall; and
- (c) following payment in full of all amounts due and payable under the Certificates on the Dissolution Date, the Service Agent shall be entitled to retain: (i) any amounts used by the Service Agent for its own account (which have not been re-credited to the Reserve Account); and (ii) any amounts that remain standing to the credit of the Reserve Account on such date for its own account as a final incentive fee for acting as Service Agent.

The Service Agent will be obliged to monitor and keep an internal record of: (i) the Outstanding Rights to Travel, and all amounts credited to the Collection Account and the Reserve Account, in each case from time to time; and (ii) all ASKs available to Garuda and RPKs recorded by Garuda, in each case in accordance with its standard practices and record-keeping procedures.

The Service Agency Agreement shall provide that, following redemption of the Certificates in whole but not in part on the Scheduled Dissolution Date (or, if earlier, any Change of Control Put Right Date or Early Tax Dissolution Date or any date on which all Certificates are cancelled in accordance with the Conditions), in each case as provided in the Conditions, to the extent that the Additional Rights to Travel have not been sold to Garuda pursuant to a sale agreement, such Additional Rights to Travel shall be immediately transferred to the Service Agent by the Trustee (without the need for any further formality) as a performance incentive in kind. For the avoidance of doubt, the Service Agent shall not be providing any guarantee for the Periodic Distribution Amounts or the Dissolution Distribution Amounts and shall only be providing the Services and complying with its obligations under the Service Agency Agreement on the terms and subject to the conditions of the Service Agency Agreement.

## Purchase Undertaking

On the Issue Date, Garuda will enter into a purchase undertaking in favour of the Trustee and the Delegate (the “**Purchase Undertaking**”) pursuant to which Garuda will irrevocably undertake to purchase from the Trustee all or part of the Outstanding Rights to Travel and, following a Dissolution Event, together with the Additional Rights to Travel. The Purchase Undertaking will be governed by English law.

Pursuant to the Purchase Undertaking, Garuda will irrevocably grant to the Trustee and, in respect of (a) below the Delegate (on behalf of the Certificateholders) the following rights:

- (a) provided that a Dissolution Event has occurred and a Dissolution Notice has been delivered in accordance with the Conditions, to require Garuda to purchase on the Dissolution Event Redemption Date the Outstanding Rights to Travel and the Additional Rights to Travel (in each case together with all of the Trustee’s rights, interests, benefits and entitlements, present and future, in, to and under them) at the Exercise Price (being an amount in United States dollars equal to the product of: (i) the aggregate of the Outstanding Rights to Travel and the Additional Rights to Travel (in each case measured in ASKs) (determined as at the Dissolution Event Redemption Date); and (ii) the Minimum Sale Price;
- (b) to require Garuda, on any Distribution Determination Date, to purchase any Allotted Rights to Travel which have not been sold by the Service Agent during the relevant Distribution Period as required by the provisions of the Service Agency Agreement (the “**Surplus Allotted Rights to Travel**”) (together with all of the Trustee’s rights, interests, benefits and entitlements, present and future, in, to and under them) at the Sale Exercise Price (being an amount in United States dollars equal to the product of: (i) the Surplus Allotted Rights to Travel (measured in ASKs); and (ii) the Minimum Sale Price; and
- (c) provided that a Change of Control has occurred, to require Garuda to purchase on the Change of Control Put Right Date the relevant number of Change of Control Rights to Travel (being determined by dividing the aggregate outstanding face amount of the Certificates being redeemed pursuant to the Change of Control Put Right plus all due but unpaid Periodic Distribution Amounts relating to such Certificates; by the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Right to Travel)) (measured in ASKs) (together with all of the Trustee’s rights, interests, benefits and entitlements, present and future, in, to and under them) at the Change of Control Exercise Price (being an amount in United States dollars equal to the aggregate of: (i) an amount equal to the Change of Control Rights to Travel (measured in ASKs) (determined as at the Change of Control Put Right Date) multiplied by the Minimum Sale Price; and (ii) an amount equal to one per cent. (1%) of the face amount of the Certificates being redeemed pursuant to the Change of Control Put Right).

The Purchase Undertaking will provide that, pursuant to the exercise of any such rights, Garuda will purchase the Outstanding Rights to Travel and the Additional Rights to Travel, the Surplus Allotted Rights to Travel or the Change of Control Rights to Travel (as the case may be) at the Exercise Price, the Sale Exercise Price or the Change of Control Exercise Price, respectively, (together with all of the Trustee’s rights, title, interests, benefits and entitlements, present and future, in, to and under them) by (as applicable):

- (i) in the case of (a) above, crediting (i) an amount equal to the Exercise Price into the Collection Account and paying a cash sum equal to the Relevant Amount (as defined in the Service Agency Agreement, being the amount required to redeem the Certificates when paid) into the Transaction Account (in United States dollars by wire transfer for same day value), in each case on the Dissolution Event Redemption Date;

(ii) in the case of (b) above, crediting an amount equal to the Sale Exercise Price into the Collection Account and paying a cash sum equal to the Relevant Amount (as defined in the Service Agency Agreement, being the amount required to redeem the Certificates when paid) into the Transaction Account (in United States dollars by wire transfer for same day value), in each case on the relevant Distribution Determination Date; and

(iii) in the case of (c) above, paying the Change of Control Exercise Price into the Transaction Account on the Business Day immediately preceding the Change of Control Put Right Date,

following payment of the relevant amount in full, entering into a Sale Agreement (as defined in the Purchase Undertaking) so as to give effect to the relevant purchase.

### **Sale Undertaking**

On the Issue Date, the Trustee will enter into a sale undertaking in favour of Garuda (the “**Sale Undertaking**”) pursuant to which the Trustee will irrevocably undertake to sell to Garuda all or part of the Outstanding Rights to Travel upon Garuda exercising its rights thereunder. The Sale Undertaking will be governed by English law. Garuda shall be entitled to exercise its rights under the Sale Undertaking following: (i) certain changes to taxation laws and regulations in the Cayman Islands and/or the Republic of Indonesia (a “**Tax Event**”); or (ii) delivery by the Trustee or Garuda of any Certificates that it has purchased for cancellation pursuant to Condition 8(f) (*Cancellation*).

Pursuant to the Sale Undertaking, the Trustee will irrevocably grant to Garuda the following rights:

- (a) provided that a Tax Event has occurred, to require the Trustee to sell to Garuda the Outstanding Rights to Travel (measured in ASKs) (together with all of the Trustee’s rights, interests, benefits and entitlements, present and future, in, to and under them) on the Early Tax Dissolution Date specified in the Exercise Notice at the Exercise Price (being an amount in United States dollars equal to the sum of: (i) the aggregate outstanding face amount of the Certificates; and (ii) all due but unpaid Periodic Distribution Amounts relating to such Certificates); and
- (b) to require the Trustee to transfer and convey to Garuda the Cancellation Rights to Travel (being such number of Outstanding Rights to Travel (measured in ASKs) as is determined by dividing: (i) the aggregate face amount of the Certificates specified as being cancelled plus all due but unpaid Periodic Distribution Amounts relating thereto by; (ii) the Minimum Sale Price (rounded down, if necessary, to the nearest Outstanding Right to Travel)) (together with all of the Trustee’s rights, interests, benefits and entitlements, present and future, in, to and under them).

The specific terms applicable to each such sale or transfer will be confirmed in a Sale Agreement or a Transfer Agreement (as applicable) (as defined in the Sale Undertaking), to be executed by the Trustee and Garuda on the Early Tax Dissolution Date or the date of cancellation of the Certificates, as applicable.

### **Declaration of Trust**

The Declaration of Trust will be entered into on the Issue Date between Garuda, the Trustee and the Delegate and will be governed by English law.

Pursuant to the Declaration of Trust, the Trustee will declare a trust for the benefit of the Certificateholders over the Trust Assets.

The Trust Assets comprise:

- (i) the cash proceeds of the issue of Certificates, pending application thereof in accordance with the terms of the Transaction Documents;

- (ii) the interest, rights, benefits and entitlements, present and future, of the Trustee in and to the Allotted Rights to Travel and the Additional Rights to Travel which are purchased by the Trustee pursuant to the Purchase of Services Agreement and which remain to be sold pursuant to the Service Agency Agreement, the Purchase Undertaking or the Sale Undertaking (as the case may be);
  - (iii) the interest, rights, benefits and entitlements, present and future, of the Trustee in, to and under the Transaction Documents (excluding any representations given by the Obligor to the Trustee and/or the Delegate pursuant to any of the Transaction Documents); and
  - (iv) all moneys standing to the credit of the Transaction Account from time to time,
- and all proceeds of the foregoing.

The Declaration of Trust shall provide that the rights of recourse in respect of Certificates shall be limited to the amounts from time to time available therefor from the Trust Assets, subject to the priority of payments set out in the Declaration of Trust. After enforcing or realising the Trust Assets and distributing the net proceeds of the Trust Assets in accordance with the Declaration of Trust, the obligations of the Trustee in respect of the Certificates shall be satisfied and no Certificateholder may take any further steps against the Trustee (or any steps against the Delegate) or any other person to recover any further sums in respect of the Certificates and the right to receive any such sums unpaid shall be extinguished.

Pursuant to the Declaration of Trust, the Trustee will, inter alia:

- (a) hold the Trust Assets on trust absolutely for the Certificateholders pro rata according to the face amount of Certificates held by each Certificateholder in accordance with the provisions of the Declaration of Trust; and
- (b) act as trustee in respect of the Trust Assets, distribute the income from the Trust Assets and perform its duties in accordance with the provisions of the Declaration of Trust.

In the Declaration of Trust, the Trustee irrevocably and unconditionally appoints the Delegate to be its attorney and in its name, on its behalf and as its act and deed to (x) execute, deliver and perfect all documents; and (y) to exercise all of the present and future duties, powers (including the power to sub-delegate), rights, authorities (including, but not limited to, the authority to request directions from any Certificateholders and the power to make any determinations to be made under the Transaction Documents) and discretions vested in the Trustee by the Declaration of Trust, that the Delegate may consider to be necessary or desirable in order to, upon the occurrence of a Dissolution Event or a Potential Dissolution Event, and subject to its being indemnified and/or secured and/or pre-funded to its satisfaction: (i) exercise all of the rights of the Trustee under the Purchase Undertaking and any of the other Transaction Documents; and (ii) make such distributions from the Trust Assets as the Trustee is bound to make in accordance with the Declaration of Trust (together the “**Delegation**” of the “**Relevant Powers**”), provided that: (a) no obligations, duties or covenants of the Trustee pursuant to the Declaration of Trust or any other Transaction Document shall be imposed on the Delegate by virtue of the Delegation; (b) in no circumstances will such Delegation of the Relevant Powers result in the Delegate holding on trust the Trust Assets; and (c) such Delegation of the Relevant Powers shall not include any duty, power, right, authority or discretion to dissolve the trusts constituted by the Declaration of Trust following the occurrence of a Dissolution Event or a Potential Dissolution Event or to determine the remuneration of the Delegate. The Trustee shall ratify and confirm all things done and all documents executed by the Delegate in the exercise of all or any of the Relevant Powers.

In addition to the Delegation of the Relevant Powers under the Declaration of Trust, the Delegate also has certain powers which are vested solely in it from the date of the Declaration of Trust. The appointment of such Delegate by the Trustee is intended to be in the interests of the Certificateholders and does not affect the Trustee’s continuing role and obligations as trustee.

Pursuant to the Declaration of Trust:

- (a) the Delegate, upon receiving express notice thereof under the Declaration of Trust or otherwise upon having actual knowledge of a Dissolution Event, shall (subject to its being indemnified, secured and/or prefunded to its satisfaction, if required by the Delegate in the circumstances) promptly give notice of the occurrence of the Dissolution Event to the Certificateholders in accordance with Condition 17 (*Notices*) with a request to the Certificateholders to indicate to the Trustee and the Delegate if they wish the Certificates to be redeemed and the Trust to be dissolved; and
- (b) in its sole discretion may, and if so requested in writing by Certificateholders holding at least 25 per cent. of the then aggregate face amount of the Certificates outstanding or if so directed by an Extraordinary Resolution (subject in each case to its being indemnified and/or secured and/or pre-funded to its satisfaction), give notice (a “**Dissolution Notice**”) to the Trustee, the Obligor and the Certificateholders in accordance with Condition 17 (*Notices*) that the Certificates are immediately due and payable at the Dissolution Distribution Amount, whereupon they shall become so due and payable.

Upon receipt of a Dissolution Notice, the Trustee (failing which the Delegate on behalf of the Trustee) shall deliver an Exercise Notice under the Purchase Undertaking and shall use the proceeds of such exercise of the Purchase Undertaking to redeem the Certificates at the Dissolution Distribution Amount on the date specified in the Dissolution Notice and the Trust shall be dissolved on the day after the last outstanding Certificate has been so redeemed in full.

Following dissolution of Trust, the Certificates shall cease to represent interests in the Trust Assets and no further amounts shall be payable in respect thereof and the Trustee shall have no further obligations in respect thereof.

Upon the occurrence of a Dissolution Event, to the extent that any amount payable in respect of the Certificates has not been paid in full, the Trustee or the Delegate, subject to its being indemnified and/or secured and/or prefunded to its satisfaction, shall (acting for the benefit of the Certificateholders) take one or more of the following steps:

- (i) enforce the provisions of the Purchase Undertaking against the Obligor; and/or
- (ii) take such other steps as the Trustee or the Delegate may consider necessary to recover amounts due to the Certificateholders.

A Transaction Account will be established in the name of the Trustee. Monies received in the Transaction Account will, inter alia, comprise payments of Periodic Distribution Amounts immediately prior to each Periodic Distribution Date. The Declaration of Trust shall provide that all monies credited to the Transaction Account from time to time will be applied in the order of priority set out in the Declaration of Trust.

### **Agency Agreement**

The Agency Agreement will be entered into on the Issue Date between the Trustee, Garuda, the Delegate, the Principal Paying Agent, the Registrar and the transfer Agent.

Pursuant to the Agency Agreement, the Registrar has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to authenticate and deliver the Global Certificate and, if any, each Definitive Certificate; the Principal Paying Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to pay all sums received by it in cleared, identifiable



funds prior to the date such sums are due under such Global Certificate; and the Transfer Agent has agreed to be appointed as agent of the Trustee and has agreed, amongst other things, to effect requests to transfer all or part of the Definitive Certificate and issue Definitive Certificates in accordance with each request.

On the Issue Date, the Registrar will: (i) authenticate the Global Certificate in accordance with the terms of the Declaration of Trust; and (ii) deliver the Global Certificate to the Common Depositary.

Garuda shall cause to be deposited into the Transaction Account opened by the Trustee with the Principal Paying Agent, in same day freely transferable, cleared funds, any payment which may be due under the Certificates in accordance with the Conditions.

The Principal Paying Agent agrees that it shall, on each Periodic Distribution Date and on the date fixed for payment of the Dissolution Distribution Amount, or any earlier date specified for the redemption of the Certificates, apply the monies standing to the credit of the Transaction Account in accordance with the order of priority set out in the Declaration of Trust.

## TAXATION

*The following is a general description based on the Trustee and the Obligor's understanding of certain Cayman Islands, Republic of Indonesia and European Union tax considerations relating to the Certificates as in effect on the date of this Offering Circular and is subject to any change in law or relevant fiscal rules and practice and their interpretation that may take effect after such date (possibly with retrospective effect). It does not purport to be a complete analysis of all tax considerations relating to the Certificates and does not constitute legal or tax advice. Prospective purchasers of the Certificates should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of the Cayman Islands and of the Republic of Indonesia of acquiring, holding and disposing of Certificates and receiving payments under the Certificates.*

### **Cayman Islands**

Under existing Cayman Islands laws, payments by the Trustee on the Certificates will not be subject to taxation in the Cayman Islands and no withholding will be required on the payments to any holder of the Certificates, nor will gains derived from the disposal of the Certificates be subject to Cayman Islands income or corporation tax. The Cayman Islands currently have no income, corporation or capital gains tax and no estate duty, inheritance or gift tax.

The Trustee has applied for and expects to receive an undertaking from the Governor-in-Cabinet of the Cayman Islands, pursuant to the Tax Concessions Law (as amended) of the Cayman Islands, that for a period of 20 years from the date of the grant of that undertaking no law which is enacted in the Cayman Islands imposing any tax to be levied on profit, income, gains or appreciation shall apply to the Trustee or its operations and, in addition, that no tax to be levied on profits, income, gains or appreciations or which is in the nature of estate duty or inheritance tax shall be payable on or in respect of the shares, debentures or other obligations (which would include the Certificates) of the Trustee or by way of the withholding in whole or part of any relevant payment (as defined in the Tax Concessions Law (as amended)). No capital or stamp duties are levied in the Cayman Islands on the issue or redemption of Certificates. An instrument of transfer in respect of a Certificate will be stampable if executed in or brought into the Cayman Islands. An annual registration fee is payable by the Trustee to the Cayman Islands Registry of Companies which is calculated by reference to the nominal amount of its authorised capital. At current rates, this annual registration fee is approximately U.S.\$853.66. The foregoing is based on current law and practice in the Cayman Islands and this is subject to change therein.

### **Republic of Indonesia**

#### **Indonesia Tax Section**

The following is a summary of the principal Indonesian tax consequences relevant to prospective Certificateholders who are not Indonesian tax residents and have no permanent establishment in Indonesia.

The summary only covers taxes imposed by Indonesia under Indonesian tax laws and their implementing regulations. The summary does not address any laws other than the tax laws of Indonesia in force as of the date of this offering circular.

The summary represents a general guide only. The summary does not constitute tax advice and should not be relied upon by individual or corporate Certificateholders. It is recommended that Certificateholders seek independent tax advice relevant to their facts and circumstances.

## ***General***

Permanent establishments, resident individuals or resident legal entities are subject to income tax in Indonesia. Generally, an individual is considered to be a non-resident of Indonesia if the individual does not reside in Indonesia and is not physically present in Indonesia for more than 183 days within a twelve month period. A company will be considered to be a non-resident of Indonesia if the company is not established or domiciled in Indonesia. Activities of a non-resident may also attract Indonesian taxation if the activities are conducted through a permanent establishment in Indonesia.

In determining the tax residency, or existence of a permanent establishment, of an individual or a company, and allocation of the right to tax income between the two countries, consideration will also be given to the provisions of any applicable avoidance of double-taxation agreement (“tax treaty”) which Indonesia has concluded with other countries. In this section, both a non-resident individual and a non-resident company with no permanent establishment in Indonesia will be referred to as “non-resident taxpayer(s)” unless the context states otherwise.

Subject to the provisions of any applicable tax treaty, non-resident taxpayers which derive income sourced in Indonesia from (among other things):

- the sale of certain assets in Indonesia; and
- interest, or payments in the nature of interest,

are generally subject to a final withholding tax on that income at the rate of 20.0%.

For sale of certain Indonesian assets by Non-resident Taxpayers with no permanent establishment in Indonesia, the 20.0% withholding tax is imposed on the estimated net income.

### ***Taxation on Periodic Distributions and Dissolution Distributions***

Payments or accruals of Periodic Distributions and the Dissolution Distribution Amounts made by the Trustee under the Certificates will be treated as payments or accruals of interest and re-payments of loan principal for Indonesian tax purposes and are not subject to withholding tax in Indonesia.

Payments or accruals of Periodic Distributions made by the Obligor to the Trustee under the Service Agency Agreement would be treated as payments or accruals of interest for Indonesian tax purposes and hence will be subject to withholding tax in Indonesia. As described above, the statutory rate of such withholding tax is 20.0%. As the Trustee would be domiciled in Cayman Islands, which does not have a tax treaty with Indonesia, there would be no reduction in the rate of interest withholding tax.

Payments of Dissolution Distribution Amounts made by the Obligor to the Trustee under the Service Agency Agreement will be treated as re-payments of loan principal for Indonesian tax purposes, which will not be subject to withholding tax in Indonesia.

Payments by the Obligor to the Trustee for the re-purchase of the Outstanding Rights to Travel equal to the Purchase Price of the same Rights to Travel will be treated as re-payments of loan principal for Indonesian tax purposes, which will not be subject to withholding tax in Indonesia. Payments or accruals by the Obligor to the Trustee for the re-purchase of the Outstanding Rights to Travel in excess of the Purchase Price of the same Rights to Travel will be treated as payments or accruals of interest for Indonesian tax purposes and hence will be subject to withholding tax in Indonesia. As described above, the statutory rate of such withholding tax is 20.0%. As the Trustee would be domiciled in Cayman Islands, which does not have a tax treaty with Indonesia, there would be no reduction in the rate of interest withholding tax.

### ***Taxation on Capital Gains***

Income derived by non-resident taxpayers, without a permanent establishment in Indonesia, from the disposal of the Certificate should not be subject to Indonesian income tax.

### ***Other Indonesian Taxes***

There are no Indonesian estate, inheritance, succession, or gift taxes generally applicable to the acquisition, ownership or disposition of the Certificates by non-Indonesian resident taxpayers. There are no Indonesian registration or similar taxes or duties payable by the holders of the Certificates.

### ***Stamp Duty***

No Indonesian stamp duty should be due in respect of the Certificates issued by the Trustee.

### **EU Savings Directive**

The Savings Directive requires EU Member States to provide to the tax authorities of other EU Member States details of payments of interest and other similar income paid by a person established within its jurisdiction to (or for the benefit of) an individual resident, or certain other types of entity established, in that other EU Member State.

On 24 March 2014, the Council of the European Union has adopted the Amending Directive which will, when implemented, amend and broaden the scope of the requirements of the Savings Directive described above. The Amending Directive will expand the range of payments covered by the Savings Directive, in particular to include additional types of income payable on securities, and the circumstances in which payments must be reported or paid subject to withholding. For example, payments made to (or for the benefit of) (i) an entity or legal arrangement effectively managed in an EU Member State that is not subject to effective taxation, or (ii) a person, entity or legal arrangement established or effectively managed outside of the EU (and outside any third country or territory that has adopted similar measures to the Savings Directive) which indirectly benefit an individual resident in an EU Member State, may fall within the scope of the Savings Directive, as amended. The Amending Directive requires EU Member States to adopt national legislation necessary to comply with it by 1 January 2016, which legislation must apply from 1 January 2017.

However, the European Commission has proposed the repeal of the Savings Directive from 1 January 2017 in the case of Austria and from 1 January 2016 in the case of all other Member States (subject to on-going requirements to fulfil administrative obligations such as the reporting and exchange of information relating to, and accounting for withholding taxes on, payments made before those dates). This is to prevent overlap between the Savings Directive and a new automatic exchange of information regime to be implemented under Council Directive 2011/16/EU on Administrative Cooperation in the field of Taxation (as amended by Council Directive 2014/107/EU). The proposal also provides that, if it proceeds, Member States will not be required to apply the new requirements of the Amending Directive.

Investors who are in any doubt as to their position should consult their professional advisers.

### **The Proposed Financial Transactions Tax**

On 14 February 2013, the European Commission published a proposal (the “**Commission’s Proposal**”) for a Directive for a common financial transaction tax (“**FTT**”) in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the “**participating Member States**”).

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in Certificates (including secondary market transactions) in certain circumstances. Primary market transactions referred to in Article 5(c) of Regulation (EC) No 1287/2006 are exempt.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in Certificates where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a participating Member State.

A joint statement issued in May 2014 by ten of the eleven participating Member States indicated an intention to implement the FTT progressively, such that it would initially apply to shares and certain derivatives, with this initial implementation occurring by 1 January 2016.

The FTT proposal remains subject to negotiation between the participating Member States. It may therefore be altered prior to any implementation. Additional EU Member States may decide to participate. Prospective holders of the Certificates are advised to seek their own professional advice in relation to the FTT.

## SUMMARY OF CERTAIN PRINCIPAL DIFFERENCES BETWEEN INDONESIAN FAS AND IFRS

*The consolidated financial statements have been prepared in accordance with Indonesian FAS which differs in certain significant respects from International Financial Reporting Standards (also known as “IFRS”). The preparation of this summary is the responsibility of the Company. This summary should not be taken as an exhaustive list of all the differences between Indonesian FAS and IFRS. No attempt has been made to identify all recognition and measurement, disclosures, presentation or classification differences that would affect the manner in which transactions or events are presented in the consolidated financial statements (or notes thereto). Certain principal differences between IFRS and Indonesian FAS that may have a material effect on the consolidated financial statements are summarized below. Management has not quantified the effects of the differences discussed below. Accordingly, no assurance can be provided to investors that our consolidated financial statements would not be materially different if prepared in accordance with IFRS.*

*Regulatory bodies that promulgate Indonesian FAS and IFRS have issued accounting standards which are not yet effective and have significant ongoing projects that could affect the differences between Indonesian FAS and IFRS described below. In making an investment decision, investors must rely upon their own examination of us, the terms of the Offering and the financial information. Potential investors should consult their own professional advisors for an understanding of the differences between Indonesian FAS and IFRS and how those differences might affect the financial information disclosed in this Offering Circular.*

### **Business Combination**

Under Indonesian FAS, acquisitions of subsidiaries and businesses are accounted for using the acquisition method similar to IFRS, except for acquisitions of entities under common control which are accounted for in the same manner as pooling of interest where net assets are transferred at book values. The difference between the acquisition cost and book value of the net assets, equity or other ownership instruments transferred is recorded under “Difference in value of restructuring transaction among entities under common control” under stockholders’ equity. Effective 1 January 2013, the difference between the acquisition cost and book value of the net assets, equity or other ownership instruments transferred is recorded under “Additional Paid-in Capital.”

Under IFRS, an entity should account for each business combination by applying the “acquisition method”. At acquisition date, all identifiable assets, liabilities and contingent liabilities acquired are measured at 100% of fair value (irrespective of the extent of non-controlling interest). All acquisition-related costs (e.g. finder’s fees, professional fees, cost of maintaining an internal acquisition department) are recognized in profit and loss, except for costs incurred to issue debt or equity securities. The acquirer should recognize goodwill as at the acquisition date measured as the excess of the aggregate of (a) the consideration transferred at the acquisition date, plus the amount of any non-controlling interests, plus in a business acquisition achieved in stages, the acquisition-date fair value of any previously-held equity interest in an entity acquired over (b) the net of acquisition-date amount of identifiable assets acquired and liabilities assumed (measured in accordance with IFRS 3). If the value of (b) exceeds (a), and after a review of the procedures used to measure the related accounts is performed to ensure that the measurements appropriately reflect consideration of all available information as of the acquisition date, and an excess remains, the resulting gain is recognized as bargain purchase in profit and loss. Goodwill acquired in a business combination is not amortized but is tested for impairment annually. Also, under the revised IFRS 3, once control has been achieved, further transactions are accounted for as equity transaction when the parent company acquires further equity interest from noncontrolling interest or disposes an equity interest without losing control. Further, non-controlling interest is measured either at fair value or at the non-controlling interest’s proportionate share of the acquiree’s identifiable net assets (no goodwill is recorded for the non-controlling interest). Combination of entities under common control is outside the scope of IFRS 3.

## **Land Use Rights**

In Indonesia, except for ownership rights (“Hak Milik”) granted to individuals, the titles of the land rests with the Government. Land-use is accomplished through land rights whereby the holder of the right enjoys the full use of the land for a stated period of time, subject to extensions. Land rights are generally freely tradable and may be pledged as security under borrowing agreements. Under Indonesian FAS, the costs of acquired land rights are capitalized as land, which is not depreciated unless (a) the condition of the land is no longer unsuitable for the main operation of the enterprise; (b) the nature of the enterprise’s main operation will result in the abandonment of land and buildings subsequent to completion of the project; for example land and buildings in a remote or isolated area. In this case, land should be depreciated in accordance with the estimated length of the enterprise’s main operation or project; or (c) management’s prediction or certainty that an extension or renewal of the land rights will not be obtained.

Under IFRS, an “agreement whereby the lessor conveys to the lessee in return for a payment or a series of payments the right to use an asset for an agreed period of time” is considered a lease. In determining whether the land use right is an operating or a finance lease, an important consideration is whether the lessee has an absolute right on such property. If the lessee does not and will not substantially own the land because the government has a right to reject the renewal, such right is accounted for as a lease and the cost is amortized over the period the holder is expected to retain the land rights.

## **Quasi-reorganisation**

Under Indonesian FAS prior to 2013, quasi-reorganization may be carried out using the accounting reorganization method, wherein assets and liabilities are revalued at their fair values using market values or discounted cash flows. The revaluation surplus of asset and liabilities is recognised as Difference in revaluation of assets and liabilities and is used to eliminate the Deficit. In addition, the fair value of those assets and liabilities used in the quasi-reorganization becomes their initial carrying amount in the consolidated financial statements at the beginning of year when the quasi-reorganisation took place and are subsequently measured using the relevant accounting policies.

Starting 1 January 2013 the related Indonesian FAS was withdrawn and as a transitional provision, the Difference in revaluation of assets and liabilities which was used to eliminate the deficit is reclassified to retained earnings prospectively.

There is no equivalent standard under IFRS.

## **Islamic Finance**

The Indonesian FAS has implemented Islamic standards in accounting for certain Islamic (Shariah-compliant) finance products. Financial accounting in Islam is focused in the fair reporting of the entity’s financial position and results of its operations, in a manner that would reveal what is halal (permissible) and haram (forbidden). Shariah-compliant financing arrangements usually requires an underlying physical asset or trading transaction and may at times be more akin to either profit sharing or an agency/investment management contract.

There is no equivalent standard under IFRS that specifically covers Islamic finance transactions. IFRS focuses on the economic substance of a product or transaction rather than the legal form.

## SUBSCRIPTION AND SALE

Pursuant to a subscription agreement (the “**Subscription Agreement**”) dated 27 May 2015 between the Trustee, the Obligor and the Managers, the Trustee has agreed to issue and sell to the Managers the face amount of Certificates set forth opposite the relevant Manager’s name and, subject to certain conditions, the Managers have severally (and not jointly) agreed to subscribe for the Certificates.

### Managers

#### Joint Lead Managers

Al Hilal Bank P.J.S.C. ....	41,167,000
Australia and New Zealand Banking Group Limited.....	41,167,000
Deutsche Bank AG, Singapore Branch.....	41,167,000
Dubai Islamic Bank P.J.S.C.....	41,167,000
Emirates NBD P.J.S.C.....	41,167,000
First Gulf Bank P.J.S.C.....	41,167,000
Maybank Investment Bank Berhad .....	41,166,000
National Bank of Abu Dhabi P.J.S.C. ....	41,167,000
Noor Bank P.J.S.C. ....	41,166,000
Sharjah Islamic Bank P.J.S.C. ....	41,166,000
Standard Chartered Bank.....	41,167,000
Warba Bank K.S.C.P. ....	41,166,000

#### Co-Managers

PT BNI Securities .....	2,000,000
PT Mega Capital Indonesia .....	2,000,000
PT Trimegah Securities, Tbk.....	<u>2,000,000</u>

<b>Total</b> .....	<u><u>500,000,000</u></u>
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The Subscription Agreement provides that the obligations of the Joint Lead Managers and the Co-Managers to pay for and accept delivery of the Certificates are subject to certain conditions. The Joint Lead Managers and the Co-Managers will be paid certain commissions in respect of their services for managing the issue and sale of the Certificates. The Joint Lead Managers and the Co-Managers will also be reimbursed in respect of certain of their expenses, and each of the Trustee and the Obligor has jointly and severally agreed to indemnify the Joint Lead Managers and the Co-Managers against certain liabilities incurred in connection with the issue and offering of the Certificates.

In addition, the Trustee and the Obligor have agreed with the Joint Lead Managers and the Co-Managers that the Trustee, failing which, the Obligor may pay a commission to certain private banks in connection with the distribution of the Certificates to their clients.

Certain of the Joint Lead Managers, the Co-Managers and their respective affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services to, the Obligor and/or their affiliates in the ordinary course of business.

The Joint Lead Managers, the Co-Managers or certain of their respective affiliates may purchase the Certificates and be allocated the Certificates for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers, the Co-Managers or certain of their respective affiliates may purchase the Certificates for its or their own account or for the accounts of their customers and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Certificates and/or other securities of the Trustee and the Obligor or their respective subsidiaries or associates at the same time as the offer and sale of the



Certificates or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Certificates issued to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Certificates).

If a jurisdiction requires that the offering be made by a licensed broker or dealer and the Joint Lead Managers, the Co-Managers or any affiliate of the Joint Lead Managers or the Co-Managers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Joint Lead Managers or the Co-Managers or such affiliate on behalf of the Obligor and the Trustee in such jurisdiction.

## **Selling Restrictions**

### **United States**

The Certificates have not been and will not be registered under the Securities Act and may not be offered or sold within the United States except in accordance with Regulation S or pursuant to an exemption from the registration requirements of the Securities Act.

Each Joint Lead Manager and Co-Manager has represented and agreed that it has not offered and sold any Certificates, and will not offer or sell any Certificates as part of its distribution at any time except in accordance with Rule 903 of Regulation S.

The foregoing restrictions apply to holders of beneficial interests in the Certificates, as well as holders of the Certificates.

Each Joint Lead Manager and Co-Manager has represented and agreed that it, its affiliates or any persons acting on its or their behalf have not engaged and will not engage in any directed selling efforts with respect to any Certificates.

### **United Kingdom**

Each Joint Lead Manager and Co-Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of section 21 of the FSMA) received by it in connection with the issue or sale of any Certificate in circumstances in which section 21(1) of the FSMA does not apply to the Trustee or The Joint Lead Managers or certain of their respective affiliates may purchase the Certificates and be allocated the Certificates for asset management and/or proprietary purposes but not with a view to distribution. The Joint Lead Managers and Co-Managers or certain of their respective affiliates may purchase the Certificates for its or their own account or for the accounts of their customers and enter into transactions, including credit derivatives, such as asset swaps, repackaging and credit default swaps relating to the Certificates and/or other securities of the Trustee and the Obligor or their respective subsidiaries or associates at the same time as the offer and sale of the Certificates or in secondary market transactions. Such transactions may be carried out as bilateral trades with selected counterparties and separately from any existing sale or resale of the Certificates issued to which this Offering Circular relates (notwithstanding that such selected counterparties may also be purchasers of the Certificates); and

- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Certificates in, from or otherwise involving the United Kingdom.

### **Cayman Islands**

Each Joint Lead Manager and Co-Manager has represented and agreed that it has not and will not make any invitation (whether directly or indirectly) to any member of the public in the Cayman Islands to subscribe for any Certificates.

### **United Arab Emirates (excluding the Dubai International Financial Centre)**

Each Joint Lead Manager and Co-Manager has represented and agreed that the Certificates have not been and will not be offered, sold or publicly promoted or advertised by it in the United Arab Emirates other than in compliance with any laws applicable in the United Arab Emirates governing the issue, offering and sale of securities.

### **Dubai International Financial Centre**

Each Joint Lead Manager and Co-Manager has represented and agreed that it has not offered and will not offer the Certificates to any person in the Dubai International Financial Centre unless such offer is:

- (a) an “Exempt Offer” in accordance with the Markets Rules (MKT) module of the Dubai Financial Services Authority (the “**DFSA**”); and
- (b) made only to persons who meet the Professional Client criteria set out in Rule 2.3.2 of the DFSA Conduct of Business Module.

### **Hong Kong**

Each Joint Lead Manager and Co-Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Certificates other than (i) to “professional investors” as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the “**SFO**”) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a “Offering Circular” as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Certificates, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Certificates which are or are intended to be disposed of only to persons outside Hong Kong or only to “professional investors” as defined in the SFO and any rules made under the SFO.

### **Kingdom of Bahrain**

Each Joint Lead Manager and Co-Manager has represented and agreed that it will only make this offer available on a private placement basis to persons in the Kingdom of Bahrain who are “accredited investors”.

For this purpose, an “**accredited investor**” means:

- (a) an individual holding financial assets (either singly or jointly with a spouse) of U.S.\$1,000,000 or more;
- (b) a company, partnership, trust or other commercial undertaking which has financial assets available for investment of not less than U.S.\$1,000,000; or
- (c) a government, supranational organisation, central bank or other national monetary authority or a state organisation whose main activity is to invest in financial instruments (such as a state pension fund).

### **Kuwait**

Each Joint Lead Manager and Co-Manager has represented and agreed that the Certificates have not been and will not be offered, sold, promoted or advertised by it in Kuwait other than in compliance with Decree Law No. 31 of 1990 and the implementing regulations thereto, as amended, and Law No. 7 of 2010 and the bylaws thereto, as amended, governing the issue, offering and sale of securities.

No private or public offering of the Certificates is being made in Kuwait, and no agreement relating to the sale of the Certificates will be concluded in Kuwait. No marketing or solicitation or inducement activities are being used to offer or market the Certificates in Kuwait.

### **Republic of Indonesia**

Each Joint Lead Manager and Co-Manager has represented and agreed that any offering of Certificates will not constitute a public offering in Indonesia under Law No. 8 of 1995 regarding Capital Market. This Offering Circular may not be distributed in Indonesia and the Certificates may not be offered or sold in Indonesia or to Indonesian citizens wherever they are domiciled, or to Indonesian residents, in a manner which constitutes a public offering under the laws and regulations of Indonesia.

### **State of Qatar**

Each Joint Lead Manager and Co-Manager has represented and agreed that it has not offered or sold, and will not offer or sell or deliver, directly or indirectly, any Certificates in the State of Qatar (including the Qatar Financial Centre), except: (a) in compliance with all applicable laws and regulations of the State of Qatar including the Qatar Financial Centre; and (b) through persons or corporate entities authorised and licensed to provide investment advice and/or engage in brokerage activity and/or trade in respect of foreign securities in the State of Qatar. This Offering Circular has not been reviewed or approved by the Qatar Central Bank or the Qatar Financial Markets Authority and is only intended for specific recipients, in compliance with the foregoing.

### **Singapore**

Each Joint Lead Manager and Co-Manager has acknowledged that this Offering Circular has not been registered as a Offering Circular with the Monetary Authority of Singapore under the Securities and Futures Act, Chapter 289 of Singapore (the “**SFA**”). Accordingly, each Joint Lead Manager and Co-Manager has represented and agreed that it has not offered or sold any Certificates or caused such Certificates to be made the subject of an invitation for subscription or purchase, and will not offer or sell such Certificates or cause such Certificates to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Certificates, whether directly or indirectly, to persons in Singapore

other than (a) to an institutional investor under Section 274 of the SFA, (b) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where Certificates are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor, securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Certificates pursuant to an offer made under Section 275 of the SFA except:
  - (i) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;
  - (ii) where no consideration is or will be given for the transfer;
  - (iii) where the transfer is by operation of law;
  - (iv) as specified in Section 276(7) of the SFA or Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore; or
  - (v) as specified in Regulation 32 of the Securities and Futures (Offer of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **General**

None of the Trustee, the Obligor or any Joint Lead Manager or Co-Manager has made any representation that any action will be taken in any jurisdiction by the Joint Lead Managers or Co-Managers or the Trustee or the Obligor that would permit a public offering of the Certificates, or possession or distribution of this Offering Circular (in preliminary, proof or final form) or any other offering or publicity material relating to the Certificates (including roadshow materials and investor presentations), in any country or jurisdiction where action for that purpose is required. Each Joint Lead Manager and Co-Manager has agreed that it will comply to the best of its knowledge and belief in all material respects with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Certificates or has in its possession or distributes the Offering Circular (in preliminary, proof or final form) or any such other material, in all cases at its own expense. Each Joint Lead Manager and Co-Manager will also ensure that to the best of its knowledge and belief no obligations are imposed on the Trustee or the Obligor in any such jurisdiction as a result of any of the foregoing actions.

## **GENERAL INFORMATION**

### **Approval of Offering Circular, Admission to Trading and Listing of Certificates**

Application has been made to the SGX-ST for the listing and quotation of the Certificates on the SGX-ST. There is no assurance that the application to the SGX-ST for the listing and quotation of the Certificates will be approved. Admission and listing of the Certificates on the SGX-ST are not to be taken as an indication of the merits of the Obligor of the Group, the Trustee or the Certificates. The SGX-ST assumes no responsibility for the correctness of any of the statements made, opinions expressed or reports contained in this Offering Circular.

For so long as any Certificates are listed on the SGX-ST and the rules of the SGX-ST so require, the Obligor shall appoint and maintain a paying agent in Singapore, where such Certificates may be presented or surrendered for payment or redemption, in the event that the Global Certificate representing such Certificates is exchanged for Definitive Certificates. In addition, an announcement of such exchange will be made through the SGX-ST. Such announcement will include all material information with respect to the delivery of the Definitive Certificates, including details of the paying agent in Singapore.

The Certificates will be traded on the SGX-ST in a minimum board lot size of US\$200,000 for so long as the Certificates are listed on the SGX-ST and the rules of the SGX-ST so require.

### **Authorisation**

The issue of the Certificates has been duly authorised by a resolution of the Board of Directors of the Trustee dated 15 May 2015. Garuda Indonesia Global Sukuk Limited, in its capacity as Trustee, has obtained all necessary consents, approvals and authorisations in the Cayman Islands in connection with the issue and performance of the Certificates and the execution and performance of the Transaction Documents to which it is a party.

The Obligor has obtained all necessary consents, approvals and authorisations in connection with the Transaction Documents.

### **Clearing Systems**

The Certificates have been accepted for clearance through Euroclear and Clearstream, Luxembourg (which are the entities in charge of keeping the records) under common code 123815718 and ISIN XS1238157181.

The address of Euroclear is Euroclear Bank S.A./N.V., 1 Boulevard du Roi Albert II, B -1210 Brussels and the address of Clearstream, Luxembourg is Clearstream Banking, 42 Avenue JF Kennedy, LI 855 Luxembourg.

### **Significant or Material Change**

There has been no significant change in the financial or trading position of the Obligor since 31 March 2015, and no material adverse change in the financial position or prospects of the Obligor since 31 December 2014.

There has been no significant change in the financial or trading position of the Trustee and no material adverse change in the prospects of the Trustee, in each case since the date of its incorporation.

## **Litigation**

The Trustee is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Trustee is aware) since incorporation which may have or have in such period had a significant effect on the financial position or profitability of the Trustee.

The Obligor is not and has not been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Obligor is aware) during the 12 months preceding the date of this Offering Circular which may have or have in such period had a significant effect on the financial position or profitability of the Obligor.

## **Auditors**

The Trustee is not required by Cayman Islands law, and does not intend, to publish audited financial statements or appoint any auditors.

Garuda's consolidated financial statements as of 31 December 2013 and 2014 and for the years ended 31 December 2013 and 2014 have been audited by Osman Bing Satrio & Eny (a member firm of Deloitte Touche Tohmatsu Limited). Garuda's consolidated financial statements as of 31 March 2015 and for the three-month period ended 31 March 2015 and 2014 have been reviewed by Osman Bing Satrio & Eny, a member firm of Deloitte Touche Tohmatsu Limited. The review report included in this Offering Circular states that they did not audit and they do not express an opinion on the interim financial information. Accordingly, the degree of reliance on their report on such information should be restricted in light of the limited nature of the review procedures applied.

## **Documents Available**

For so long as any Certificates remain outstanding, physical copies (and English translations, which will be accurate and direct translations, where the documents in question are not in English) of the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection by Certificateholders at the office of Trustee:

- (a) the Memorandum and Articles of Association of the Trustee;
- (b) the Transaction Documents;
- (c) the Audited Annual Financial Statements and the Interim Financial Statements; and
- (d) a copy of this Offering Circular together with any supplement to this Offering Circular.

## **Shari'a Approvals**

The transaction structure relating to the Certificates (as described in this Offering Circular) has been approved by the Shari'a advisory boards/committees of Dubai Islamic Bank P.J.S.C., Maybank Investment Bank Berhad, National Bank of Abu Dhabi P.J.S.C. and Standard Chartered Bank. Prospective Certificateholders should not rely on any of the approvals referred to above in deciding whether to make an investment in the Certificates and should consult their own *Shari'a* advisers/advisory boards/committees as to whether the proposed transaction is in compliance with *Shari'a* principles.

## INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

**Consolidated financial statements in respect of the Group as of 31 March 2015 and 31 December 2014 and 2013 and for the three-month periods ended 31 March 2015 and 2014 and for the years ended 31 December 2014 and 2013**

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DIRECTOR'S STATEMENT LETTER  
RELATING TO THE RESPONSIBILITY  
ON THE CONSOLIDATED FINANCIAL STATEMENTS AS OF MARCH 31, 2015 AND  
DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/ DECEMBER 31, 2012 AND FOR THE THREE-MONTH PERIODS  
ENDED MARCH 31, 2015 AND 2014 AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

**PT GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES**

We the undersigned:

- |                               |   |   |
|-------------------------------|---|---|
| 1. Name                       | : | M. Arif Wibowo  |
| Office address                | : | Gd. Garuda Indonesia<br>Jl. Kebon Sirih No. 44<br>Jakarta – 10110, Indonesia                      |
| Domicile as stated in ID card | : | Jl. Vanda XI No. 10, Palem Semi RT 004/RW 011<br>Kel. Panunggangan Barat, Kec. Cibodas, Tangerang |
| Phone number                  | : | +62 21 55915671   |
| Position                      | : | President & CEO   |
|                               |   |   |
| 2. Name                       | : | IG. N. Askhara Danadiputra  |
| Office address                | : | Gd. Garuda Indonesia<br>Jl. Kebon Sirih No. 44<br>Jakarta – 10110, Indonesia                      |
| Domicile as stated in ID card | : | Jl. Sunan Derajat No. 52, RT 008/RW 005<br>Kel. Jati, Kec. Pulogadung, Jakarta Timur              |
| Phone number                  | : | +62 21 25601306   |
| Position                      | : | Director of Finance & Risk Management   |

State that:

1. Responsible for the preparation and presentation of the consolidated financial statements;
2. The consolidated financial statements have been prepared and presented in accordance with Indonesian Financial Accounting Standards (SAK);
3.
  - a. All information contained in the consolidated financial statements is complete and correct;
  - b. The consolidated financial statements do not contain misleading material information or facts, and do not omit material information and facts;
4. Responsible for the Company's internal control system.

This statement letter is made truthfully.

For and on behalf of the Board of Directors  
Jakarta, April 29 , 2015

 <b>M. Arif Wibowo</b> President & CEO	 <b>IG. N. Askhara Danadiputra</b> Director of Finance & Risk Management
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## Report on Review of Interim Financial Information

No. SR115 0055 GIA FAN

The Stockholders, Boards of Commissioners and Directors  
PT. Garuda Indonesia (Persero) Tbk

### **Introduction**

We have reviewed the accompanying interim consolidated financial statements of PT. Garuda Indonesia (Persero) Tbk and its subsidiaries, which comprise the interim consolidated statement of financial position as of March 31, 2015, and the interim consolidated statements of profit or loss and other comprehensive income, interim consolidated statements of changes in equity, and interim consolidated statements of cash flows for the three-month periods ended March 31, 2015 and 2014, and summary of significant accounting policies and other explanatory notes. Management is responsible for the preparation and fair presentation of these interim consolidated financial statements in accordance with Indonesian Financial Accounting Standards. Our responsibility is to express a conclusion on this interim consolidated financial statements based on our review.

### **Scope of Review**

We conducted our review in accordance with standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity", established by the Indonesian Institute of Certified Public Accountants. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants and consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

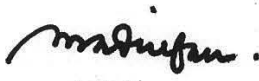
### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim consolidated financial statements do not present fairly, in all material respects, the consolidated financial position of PT. Garuda Indonesia (Persero) Tbk and its subsidiaries as of March 31, 2015, and their consolidated financial performance and their cash flows for the three-month periods ended March 31, 2015 and 2014, in accordance with Indonesian Financial Accounting Standards.

### **Other Matter**

This report has been prepared in connection with the Company's offering of debt securities.

OSMAN BING SATRIO & ENY



Muhammad Irfan  
Public Accountant License No. AP.0565

April 29, 2015

## Osman Bing Satrio & Eny

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

## Independent Auditors' Report

No. GAR115 0525 GIA FAN

The Stockholders, Boards of Commissioners and Directors  
PT. Garuda Indonesia (Persero) Tbk

### **Introduction**

We have audited the accompanying consolidated financial statements of PT. Garuda Indonesia (Persero) Tbk and its subsidiaries, which comprise the consolidated statement of financial position as of December 31, 2014, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

### **Management's Responsibility for the Consolidated Financial Statements**

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with Indonesian Financial Accounting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Standards on Auditing established by the Indonesian Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditors' consider internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of PT. Garuda Indonesia (Persero) Tbk. and its subsidiaries as of December 31, 2014, and their consolidated financial performance and cash flows for the year then ended, in conformity with Indonesian Financial Accounting Standards.

## Osman Bing Satrio & Eny

Deloitte refers to one or more of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee, and its network of member firms, each of which is a legally separate and independent entity. Please see [www.deloitte.com/about](http://www.deloitte.com/about) for a detailed description of the legal structure of Deloitte Touche Tohmatsu Limited and its member firms.

Member of Deloitte Touche Tohmatsu Limited

# Osman Bing Satrio & Eny

## Emphasis of Matter

We draw attention to Note 2 and 5 to the consolidated financial statements, the accompanying consolidated financial statements have been retrospectively adjusted for the adoption of new PSAK which is effective January 1, 2015. Our opinion is not modified in respect of this matter.

## Other Matter

This report has been prepared in connection with the Company's offering of debt securities. Prior this report we have previously issued our report No.GA115 0149 GIA FAN dated March 18, 2015 on the consolidated financial statements of PT Garuda Indonesia (Persero) Tbk and its subsidiaries for the year ended December 31, 2014 with unqualified opinion.

OSMAN BING SATRIO & ENY



Muhammad Irfan  
Public Accountant License No. AP.0565

April 29, 2015

PT GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
MARCH 31, 2015 (UNAUDITED), DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/DECEMBER 31, 2012

Notes	March 31, 2015 (Unaudited) USD	As restated - Note 5		January 1, 2013/ December 31, 2012 USD	
		December 31, 2014 USD	December 31, 2013 USD		
<b>ASSETS</b>					
<b>CURRENT ASSETS</b>					
Cash and cash equivalents	6,46	464,898,910	434,327,498	480,429,053	334,081,961
Trade accounts receivables					
Related parties	7,46	2,662,185	2,747,485	3,895,720	4,442,106
Third parties - net of allowance for impairment loss of USD 6,226,315 in March 31, 2015, USD 6,599,637 in December 31, 2014, USD 2,844,443 in December 31, 2013 and USD 1,562,838 in January 1, 2013/December 31, 2012		137,325,563	117,876,342	141,661,109	131,345,666
Other receivables	8	10,645,811	8,349,932	9,158,363	8,068,782
Inventories - net	9	85,498,623	85,204,399	91,325,429	84,309,102
Advances and prepaid expenses	10	135,139,648	134,765,800	90,118,503	85,886,470
Prepaid taxes	11	30,712,871	27,243,487	19,934,137	9,728,588
<b>Total Current Assets</b>		<b>866,883,611</b>	<b>810,514,943</b>	<b>836,522,314</b>	<b>657,862,675</b>
<b>NON CURRENT ASSETS</b>					
Maintenance reserve fund and security deposits	12,49,50	847,884,492	786,933,317	617,623,057	461,933,812
Advances for purchase of aircraft	13	367,309,429	388,883,491	500,366,435	497,157,419
Investments in associates	14	284,787	545,647	972,087	1,179,564
Deferred tax assets	11	121,883,572	119,650,511	34,850,834	22,076,105
Property and equipment - net of accumulated depreciation of USD 1,212,889,722 in March 31, 2015, USD 1,188,605,633 in December 31, 2014, USD 1,058,880,732 in December 31, 2013 and USD 985,069,094 in January 1, 2013/ December 31, 2012	15	887,207,438	922,994,362	895,017,840	826,747,800
Investment properties	16	26,708,125	26,818,510	22,020,790	18,912,898
Intangible assets - net	17	5,600,641	6,047,329	6,822,881	7,217,106
Deferred charges - net		5,317,578	5,411,785	7,275,144	1,690,740
Other assets - net	18,46	43,124,762	45,279,420	76,167,174	73,328,314
<b>Total Non Current Assets</b>		<b>2,305,320,824</b>	<b>2,302,564,372</b>	<b>2,161,116,242</b>	<b>1,910,243,758</b>
<b>TOTAL ASSETS</b>		<b>3,172,204,435</b>	<b>3,113,079,315</b>	<b>2,997,638,556</b>	<b>2,568,106,433</b>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

PT GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

MARCH 31, 2015 (UNAUDITED), DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/DECEMBER 31, 2012 - Continued

Notes	March 31, 2015 (Unaudited) USD	As restated - Note 5			
		December 31, 2014 USD	December 31, 2013 USD	January 1, 2013/ December 31, 2012 USD	
<b>LIABILITIES AND EQUITY</b>					
<b>CURRENT LIABILITIES</b>					
Loan from banks and financial institution	19,46	564,669,978	75,312,110	45,222,668	5,651,251
Trade accounts payables					
Related parties	20,46	94,048,762	111,563,071	120,771,564	80,037,958
Third parties		89,415,526	104,026,360	86,179,810	90,700,694
Other payables	21	33,101,637	24,196,608	20,988,151	22,119,524
Taxes payable	11	19,735,048	18,458,721	18,002,338	21,502,264
Accrued expenses	22	206,447,474	224,597,949	169,670,785	175,064,453
Unearned revenues	23	173,956,332	210,488,910	169,265,396	162,270,578
Advances received		22,914,805	29,581,017	20,593,426	20,631,988
Current maturities of long term liabilities					
Long-term loans	24,46	224,649,523	368,945,183	280,075,641	106,125,048
Lease liabilities	25	13,046,441	12,933,174	53,268,680	58,132,590
Estimated liability for aircraft return and maintenance cost	26	46,852,454	39,262,253	15,060,990	21,795,528
Total Current Liabilities		1,488,837,980	1,219,365,356	999,099,449	764,031,876
<b>NON CURRENT LIABILITIES</b>					
Non current maturities of long-term liabilities:					
Long-term loans	24,46	256,058,692	446,699,347	327,040,065	297,873,115
Lease liabilities	25	102,867,887	105,965,183	138,482,264	148,220,008
Estimated liability for aircraft return and maintenance cost	26	67,567,078	73,526,187	55,191,260	30,536,262
Bonds payable	27	151,902,750	159,758,003	162,850,383	-
Deferred tax liabilities	11	2,387,982	2,531,137	11,632,923	3,029,549
Employment benefits obligation	29	191,045,851	190,327,180	183,337,325	243,215,410
Other non current liabilities	28	37,306,786	35,439,331	25,871,293	7,244,913
Total Non Current Liabilities		809,137,026	1,014,246,368	904,405,513	730,119,257
<b>EQUITY</b>					
Capital stock - Rp 459 par value per share for Series A Dwiwarna share and Series B shares					
Authorized - 1 of Series A Dwiwarna share and 29,999,999,999 Series B shares					
Issued and paid-up capital - 1 Series A Dwiwarna shares and 25,868,926.632 Series B share at March 31, 2015, December 31, 2014 and 22,640,995,999 at December 31, 2013 and January 1, 2013/December 31, 2012					
	30	1,309,433,569	1,309,433,569	1,146,031,889	1,146,031,889
Additional paid-in capital	31	(33,948,489)	(33,948,489)	4,548,037	4,548,037
Stock option	33	2,770,970	2,770,970	2,770,970	1,148,451
Retained earnings					
Deficit amounting USD 1,385,459,977 as of January 1, 2012 was eliminated in connection with quasi reorganization (Notes 54)					
- Appropriated	34	6,081,861	6,081,861	5,529,919	-
- Unappropriated		(289,925,706)	(293,955,127)	83,242,722	50,119,105
Other comprehensive income	15,32	(137,789,421)	(126,884,816)	(165,090,777)	(147,278,931)
Equity attributable to owners of the company		856,622,784	863,497,968	1,077,032,760	1,054,568,551
Non controlling interest	35	17,606,645	15,969,623	17,100,834	19,386,749
Total Equity		874,229,429	879,467,591	1,094,133,594	1,073,955,300
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>3,172,204,435</b>	<b>3,113,079,315</b>	<b>2,997,638,556</b>	<b>2,568,106,433</b>

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

PT GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME  
FOR THREE-MONTH PERIODS ENDED ON MARCH 31, 2015 AND MARCH 31, 2014 (UNAUDITED)  
AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	Notes	2015	2014	(As restated - Note 5)	
		(three months)	(three months)	2014	2013
		(Unaudited)	(Unaudited)	(one-year)	(one-year)
		USD	USD	USD	USD
<b>OPERATING REVENUES</b>					
Scheduled airline services	36	805,480,657	734,975,382	3,384,255,386	3,170,086,191
Non-scheduled airline services	36	39,203,045	2,856,691	203,902,498	215,965,887
Others	36	82,642,361	79,578,072	345,372,388	373,398,159
Total Operating Revenues		<u>927,326,063</u>	<u>817,410,145</u>	<u>3,933,530,272</u>	<u>3,759,450,237</u>
<b>OPERATING EXPENSES</b>					
Flight operations	37	531,715,217	597,638,617	2,562,179,370	2,243,445,104
Ticketing, sales and promotion	38	75,204,069	79,657,570	354,822,396	335,582,593
Maintenance and overhaul	39	94,502,699	81,262,273	419,536,774	285,193,329
Passenger services	40	68,972,138	73,369,008	302,908,137	282,897,297
User charges and station	41	73,999,398	72,657,782	339,756,096	298,001,244
General and administrative	42	57,567,314	59,734,149	244,510,498	228,315,526
Hotel operation		7,487,366	8,112,784	34,077,718	33,758,910
Transportation operations		3,879,869	4,122,579	17,798,905	19,816,371
Network operation		3,410,720	4,416,291	16,755,061	17,956,789
Total Operating Expenses		<u>916,738,790</u>	<u>980,971,053</u>	<u>4,292,344,955</u>	<u>3,744,967,163</u>
<b>OTHER OPERATING (INCOME) CHARGES</b>					
Loss (gain) on foreign exchange		(18,993,768)	34,310,821	(8,896,197)	(59,680,414)
Others	43	(1,116,085)	(2,607,469)	45,309,635	(2,043,084)
Net		<u>(20,109,853)</u>	<u>31,703,352</u>	<u>36,413,438</u>	<u>(61,723,498)</u>
<b>PROFIT FROM OPERATIONS</b>					
		<u>30,697,126</u>	<u>(195,264,260)</u>	<u>(395,228,121)</u>	<u>76,206,572</u>
Equity in net income (loss) of associates		(236,504)	(43,304)	4,193	26,546
Finance income		1,640,810	3,086,536	12,091,904	10,553,426
Finance cost	44	(16,668,372)	(17,042,585)	(73,321,080)	(59,868,324)
<b>PROFIT (LOSS) BEFORE TAX</b>					
		<u>15,433,060</u>	<u>(209,263,613)</u>	<u>(456,453,104)</u>	<u>26,918,220</u>
<b>TAX BENEFITS (EXPENSE)</b>					
	11	<u>(3,017,055)</u>	<u>43,082,212</u>	<u>87,541,825</u>	<u>(3,386,833)</u>
<b>PROFIT (LOSS) FOR THE CURRENT PERIOD</b>					
		<u>12,416,005</u>	<u>(166,181,401)</u>	<u>(368,911,279)</u>	<u>23,531,387</u>
<b>OTHER COMPREHENSIVE INCOME (LOSS)</b>					
<b>ITEM THAT WILL NOT BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS</b>					
Gain on revaluation of property and equipment - net		-	-	53,298,802	14,647,651
Remeasurement of defined benefit obligation	29	(11,546,340)	(3,493,473)	(11,874,958)	16,635,556
Income tax relating to items that will not be reclassified		2,886,585	873,368	(3,637,751)	(2,578,382)
Subtotal		<u>(8,659,755)</u>	<u>(2,620,105)</u>	<u>37,786,093</u>	<u>28,704,825</u>
<b>ITEM THAT MAY BE RECLASSIFIED SUBSEQUENTLY TO PROFIT AND LOSS</b>					
Unrealized gain on cash flows hedge transaction		(3,393,805)	-	(29,770)	-
Exchange differences on translating foreign operations		(5,600,607)	9,358,838	(8,416,201)	(33,680,437)
Subtotal		<u>(8,994,412)</u>	<u>9,358,838</u>	<u>(8,445,971)</u>	<u>(33,680,437)</u>
Total other comprehensive income (loss)		<u>(17,654,167)</u>	<u>6,738,733</u>	<u>29,340,122</u>	<u>(4,975,612)</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>					
		<u>(5,238,162)</u>	<u>(159,442,668)</u>	<u>(339,571,157)</u>	<u>18,555,775</u>
<b>PROFIT (LOSS) ATTRIBUTABLE TO:</b>					
Owners of the Company		11,397,675	(168,042,709)	(370,045,839)	20,497,950
Non controlling interest	35	1,018,330	1,861,308	1,134,560	3,033,437
<b>PROFIT (LOSS) FOR THE PERIOD</b>					
		<u>12,416,005</u>	<u>(166,181,401)</u>	<u>(368,911,279)</u>	<u>23,531,387</u>
<b>TOTAL COMPREHENSIVE INCOME (LOSS) ATTRIBUTABLE TO:</b>					
Owners of the Company		(6,875,184)	(158,115,567)	(338,439,946)	20,841,690
Non controlling interest	35	1,637,022	(1,327,101)	(1,131,211)	(2,285,915)
<b>TOTAL COMPREHENSIVE INCOME (LOSS)</b>					
		<u>(5,238,162)</u>	<u>(159,442,668)</u>	<u>(339,571,157)</u>	<u>18,555,775</u>
<b>EARNINGS (LOSS) PER SHARE - BASIC</b>					
attributable to owner of the parent company	45	0.00044	(0.00742)	(0.01480)	0.00091

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.

PT GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CHANGE IN EQUITY  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014 (UNAUDITED) AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

Notes	Capital stock USD	Additional paid-up capital USD	Stock option USD	Retained Earning		Revaluation Surplus USD	Translation adjustments USD		Unrealized cash flows hedge transaction USD	Total other comprehensive income USD	Sub total USD	Non controlling interest USD	Total equity USD
				Appropriated USD	Unappropriated USD		USD	USD					
<b>Balance as of January 1, 2013 prior to change in accounting policy</b>	<b>1,146,031,889</b>	<b>4,548,037</b>	<b>1,148,461</b>	-	<b>106,926,120</b>	<b>38,412,435</b>	<b>(188,349,825)</b>	-	<b>(149,937,390)</b>	<b>1,108,717,107</b>	<b>20,147,939</b>	<b>1,128,864,506</b>	
Changes in accounting policy	-	-	-	-	<b>(56,807,015)</b>	-	<b>2,658,459</b>	-	<b>2,658,459</b>	<b>(54,148,556)</b>	<b>(760,650)</b>	<b>(54,909,206)</b>	
<b>Restated balance as of January 1, 2013</b>	<b>1,146,031,889</b>	<b>4,548,037</b>	<b>1,148,461</b>	-	<b>50,119,105</b>	<b>38,412,435</b>	<b>(185,691,366)</b>	-	<b>(147,278,931)</b>	<b>1,054,568,551</b>	<b>19,386,749</b>	<b>1,073,955,300</b>	
Management and employee stock option (MESOP)	-	-	1,622,519	-	-	-	-	-	-	1,622,519	-	1,622,519	
The Company's mandatory reserve	-	-	-	5,529,919	(5,529,919)	-	-	-	-	-	-	-	
Transferred to retained earning	-	-	-	-	2,283,780	(2,283,780)	-	-	(2,283,780)	-	-	-	
Total comprehensive income	-	-	-	-	36,369,756	16,245,225	(31,773,291)	-	(15,528,066)	20,841,690	(2,285,915)	18,555,775	
<b>Balance as of December 31, 2013</b>	<b>1,146,031,889</b>	<b>4,548,037</b>	<b>2,770,970</b>	<b>5,529,919</b>	<b>83,242,722</b>	<b>52,373,880</b>	<b>(217,464,657)</b>	-	<b>(165,090,777)</b>	<b>1,077,032,760</b>	<b>17,100,834</b>	<b>1,094,133,594</b>	
<b>Balance as of January 1, 2014</b>	<b>1,146,031,889</b>	<b>4,548,037</b>	<b>2,770,970</b>	<b>5,529,919</b>	<b>83,242,722</b>	<b>52,373,880</b>	<b>(217,464,657)</b>	-	<b>(165,090,777)</b>	<b>1,077,032,760</b>	<b>17,100,834</b>	<b>1,094,133,594</b>	
Total comprehensive income	-	-	-	-	(168,357,722)	-	10,242,155	-	10,242,155	(158,115,567)	(1,327,101)	(159,442,668)	
<b>Balance as of March 31, 2014 (Unaudited)</b>	<b>1,146,031,889</b>	<b>4,548,037</b>	<b>2,770,970</b>	<b>5,529,919</b>	<b>(85,115,000)</b>	<b>52,373,880</b>	<b>(207,222,502)</b>	-	<b>(154,846,622)</b>	<b>918,917,193</b>	<b>15,773,733</b>	<b>934,690,926</b>	
<b>Balance as of January 1, 2014</b>	<b>1,146,031,889</b>	<b>4,548,037</b>	<b>2,770,970</b>	<b>5,529,919</b>	<b>83,242,722</b>	<b>52,373,880</b>	<b>(217,464,657)</b>	-	<b>(165,090,777)</b>	<b>1,077,032,760</b>	<b>17,100,834</b>	<b>1,094,133,594</b>	
Issuance of new share through Right Issue	163,401,680	283,152	-	-	-	-	-	-	-	163,684,832	-	163,684,832	
Exchange change rate differences on right issue	-	(33,197,028)	-	-	-	-	-	-	-	(33,197,028)	-	(33,197,028)	
The Company's mandatory reserve	-	-	-	551,942	(551,942)	-	-	-	-	-	-	-	
Share issuance cost	-	(3,075,606)	-	-	-	-	-	-	-	(3,075,606)	-	(3,075,606)	
Transaction between entities under common control	-	(2,507,044)	-	-	-	-	-	-	-	(2,507,044)	-	(2,507,044)	
Total comprehensive income	-	-	-	-	(376,645,907)	46,692,312	(8,456,581)	(29,770)	38,205,961	(338,439,946)	(1,131,211)	(339,571,157)	
<b>Balance as of December 31, 2014</b>	<b>1,309,433,569</b>	<b>(33,948,489)</b>	<b>2,770,970</b>	<b>6,081,861</b>	<b>(293,955,127)</b>	<b>99,066,192</b>	<b>(225,921,238)</b>	<b>(29,770)</b>	<b>(126,884,816)</b>	<b>863,497,968</b>	<b>15,969,623</b>	<b>879,467,591</b>	
Total comprehensive income	-	-	-	-	4,029,421	-	(7,510,800)	(3,393,805)	(10,904,605)	(6,875,184)	1,637,022	(5,238,162)	
<b>Balance as of March 31, 2015</b>	<b>1,309,433,569</b>	<b>(33,948,489)</b>	<b>2,770,970</b>	<b>6,081,861</b>	<b>(289,925,706)</b>	<b>99,066,192</b>	<b>(233,432,038)</b>	<b>(3,423,575)</b>	<b>(137,789,421)</b>	<b>856,622,784</b>	<b>17,606,645</b>	<b>874,229,429</b>	

See accompanying notes to consolidated financial statements  
which are an integral part of the consolidated financial statements.

PT GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
FOR THREE-MONTH PERIODS ENDED ON MARCH 31, 2015 AND MARCH 31, 2014 (UNAUDITED)  
AND FOR THE YEARS ENDED DECEMBER 31, 2014 AND 2013

	2015 (three months) (Unaudited) USD	2014 (three months) (Unaudited) USD	2014 (one-year) USD	2013 (one-year) USD
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash receipts from customers	862,330,792	800,421,694	4,004,586,542	3,874,575,626
Cash paid to suppliers	(768,197,180)	(866,758,937)	(3,559,997,794)	(3,233,946,933)
Cash paid to employees	(99,917,688)	(98,840,015)	(427,671,220)	(427,834,528)
Cash generated from operations	(5,784,076)	(165,177,258)	16,917,528	212,794,165
Interest and financial charges paid	(14,730,323)	(9,244,281)	(58,915,533)	(35,040,542)
Income taxes paid	(5,530,820)	(7,801,556)	(12,154,779)	(27,478,571)
Net Cash Provided from (Used in) Operating Activities	(26,045,220)	(182,223,094)	(54,152,784)	150,275,052
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Refund of advance payments for purchase of aircraft	29,239,165	-	267,051,525	398,739,049
Receipts of aircraft maintenance reimbursements	1,612,523	7,004,991	45,738,406	41,931,995
Receipts of security deposit	7,541,070	2,863,117	15,813,295	1,129,657
Interest received	1,931,760	4,028,296	12,724,000	9,892,089
Proceeds from disposal of property and equipment	663,076	445,657	4,770,914	10,314,619
Dividend received	-	-	194,733	1,739,459
Payments for aircraft maintenance reserve fund	(80,881,262)	(51,473,533)	(302,532,646)	(235,312,053)
Advance payments for purchase aircrafts	(8,272,315)	(45,930,855)	(168,937,917)	(442,858,026)
Acquisition of property and equipment	(4,935,462)	(6,938,938)	(51,659,502)	(63,154,057)
Payments for aircraft maintenance and aircraft leased asset	(772,861)	(13,303,789)	(14,763,356)	(55,864,432)
Payments for security deposit	(2,288,607)	(1,163,771)	(40,791,017)	(43,814,936)
Advance payments for property and equipment	(12,115,837)	(107,510)	(14,973,819)	(14,259,993)
Investment in stock	-	-	(8,606,557)	-
Proceeds from other investing activities	1,007,064	(302,723)	191,953	(4,214,999)
Net Cash Used in Investing Activities	(67,271,686)	(104,879,058)	(255,779,988)	(395,731,628)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>				
Proceeds of long-term loan	-	123,815,301	481,920,742	631,371,699
Proceeds from issuance of common stock - net	-	-	133,511,711	-
Proceeds of bank loan and financial institution	509,832,193	57,444,072	172,085,834	181,946,307
Payments of long-term loan	(333,083,826)	(92,563,726)	(371,971,858)	(228,479,260)
Payments of bank loan and financial institution	(44,217,923)	(44,281,466)	(162,680,475)	(142,398,200)
Increase in restricted cash	(396,340)	(11,951,520)	2,751,957	(1,710,965)
Payment for aircraft return and maintenance	-	(2,014,769)	(2,883,214)	(6,677,864)
Receipt (payment) for other financing activities	(3,652,291)	668,923	184,742	(1,776,784)
Net Cash Provide from Financing Activities	128,481,813	31,116,815	252,919,439	432,274,933
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	35,164,907	(255,985,337)	(57,013,333)	186,818,357
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	434,327,498	480,429,053	480,429,053	342,378,996
Effect of foreign exchange rate changes	(4,593,495)	28,769,355	10,911,778	(48,768,300)
CASH AND CASH EQUIVALENTS OF THE PERIODS	464,898,910	253,213,071	434,327,498	480,429,053

See accompanying notes to consolidated financial statements which are an integral part of the consolidated financial statements.



PT. GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014 (UNAUDITED), AND THE YEARS  
ENDED DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/DECEMBER 31, 2012

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1. GENERAL

a. Establishment and General Information

PT Garuda Indonesia (Persero) Tbk (“the Company”) was established based on Notarial Deed No. 137 dated March 31, 1950 of Raden Kadiman. The deed was approved by the Minister of Law of the Republic of Indonesia in his Decision Letter No. J.A.5/12/10 dated March 31, 1950 and published in the State Gazette of the Republic of Indonesia No. 30 dated May 12, 1950, Supplement No. 136. The Company was previously a State Company, based on Deed No. 8 dated March 4, 1975 of Notary Soeleman Ardjasmita, S.H., and has changed into a state-owned limited liability company pursuant to Government Regulation No. 67 in 1971. This change was published in the State Gazette of the Republic of Indonesia No. 68 dated August 26, 1975, supplement No. 434.

The Company’s Articles of Association has been amended several times, most recently by Deed No. 4 dated December 12, 2014 of Aulia Taufani, S.H., notary in Tangerang, concerning with the amendment of Article 5, paragraph 2a and article 15 paragraph 2.b.4 of the Articles of Association of the Company’s issued related to privilege of “Series A” share and Commissioners obligation. The amendment deed was approved by the Ministry of Justice and Human Rights of the Republic of Indonesia in its Decision Letter No. AHU-10385.40.21.2014 dated December 30, 2014.

The Company’s head office is located at Jl. Kebon Sirih No. 44, Jakarta.

In accordance with article 3 of the Company’s Articles of Association, the scope of its activities comprises of the following:

1. Undertaking scheduled commercial air transportation of domestic or international passengers, cargoes and mails;
2. Undertaking non-scheduled commercial air transportation of domestic or international passengers, cargoes and mails;
3. Providing aircraft repair and maintenance, to satisfy own needs and the needs of third party;
4. Rendering support services for commercial air transportation operation, such as catering services and ground handling services, to satisfy own needs and the needs of third party;
5. Providing information systems services relating to aviation industry, to satisfy own needs and the needs of third party;
6. Providing consulting services relating to aviation industry;
7. Providing education and training services relating to aviation industry, to satisfy own needs and the needs of third party; and
8. Providing health care services for aircrew to satisfy own needs and the needs of third party.

The Company currently operates all its scope of activities except for providing consulting services relating to aviation industry.

The Company started commercial operations in 1950. The Company and subsidiaries (the “Group”) total employees as of March 31, 2015, December 31, 2014, December 31, 2013 and and January 1, 2013/December 31, 2012 were 17,225, 17,197, 16,063 and 14,835, respectively.

Starting in 2012, the Company has maintained their accounting records in English language and in United States Dollar (USD) which have been approved by the Directorate General of Tax No. KEP-289/WPJ.19/2012.

PT. GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014 (UNAUDITED), AND THE YEARS  
 ENDED DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/DECEMBER 31, 2012 – Continued

b. Board of Commissioners and Directors

The Company's management at March 31, 2015 and December 31, 2014 as stated in reference letter dated December 18, 2014 of Aulia Taufani, S.H., M.Kn., notary in Serpong – Tangerang District and at December 31, 2013 as stated in Deed No. 129 dated April 26, 2013 of Aryanti Artisari, S.H., M.Kn., notary in Jakarta, are as follows:

	March 31, 2015	December 31, 2014	December 31, 2013
President Commissioner	Jusman Syafii Djamal	Jusman Syafii Djamal	Bambang Susantono
Commissioners	Isa Rachmatarw ata Muzaffar Ismail Dony Oskaria Chairal Tanjung	Isa Rachmatarw ata Muzaffar Ismail Dony Oskaria Chairal Tanjung	Wendy Aritenang Yazid Bagus Rumbogo -
Independent Commissioners	Jusman Syafii Djamal Hasan M. Soedjono -	Jusman Syafii Djamal Hasan M. Soedjono -	Peter F. Gontha Betti S. Alisjahbana Chris Kanter
President & CEO	M. Arif Wibow o	M. Arif Wibow o	Emirsyah Satar
EVP Finance & Risk	IGN Askhara Danadiputra	IGN Askhara Danadiputra	Handrito Hardjono
EVP Commercial	Handayani	Handayani	Meijer Frederik Johannes
EVP Maintenance & Fleet Management	Iwan Joeniarto	Iwan Joeniarto	Batara Silaban
EVP Services	-	-	Faik Fahmi
EVP Operations	Novijanto Herupratomo	Novijanto Herupratomo	Novijanto Herupratomo
EVP Strategy, Business Development & Risk Management	-	-	Judi Rifajantoro
EVP Human Capital & Corporate Affairs	Heriyanto Agung Putra	Heriyanto Agung Putra	Heriyanto Agung Putra

\*) Based on Directors Decision dated December 16, 2014, the Directors agreed to combine duties and responsibilities of EVP Services into EVP Commercial; while EVP Strategy, Business Development & Risk Management's duties and responsibilities were combined into EVP Finance, Risk & Information Technology.

c. Audit Committee, Corporate Secretary and Internal Audit

The Company's Audit Committee, Corporate Secretary and Internal Audit as of March 31, 2015, December 31, 2014 and December 31, 2013 are the following:

	March 31, 2015	December 31, 2014	December 31, 2013
Audit Committee			
Chairman *)	Hasan M Sudjono	-	Betti S. Alisjahbana
Vice Chairman	-	-	Wendy Aritenang Yazid
Members	Regina Jansen Arsjah Prasetyo Suhardi	Regina Jansen Arsjah Prasetyo Suhardi	Chaerul D Djakman Prasetyo Suhardi
Corporate Secretary	Ike Andriani	Ike Andriani	Ike Andriani
Internal Audit	Sri Mulyati	Sri Mulyati	Sri Mulyati

\*) Based on Decision Letter No. JKTDW/ SKEP/038/2012 on Appointment of Audit Committee as supporting commissioner dated on June 1, 2012 and effective as of December 12, 2014, Betty S. Alisjahbana will be replaced as Chairman of Audit Committee. Based on this decision, until effective date Betty S. Alisjahbana will serve as Independent Corporate Commissionair at Shareholders' meeting; Mr. Hasan M Sudjono as the new chairman of audit committee was appointed based on decision letter No. JKTDW/SKEP/001/2015 dated on January 6, 2015.

PT. GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
 FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014 (UNAUDITED), AND THE YEARS  
 ENDED DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/DECEMBER 31, 2012 – Continued

d. Public Offering of Share of the Group

1. On February 1, 2011, the Company obtained the Notice of Effectivity from the Capital Market and Financial Institutions Supervisory Board (BAPEPAM-LK) in its Letter No. S-325 /BL/2011 for the offering to the public of 6,335,738,000 shares. On February 11, 2011, all of these shares are listed on the Indonesia Stock Exchange.
2. On March 21, 2014, the Company obtained the Notice of Effectivity from Financial Service Authority/Otoritas Jasa Keuangan (also known as OJK) (formerly BAPEPAM-LK) in its Letter No. S-171/D.04/2014 regarding the limited public offering of the Company's 3,227,930,663 shares to the shareholder through Rights Issue. Each holder of 701,409 old shares whose names are recorded in the Company's register of shareholder on April 4, 2014 at 04:00 PM is entitled to 100,000 rights with exercise price of Rp 460 per share. On April 8, 2014, all additional shares have been listed on Indonesia Stock Exchange.

As of March 31, 2015, all of the Company's share or 25,868,926,633 shares have been listed on the Indonesia Stock Exchange.

e. Consolidated Subsidiaries

The Company has ownership interest of more than 50%, directly or indirectly, in the following subsidiaries:

Subsidiary	Domicile	Main business activities	Percentage of ownership %	Start of commercial operations	Total assets before elimination (As restated - Note 5)			
					March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD	January 1, 2013/ December 31, 2012 USD
PT Abacus Distribution Systems Indonesia (ADSI)**	Jakarta	Computerize reservation system services provider	95.00	1996	7,002,492	6,644,616	5,547,139	6,236,456
PT Garuda Maintenance Facility Aero Asia (GMFAA)**	Jakarta	Aircraft maintenance and overhaul	99.99	2002	255,409,429	254,002,027	196,993,418	171,755,964
PT Aero Systems Indonesia (ASI)**	Jakarta	Information technology services	99.99	2005	26,577,211	28,769,085	29,414,849	29,777,606
PT Citilink Indonesia (CT)**	Jakarta	Air transportation services	99.99	2012	187,053,890	165,739,543	106,054,602	73,144,319
Garuda Indonesia Holiday France S.A.S (GIHF)**	Paris	Travel agent, ticketing service and aircraft rental service	100.00	2014	99,001,608	67,941,988	-	-
PT Garuda Angkasa (GA)	Jakarta	Groundhandling services	58.75	1998	65,310,850	62,536,995	61,312,816	65,426,153
PT Aero Wisata and subsidiaries (AWS)	Jakarta	Hotel, catering, ticketing services	99.99	1973	203,910,710	219,855,982	205,414,096	210,207,133
PT Mirtasari Hotel Development (MHD)*	Denpasar	Hotel	99.99	1974	23,134,048	25,402,334	25,782,999	23,939,850
PT Aerofood Indonesia (ACS)*	Jakarta	Aircraft catering services	99.99	1974	87,983,474	93,621,341	85,104,874	82,935,357
PT Aero Globe Indonesia (AGI)*	Jakarta	Travel agent	99.99	1967	6,311,782	6,952,233	6,266,212	6,030,307
PT Aero Trans Services Indonesia (ATS)*	Jakarta	Transportation services	99.99	1989	25,426,523	27,336,691	23,431,288	24,014,516
PT Aerojasa Perkasa (AJP)*	Jakarta	Ticketing	99.87	1989	2,943,220	2,848,649	2,523,407	2,059,195
PT Senggigi Pratama Internasional (SPI)*	Lombok	Hotel	99.99	1988	9,697,046	10,362,933	9,665,687	10,760,257
Garuda Orient Holidays, Pty. Limited (GOHA)*	Sydney	Travel agent	99.99	1981	4,978,972	5,598,666	5,832,377	7,320,387
Garuda Orient Holidays Korea Co, Limited (GOHK)*	Korea	Travel agent	60.00	2008	464,842	611,706	809,908	817,249
Garuda Orient Holidays Japan Co, Ltd (GOHJ)*	Japan	Travel agent	60.00	2009	2,691,395	4,671,514	6,136,406	7,387,490
PT Bina Inti Dinamika (BID)*	Bandung	Hotel	61.89	1989	3,675,923	4,181,068	4,618,525	5,444,221
PT Aero Hotel Management (AHM)*	Jakarta	Hotel management	99.99	2010	1,011,532	1,098,480	647,149	750,152
PT GIH Indonesia*)	Jakarta	Travel agent	60.00	2012	1,112,729	1,425,816	1,478,322	563,518
PT Belitung Inti permai (BIP)*	Jakarta	Hotel	99.99	Under development stage	2,138,525	2,249,240	2,112,236	2,220,018
PT Aerojasa Cargo ("AJC")*)	Jakarta	Cargo Services	99.99	2003	1,241,128	976,954	614,247	684,037
PT Citra Lintas Angkasa ("CLA")*, Owned by AJC	Jakarta	Regulated Agent / Cargo Services	60.00	2014	650,004	369,511	-	-

\*) Indirect ownership

\*\*\*) Direct and Indirect ownership

PT. GARUDA INDONESIA (PERSERO) Tbk AND ITS SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS  
FOR THE THREE-MONTH PERIODS ENDED MARCH 31, 2015 AND 2014 (UNAUDITED), AND THE YEARS  
ENDED DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/DECEMBER 31, 2012 – Continued

On December 10, 2014, the Company acquired additional shares of GA owned by PT Angkasa Pura I. The total number of shares acquired in this transaction is 456,960 or 21.25% of the total issued and paid up share capital of GA with details as follows:

	December 31, 2014
	<u>USD</u>
Net Assets of GA as of December 31, 2014	28,703,595
Percentage of shares acquired	21.25%
Net Assets of GA acquired	6,099,514
Purchase price	<u>8,606,558</u>
Differences Restructuring Transactions of Entities Under Common Control	<u>(2,507,044)</u>

This share acquisition is recorded in accordance with PSAK 38. The difference between the purchase price and the amount of additional ownership of GA's shares is recorded as business combination transaction of entities under common control in additional paid-in capital.

Total percentage of the Company's shareholding in GA after acquisition amounted to 58.75% or equivalent to 1,263,360 shares.

In 2014, the Company established Garuda Indonesia Holiday France (GIHF) based in Paris, France.

The table below shows details of non-wholly owned subsidiary of the Group that have material non-controlling interest:

Subsidiary	Domicile	Main business activities	Percentage of ownership %	Start of commercial operations	Profit (loss) allocated to non-controlling interest March 31, 2015 (Unaudited) USD	Accumulated non-controlling interest March 31, 2015 (Unaudited) USD
PT Gapura Angkasa (GA)	Jakarta	Groundhandling services	58.75	1998	1,107,523	2,095,462

Summarized financial information in respect of material non-controlling interest is set out below:

	March 31, 2015 (Unaudited)
	<u>GA</u>
	<u>USD</u>
Assets	<u>64,187,977</u>
Liabilities	36,675,991
Equity attributable to owners of the Group	16,163,296
Non-controlling interest	<u>11,348,697</u>
Total	<u>64,187,984</u>
Revenue	25,263,406
Expenses	<u>22,578,502</u>
Profit (loss)	<u>2,684,904</u>
Profit (loss) attributable to :	
Owner of the company	1,577,381
the non-controlling of the Company	<u>1,107,523</u>
Profit (loss) for the period	<u>2,684,904</u>
Other comprehensive income attributable to :	
Owner of the Company	(201,429)
Non-controlling of the Company	<u>(141,429)</u>
Total comprehensive income for the period	<u>(342,858)</u>
Net cash inflow (outflow)	<u>2,912,008</u>

2. ADOPTION OF NEW AND REVISED STATEMENTS OF FINANCIAL ACCOUNTING STANDARDS (“PSAK”) AND INTERPRETATIONS OF PSAK (“ISAK”)

In the current period, the Group adopted the following new and revised standards and interpretations issued by the Financial Accounting Standard Board of the Indonesian Institute of Accountants that are relevant to its operations and effective for accounting period beginning on January 1, 2015.

- PSAK 1 (revised 2013), Presentation of Financial Statements

The amendments to PSAK 1 introduce new terminology for the statement of comprehensive income. Under the amendments to PSAK 1, the statement of comprehensive income is renamed as a “statement of profit or loss and other comprehensive income”. The amendments to PSAK 1, require additional disclosures to be made in the other comprehensive income section such that items of other comprehensive income are grouped into two categories: (1) items that will not be reclassified subsequently to profit or loss; and (2) items that may be reclassified subsequently to profit or loss when specific conditions are met. Income tax on items of other comprehensive income is required to be allocated on the same basis - the amendments do not change the option to present items of other comprehensive income either before tax or net of tax. The amendments have been applied retrospectively, and hence the presentation of items of other comprehensive income has been modified to reflect the changes. Other than the above mentioned presentation changes, the application of the amendments to PSAK 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

- PSAK 15 (revised 2013), Investments in Associates and Joint Ventures

PSAK 15 (revised 2009), “Investments in Associates” has been renamed PSAK 15 (revised 2013), “Investments in Associates and Joint Ventures”. The scope of the revised standard was expanded to cover entities that are investors with joint control of, or significant influence over, an investee.

- PSAK 24 (revised 2013), Employee Benefits

The amendments to PSAK 24 change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of PSAK 24 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus. Furthermore, the interest cost and expected return on plan assets used in the previous version of PSAK 24 are replaced with a 'net interest' amount under PSAK 24 (as revised in 2010), which is calculated by applying the discount rate to the net defined benefit liability or asset. These changes have had an impact on the amounts recognized in financial position, profit or loss and other comprehensive income in prior years. In addition, PSAK 24 (as revised in 2010) introduces certain changes in the presentation of the defined benefit cost including more extensive disclosures.

Specific transitional provisions are applicable to first-time application of PSAK 24 (as revised in 2013). The Group has applied the relevant transitional provisions and restated the comparative amounts on a retrospective basis (Note 5).

- PSAK 46 (revised 2014), Income Taxes

The amendments to PSAK 46: (1) remove references to final tax which was previously scoped in the standard; and (2) establish a rebuttable presumption that the carrying amount of an investment property measured using the fair value model in PSAK 13, Investment Property will be recovered entirely through sale.

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The Group measures its investment properties using the fair value model. As a result of the application of the amendments to PSAK 46, the management reviewed the Group's investment property portfolios and concluded that none of the Group's investment properties are held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Based on management's assessment, the Group is not recognizing any deferred taxes on changes in fair value of the investment properties as the Group is not subject to any income taxes on disposal of its investment properties.

- PSAK 48 (revised 2014), Impairment of Assets

PSAK 48 has been amended to incorporate the requirements of PSAK 68, Fair Value Measurement.

- PSAK 50 (revised 2014), Financial Instruments: Presentation

The amendments to PSAK 50 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of "currently has a legal enforceable right of set-off" and "simultaneous realization and settlement." The amendments also clarify that income tax on distributions to holders of an equity instrument and transaction costs of an equity transaction should be accounted for in accordance with PSAK 46. The amendments have been applied retrospectively. As the Group does not have any offsetting arrangements in place, the application of the amendments has had no material impact on the disclosures or on the amounts recognized in the consolidated financial statements.

- PSAK 55 (revised 2014), Financial Instruments: Recognition and Measurement

The amendments to PSAK 55 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness. Further, the amendments clarify the accounting for embedded derivatives in the case of a reclassification of a financial asset out of the "fair value through profit or loss" category – see discussion in ISAK 26.

This standard is also amended to incorporate the requirements of PSAK 68, Fair Value Measurement.

- PSAK 60 (revised 2014), Financial Instruments: Disclosures

The amendments to PSAK 60 increase the disclosure requirements for transactions involving transfers for financial assets. These amendments are intended to provide greater transparency around risk exposures when a financial asset is transferred but the transferor retains some level of continuing exposure in the asset. The amendments also require disclosures where transfers of financial assets are not evenly distributed throughout the period. Further, entities are required to disclose information about rights of offset and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar arrangement. If the Group enters into other types of transfer of financial assets in the future, disclosures regarding those transfer may be affected.

- PSAK 65, Consolidated Financial Statements

PSAK 65 replaces the parts of PSAK 4 (revised 2009), Consolidated and Separate Financial Statements; that deal with consolidated financial statements, and ISAK 7, Consolidation – Special Purpose Entities.

Under PSAK 65, there is only one basis for consolidation for all entities, and that basis is control. A more robust definition of control has been developed that includes three elements: (a) power over an investee; (b) exposure, or rights, to variable returns from its involvement with the investee; and (c) ability to use its power over the investee to affect the amount of the investor's returns. PSAK 65 also adds application guidance to assist in assessing whether an investor controls an investee in complex scenarios. PSAK 65 requires investors to reassess whether or not they have control over the investees on transition, and requires retrospective application.

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Management assessed whether or not the Group has control over entities owned by Group with less than 50% of the voting shares at the date of initial application of the standard, and concluded that they have no control over such entities and therefore such application would not impact the amounts reported in the Group's consolidated financial statements but may impact future transactions.

- **PSAK 67, Disclosures of Interests in Other Entities**

PSAK 67 is applicable to entities that have interests in subsidiaries, joint arrangements, associates or unconsolidated structured entities. The standard establishes disclosure objectives and specifies minimum disclosures that entities must provide to meet those objectives. The objective of PSAK 67 is that an entity should disclose information that helps users of financial statements evaluate the nature of, and risks associated with, its interests in other entities and the effects of those interests on its financial statements.

Application of this standard has resulted in more extensive disclosures in the consolidated financial statements as described in Notes 1e and 14.

- **PSAK 68, Fair Value Measurement**

PSAK 68 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The standard does not change the requirements regarding which items should be measured or disclosed at fair value.

PSAK 68 defines fair value, establishes a framework for measuring fair value, and requires disclosure about fair value measurements. The scope of PSAK 68 is broad; it applies to both financial instrument items and non-financial instrument items for which other PSAK require or permit fair value measurements and disclosures about fair value measurements, except in specified circumstances. In general, the disclosure requirements in PSAK 68 are more extensive than those required by the current standards. For example, quantitative and qualitative disclosures based on the three-level fair value hierarchy currently required for financial instruments only under PSAK 60, Financial Instruments: Disclosures will be extended by PSAK 68 to cover all assets and liabilities within its scope.

PSAK 68 is applied prospectively; the disclosure requirements need not be applied in comparative information provided for periods before initial application of the standard. In general, the application of PSAK 68 has not resulted in more extensive disclosures in the consolidated financial statements.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

#### a. Statement of Compliance

The consolidated financial statements have been prepared in accordance with Indonesian Financial Accounting Standards. These financial statements are not intended to present the financial position, results of operations and cash flows in accordance with accounting principles and reporting practices generally accepted in other countries and jurisdictions.

#### b. Basis of Preparation

The consolidated financial statements, except for the consolidated statements of cash flows, are prepared under the accrual basis of accounting. The presentation currency used in the preparation of the consolidated financial statements is the United States Dollar (USD), while the measurement basis is the historical cost, except for certain accounts which are measured on the bases described in the related accounting policies.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services. Before January 1, 2015, historical cost is generally based on the fair value of the consideration given in exchange for assets.

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Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics the asset or a liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and for disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of PSAK 30, and measurements that have some similarities to fair value but are not fair value, such as net realizable value in PSAK 14 or value in use in PSAK 48.

In addition, for financial reporting purposes, fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

The consolidated statements of cash flows are prepared using the direct method with classification of cash flows into operating, investing and financing activities.

c. Interim Consolidated Financial Reporting

PSAK 3 (Revised 2010) prescribes, among other things, the minimum content and the period for which interim financial statements are required to be presented, as well as the recognition and measurement principles in complete or condensed interim financial statements are required to be presented.

In preparing the interim consolidated financial statements for the periods ended March 31, 2015 and 2014, the Group follows the same accounting principles that have been applied in the preparation of the annual consolidated financial statements for the year ended December 31, 2014, and 2013, and presented the prescribed periods for which interim consolidated financial statements are required to be presented.

d. Basis of Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to directly the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including (i) the size of the Company's holding of voting rights relative to the size and dispersion of holding of the other vote holders; (ii) potential voting rights held by the Company, other vote holders or other parties; (iii) rights arising from other contractual arrangements; and (iv) any additional facts and circumstances that indicates that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.



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Consolidation of subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expense of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interest. Total comprehensive income are attributed to owners of the Company and the non-controlling interest even if this results in the non-controlling interest having a deficit balance.

When necessary, adjustment are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transaction between members of the Group are eliminated in full on consolidation.

Changes in the Group's ownership interest in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non-controlling interest are adjusted to reflect the changes in their relative interest in the subsidiaries. Any difference between the amount by which the non-controlling interest are adjusted and the fair value of the consideration paid or received is recognized directly in equity and attributed to owners of the Company.

When the Group losses control of a subsidiary, a gain or loss is recognized in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognized in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable accounting standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under PSAK 55 (revised 2013), Financial Instruments: Recognition and Measurement or, when applicable, the cost on initial recognition of an investment in an associate or a jointly controlled entity.

e. Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree, and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognized in profit or loss as incurred.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognized at their fair value except that: (i) deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognized and measured in accordance with PSAK 46, Income Taxes and PSAK 24, Employee Benefit; (ii) liabilities or equity instruments related to share-based payment arrangements the Group entered into replace share-based payment arrangements of the acquiree are measured in accordance with PSAK 53 at the acquisition date; and (iii) assets (or disposal group) that are classified as held for sale in accordance with PSAK 58, Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognized amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at fair value or, when applicable, on the basis specified in another standard.

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When the consideration transferred by the Group in a business combination includes assets or liabilities resulting from a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in the fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the measurement period (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date.

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or liability is remeasured subsequent to reporting dates in accordance with PSAK 55, Financial Instruments: Recognition and Measurement or PSAK 25 Accounting Policies, Changes in Accounting Estimates as appropriate, with the corresponding gain or loss being recognized in profit or loss.

When a business combination is achieved in stages, the Group's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date and the resulting gain or loss, if any, is recognized in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognized in other comprehensive income are reclassified to profit or loss where such treatment would be appropriate if that interests were disposed of.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognized, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amount recognized as of that date.

f. Business Combination Under Common Control

Business combination of entities under common control that qualifies as a business are accounted for under pooling of interest method where assets and liabilities acquired in the business combination are recorded by the acquirer at their book values.

The difference between the transfer price and the book value is presented as Additional Paid in Capital and is not recycled to profit and loss.

The pooling of interest method is applied as if the entities had been combined from the period in which the merging entities were placed under common control.

g. Foreign Currency Transactions and Translations

The books of accounts of each entity in the Group, except GA, AWS and its subsidiaries are maintained in U.S. Dollar (USD), the currency of the primary economic environment in which the entity operates (its functional currency). In preparing the financial statement of each group entity, transaction in currencies other than the entity's functional currency (foreign currency) are recognized at the rates of exchange prevailing at the dates of the transactions. At reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the date. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

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Exchange differences on monetary items are recognized in profit or loss in the period which they arise except for:

- Exchange differences on foreign currency borrowing relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowing.
- Exchange differences on transaction entered into in order to hedge certain foreign currency risks
- Exchange differences on monetary items receivable from or payable to a foreign currency operation for which settlement is neither planned nor likely to occur (therefor forming part of the net investment in the foreign operation, which are recognized initially on other comprehensive income and reclassified from equity to profit or loss on repayment of monetary items).

The books of accounts of GA, AWS and its subsidiaries except GOHA, GOHK and GOHJ are maintained in Rupiah, while those of GOHA, GOHK and GOHJ are maintained in Australian Dollars, Korean Won and Japan Yen, respectively. For the purpose of presenting the consolidated financial statements, assets and liabilities of these subsidiaries at reporting date are translated into USD using the exchange rates prevailing at the end of each reporting period, while revenues and expenses are translated using the average rates of exchange for the year, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transaction are used. Exchange differences arising, if any, are recognized in other comprehensive income and accumulated in equity (attributed to non-controlling interest as appropriate).

The main exchange rates used, based on the mid rates published by Bank Indonesia are as follows (in full USD):

	March 31, 2015 USD	December 31, 2014 USD	December 31, 2013 USD
Currencies			
IDR 1	0.0001	0.0001	0.0001
EURO 1	1.0748	1.2165	1.3801
YEN 100	0.8302	0.8380	0.9531
SGD 1	0.7235	0.7574	0.7899
AUD 1	0.7720	0.8214	0.8923
GBP 1	1.4873	1.5571	1.6488

h. Transactions with Related Parties

The Group enters into transactions with related parties as defined in PSAK No. 7 “Related Party Disclosures”. All transactions with related parties, whether or not made at similar terms and conditions as those done with third parties, are disclosed in the consolidated financial statements.

i. Cash and Cash Equivalents

For cash flows presentation purposes, cash and cash equivalents comprise of cash on hand, cash in bank and all unrestricted investments with maturities of three months or less from the date of placement.

j. Financial Assets

Financial assets are recognized when a group entity becomes a party to the contractual provisions of the instruments.

All financial assets are recognized and derecognized on trade date basis. Regular way purchase or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace and are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets (other than financial assets at fair value through profit or loss) are added to or deducted from the fair value of the financial assets as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets at fair value through profit or loss are recognized immediately in profit or loss.

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The Group financial assets are classified as follows:

- Fair value through profit or loss (FVTPL)

Financial derivatives are classified in this category unless designated as hedging derivatives. Gain or loss on non-hedging derivative is recognized in profit or loss.

Fair value is determined in the manner described in Note 47.

- Available for sale (AFS)

Long-term investments in shares, except investments in associates, are classified in this category. As there is no active market for these investments and the fair value cannot be reliably measured, these investments are measured at cost, less impairment.

Dividends on AFS equity instruments, if any, are recognized in profit or loss when the Group's right to receive the dividends is established.

- Loans and receivables

Cash and cash equivalents, maintenance reserve funds and security deposits on operating leases, trade and other receivables that have fixed or determinable payments that are not quoted in active market, are classified as "loans and receivables". Loans and receivables are measured at amortized cost using the effective interest method, less impairment.

Interest is recognized by applying the effective interest method, except for short term receivable where the recognition or interest would be immaterial.

#### Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial instrument and of allocating interest income over the relevant period.

The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial instrument, or, where appropriate, a shorter period to the net carrying amount on initial recognition.

Income is recognized on an effective interest basis for financial instruments other than those financial instruments assessed as at fair value through profit or loss.

#### Impairment of financial assets

Financial assets, other than those at fair value through profit and loss (FVTPL), are assessed for indicators of impairment at each reporting date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

For listed and unlisted equity investments classified as AFS, a significant or prolonged decline in the value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organization.

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For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experiences of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial assets original effective interest rate.

For financial asset carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

In respect of AFS equity investments, impairment losses previously recognized in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognized directly in other comprehensive income.

Derecognition of financial assets

The Group derecognizes a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognizes its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retain substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognize the financial asset and also recognizes a collateralized borrowing for the proceeds received.

Netting of Financial Assets and Financial Liabilities

The Group only offsets financial assets and liabilities and presents the net amount in the statement of financial position where it:

- currently has a legal enforceable right to set off the recognized amount; and
- intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

k. Financial Liabilities and Equity Instruments

Financial liabilities are initially measured at fair value. Transaction cost that are directly attributable to the acquisition or issue of financial liabilities (other than financial liabilities at fair value through profit or loss) are deducted from the fair value of the financial liabilities, as appropriate, in initial recognition. Transaction costs directly attributable to the acquisition of financial liabilities at fair value through profit or loss are recognized immediately in profit or loss.

Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

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Equity instruments

An equity instruments is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities – at amortized cost

Bank loans and financial institution, long-term loans, bonds payable and trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortized cost, using the effective interest rate method.

Derecognition of financial liabilities

The Group derecognized financial liabilities when, and only when, their obligations are discharged, cancelled or they expired. The difference between the carrying amount of the financial liability derecognized and the consideration paid and payable is recognized in profit or loss.

l. Inventories

Inventories are stated at the lower of cost and net realizable value. Cost is determined using the weighted average method. Net realizable value is the estimated selling price in the ordinary course of business less all estimated costs of completion and costs necessary to make the sale.

m. Prepaid Expenses

Prepaid expenses are amortized over their beneficial periods using the straight-line method.

n. Investments in Associates and joint ventures

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. A joint venture is arrangement whereby the parties that have joint control of the arrangement have rights to net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates or joint ventures are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment, or a portion thereof, is classified as held for sale, in which case it is accounted for in accordance with PSAK 58 (Revised 2014) Non-current Assets Held for Sale and Discontinued Operation. Under the equity method, an investment in an associate or a joint venture is initially recognized in the consolidated statement of financial position at cost and adjusted thereafter to recognize the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognizing its share of further losses. Additional losses are recognized only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognized as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognized immediately in profit or loss in the period in which the investment is acquired.

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The requirements of PSAK 55 (revised 2014), Financial Instruments: Recognition and Measurement, are applied to determine whether it is necessary to recognize any impairment loss with respect to the Group's investment in an associate or a joint venture. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with PSAK 48 (revised 2014), Impairment of Assets, as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs to sell) with its carrying amount. Any impairment loss recognized forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognized in accordance with PSAK 48 to the extent that the recoverable amount of the investment subsequently increases.

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture, or when the investment is classified as held for sale. When the Group retains an interest in the former associate or joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with PSAK 55. The difference between the carrying amount of the associate or joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognized in other comprehensive income in relation to that associate or joint venture on the same basis as would be required if that associate or joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognized in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the equity method is discontinued.

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognized in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

When a group entity transacts with an associate or a joint venture of the Group, profit and losses resulting from the transactions with the associate or joint venture are recognized in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group.

o. Investment Properties

Investment properties are properties (land or a building – or part of a building – or both) held to earn rentals or for capital appreciation or both.

Investment properties are recorded initially at cost. Subsequent to initial recognition, investment properties are measured at fair value. Gains and losses arising from changes in fair value are recognized in profit or loss in the period in which they arise.

Investment properties shall be derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognized.

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p. Property and Equipment

Aircraft, land and buildings are stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluation is made with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date.

Any revaluation increase arising on the revaluation of such aircraft, land and buildings is recognized in other comprehensive income and accumulated in equity under the heading of revaluation surplus, except to the extent that it reverses a revaluation decrease, for the same asset which was previously recognized in profit or loss, in which case the increase is credited to profit and loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such aircraft, land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the properties revaluation reserve relating to a previous revaluation of such aircraft, land and buildings.

The revaluation surplus in respect of aircrafts, land and buildings is directly transferred to retained earnings when the asset is derecognized.

Aircraft assets are depreciated using the straight-line method to an estimated residual value based on their estimated useful lives, as follows:

	March 31, 2015	December 31, 2014	December 31, 2013
Airframe	18 - 22	18 - 22	18 - 22
Engine	18 - 22	18 - 22	18 - 22
Simulator	10	10	10
Rotable parts	12	12	12
Maintenance assets			
Inspeksi rangka pesawat		Next inspection period	
Overhaul mesin		Next overhaul period	

The Company changed the estimated useful life of Airbus 330-300 aircraft in 2014 and Boeing 747-400 aircraft in 2013 from 20 to 22 years. Such change in estimate was accounted prospectively resulting to reduction in depreciation expense by USD 14,563,168 in 2014 and USD 3,214,148 in 2013.

Non aircraft assets except land and buildings, are stated at cost less accumulated depreciation and impairment, if any, and are depreciated using the straight-line method based on the estimated useful life of the asset, as follows:

	Years
Buildings and infrastructure	40
Vehicles	3 - 5
Other fixed assets (office equipment, hardware and installation)	2 - 10

Land is not depreciated.

Assets held under finance lease are depreciated based on the same estimated useful life with owned assets or over the lease period whichever is shorter.

The estimated useful life, residual values and depreciation method are reviewed at least each year end and the effect of any changes in estimate is accounted for on a prospective basis.

The cost of maintenance and repairs is charged to operations as incurred. Other costs incurred subsequently to add to, replace part of, or service an item of property, and equipment, are recognized as asset if, and only if it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. When assets are retired or otherwise disposed of, their carrying amount is removed from the consolidated financial statement and the resulting gains or losses are recognized in profit or loss.



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Construction in progress is stated at cost which includes borrowing costs during construction on debts incurred to finance the construction. Construction in progress is transferred to the respective property and equipment account when complete and ready to use.

For borrowings that are not specific to the acquisition of a qualifying asset, the amount capitalized is determined by applying a capitalization rate to the expenditures on qualifying asset. The capitalization rate is the weighted average of the borrowing costs applicable to the total borrowings outstanding during the period, excluding borrowings directly attributable to financing other qualifying assets.

Properties under BOT (build, operate and transfer) are stated at cost, less accumulated depreciation. Depreciation is computed using the straight-line method over 20 - 30 years.

q. Non Current Assets Held For Sale

Noncurrent assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the noncurrent asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

Non current assets (and disposal groups) classified as held for sale are measured at the lower of their previous carrying amount and fair value less costs to sell.

r. Impairment of Non-Financial Asset

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that the assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Estimated recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease (as disclosed in Note 3p).

When an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognized for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognized immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase (as disclosed in Note 3p).

Accounting policy for impairment of financial assets is disclosed in Note 3j.

s. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases, which do not meet these criteria, are classified as operating leases.

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As Lessee

Assets held under finance leases are initially recognized as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the consolidated statement of financial position as a finance lease obligation.

Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss. Contingent rentals are recognized as expenses in the periods in which they are incurred.

Operating lease payments are recognized as an expense on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognized as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognized as a liability. The aggregate amount of incentives is recognized as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

Sale and Leaseback

Assets sold under a sale and leaseback transaction are accounted for as follows:

- If the sale and leaseback transaction results in a finance lease, any excess of sales proceeds over the carrying amount of the asset is deferred and amortized over the lease term.
- If the sale and leaseback transaction results in an operating lease and the transaction is established at fair value, any profit or loss is recognized immediately. If the sale price is below fair value, any profit or loss is recognized immediately except that, if the loss is compensated by future lease payments at below market price, it is deferred and amortized in proportion to the lease payments over the period for which the asset is expected to be used. If the sale price is above fair value, the excess over fair value is deferred and amortized over the period for which the asset is expected to be used.

For operating leases, if the fair value at the time of a sale and leaseback transaction is less than the carrying amount of the asset, a loss equal to the amount of the difference between the carrying amount and fair value is recognized immediately.

For finance leases, no such adjustment is necessary unless there has been impairment in value, in which case the carrying amount is reduced to recoverable amount.

t. Heavy Maintenance Costs of Aircraft

Major airframe inspection cost relating to heavy maintenance visit and engine overhauls for owned aircraft and those held on finance lease is capitalized and amortized over the period until the next expected major inspection or overhaul.

If there is a commitment related to maintenance of aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is made based on historical experience, manufacturers' advice and if relevant, contractual obligations, to determine the present value of the estimated future major airframe inspections cost and engine overhauls.

All other repair and maintenance costs are expensed as incurred.

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u. Deferred Charges

Other charges that meet the asset recognition criteria are deferred and amortized using the straight-line method over their beneficial periods.

v. Revenue and Expense Recognition

Passenger ticket and cargo airway bill sales are initially recorded as unearned transportation revenue. Revenue is recognized when transportation service is rendered. Revenue also includes recoveries from surcharges during the period.

Revenue from short-term aircraft maintenance and overhaul contract is recognized when the service is rendered. Revenue from long-term aircraft maintenance and overhaul contracts is recognized using the percentage-of-completion method.

Revenues from hotels, catering, travel agency services, reservation system services and other services related to flight operations are recognized when the services are rendered.

Interest revenue is accrued on time basis, by reference to the principal outstanding and at the applicable interest rate.

Dividend income from investment in shares is recognized when the shareholders' rights to receive such dividend have been established.

Expenses are recognized when incurred.

w. Frequent Flyer Program

The Company operates a frequent flyer program called "Garuda Miles" that provides travel awards to its members based on accumulated mileage. A portion of passenger revenue attributable to the award of frequent flyer benefits, estimated based on expected utilization of these benefits, is deferred until they are utilized. These deferments of revenue are recorded as unearned revenue. Any remaining unutilized benefits are recognized as revenue upon expiry.

x. Post-Employment Benefits and Long-Term Benefits

Post-Employment Benefits

Post-employment benefits accounted for as defined benefit plan are determined using the Projected Unit Credit Method with actuarial valuations being carried out at the end of each annual reporting period. Remeasurement, comprising actuarial gains and losses, the effect of the changes to the asset ceiling (if applicable) and the return on - plan assets (excluding interest), is reflected immediately in the statement of financial position with a charge or credit recognized in other comprehensive income in the period in which they occur. Remeasurement recognized in other comprehensive income is reflected immediately in retained earnings and will not be reclassified to profit or loss. Past service cost is recognized in profit or loss in the period of a plan amendment. Net interest is calculated by applying the discount rate at the beginning of the period to the net defined benefit liability or asset. Defined benefit costs are categorized as follows: (i) service cost (including current service cost, past service cost, as well as gains and losses on curtailments and settlements); (ii) net interest expense or income; and (iii) remeasurement.

The Group presents the first two components of defined benefit cost in profit or loss. Curtailment gains and losses are accounted for as past service costs.

Other Long-Term Benefits

Other long-term benefits are determined using the Projected Unit Credit Method. Past service cost and actuarial gains (losses) are recognized immediately in the current operations.

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The other long-term employee benefit obligation recognized in the consolidated statement of financial position represents the present value of the defined benefit obligation.

y. Provision

Provisions are recognized when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognized as a provision is the best estimate of the consideration required to settle the obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognized as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

z. Income Tax

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from 'profit before tax' as reported in the consolidated (statement of profit or loss and other comprehensive income statement of profit or loss) because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax liabilities are recognized for all taxable temporary differences and deferred tax assets are recognized for deductible temporary differences to the extent that it is probable that taxable income will be available in future periods against which the deductible temporary differences and fiscal losses can be utilized.

Deferred tax liabilities are recognized for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognized to the extent that it is probable that there will be sufficient taxable profits against which to utilize the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realized, based on the tax rates (and tax laws) that have been enacted, or substantively enacted, by the end of the reporting period.

The measurement of deferred tax assets and liabilities reflects the consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

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Current and deferred tax are recognized in profit or loss, except when they relate to items that are recognized in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognized in other comprehensive income or directly in equity respectively. There current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

aa. Derivative Financial Instruments

Derivatives are initially recognized at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at each reporting date. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in fair value of derivative financial instruments that are designated as effective hedges of future cash flows are recognized as part of other comprehensive income and the ineffective portion is recognized immediately in earnings. If the hedged transaction results in the recognition of an asset or liability, the accumulated gains and losses under other comprehensive income are reclassified into earnings in the same period in which the related asset or liability affects earnings. For hedges that do not result in the recognition of an asset or liability, amounts deferred in other comprehensive income are recognized in earnings in the same period in which the hedged item affects profit or loss.

For an effective hedge of an exposure to changes in the fair value, the hedged item is adjusted for changes in fair value attributable to the risk being hedged and such changes are recognized immediately in earnings.

Hedge accounting is discontinued when the Group revokes the hedging relationship, when the hedging instrument expires or is sold, terminated, or exercised, or it no longer qualifies for hedge accounting. Any gain or loss recognized in other comprehensive income and accumulated in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in equity is recognized immediately in profit or loss.

A derivative is presented as non-current asset or non-current liability if the remaining maturity of the instrument is more than 12 months and is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

bb. Earnings per Share

Basic earnings per share is computed by dividing net income attributable to owners of the Company by the weighted average number of shares outstanding during the period.

Diluted earnings per share is computed by dividing net income attributable to owners of the Company by the weighted average number of shares outstanding as adjusted for the effects of all dilutive potential ordinary shares.

cc. Segment Information

Operating segments are identified on the basis of internal reports about components of the Group that are regularly reviewed by the chief operating decision maker in order to allocate resources to the segments and to assess their performances.

An operating segment is a component of an entity:

- a) that engages in business activities from which it may earn revenue and incur expenses (including revenue and expenses relating to the transaction with other components of the same entity);

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- b) whose operating results are reviewed regularly by the entity's chief operating decision maker to make decision about resources to be allocated to the segments and assess its performance; and
- c) for which discrete financial information is available.

Information reported to the chief operating decision maker for the purpose of resource allocation and assessment of their performance is more specifically focused on the category of each product.

dd. Intangible Assets

Software and licenses are capitalized on the basis of the cost incurred to acquire and to prepare the assets for intended use. These costs are amortized using the straight-line method over the estimated useful life of 3 – 8 years.

ee. Manufacturer's Incentive

The Company receives credits from vendors in connection with the acquisition of certain avionic equipments. Depending on their nature, these credits are recorded as a reduction to the cost of the related avionic equipments. The credits are either settled as cash back on subsequent purchases or net-off with payable to vendors.

ff. Management and Employee Stock Option Program

The Company provides stock option program to its members of management and eligible employees (MESOP). The program consists of stock option plan that upon exercise is settled through issuance of shares (equity-settled share based payment arrangement) which is accounted as equity transaction.

Equity-settled share-based payments to employees and others providing similar services are measured at the fair value of the equity instruments at the grant date. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Company's estimate of equity instruments that will eventually vest, with a corresponding increase in equity. At the end of each reporting period, the Company revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognized in consolidated statements of comprehensive income such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

gg. Quasi-Reorganization

As of January 1, 2012, the Company carried out a quasi-reorganization in accordance with the Statement of Financial Accounting Standards (PSAK) No. 51 (revised 2003), "Accounting for Quasi-Reorganization".

The quasi-reorganization was carried out using the accounting for reorganization method, wherein assets and liabilities are revalued at their fair values using market value and discounted cash flows model. The revaluation surplus of asset and liabilities is recognized as difference in revaluation of assets and liabilities and used for eliminating deficit. Details of the elimination of deficit are discussed in Note 54. In addition, the fair value of those assets and liabilities as used in the quasi-reorganization becomes their initial carrying amount in the consolidated financial statements commencing January 1, 2012 and are subsequently measured using the relevant accounting policies.

#### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATES

##### Critical Judgements in Applying Accounting Policies

The following are the critical judgements, apart from those involving estimation (see below) that management has made in the process of applying the accounting policies and that have the most significant impact on the amounts recognized in the consolidated financial statements:

i. **Operating Lease Commitments – As Lessee**

The Company has entered into commercial leases on its aircraft. The Company has determined, based on an evaluation of the substance of the terms and conditions of the arrangements, that the lessor retains all the significant risks and rewards of ownership of these aircrafts and so accounts for the contracts as operating leases. The operating lease commitments are disclosed in Note 49.

ii. **Sale and Leaseback**

The Company has entered into sale and leaseback of certain newly acquired aircrafts. The Company has determined, based on an evaluation of the substance of the terms and conditions of the arrangements, that sale and leaseback transaction results in an operating lease, and the transaction is established at fair value. Sale and leaseback transactions are disclosed in Note 49.

##### Key Sources of Estimation Uncertainty

The preparation of consolidated financial statements in accordance with Indonesian Financial Accounting Standards requires management to make estimates and assumptions that has an effect to the carrying amount of assets and liabilities and disclosure of contingent and liabilities at the date of consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could be different from those estimates.

The key assumptions concerning future and other key sources of estimation at the end of the reporting period, that have the significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

i. **Estimated Useful Lives of Property and Equipment**

Management has estimated the useful lives of property and equipment based on expected asset utilization based on business plans and strategies that also consider expected future technological developments and market behavior. The estimation of the useful lives of property and equipment is based on the Group's collective assessment of industry practice, internal technical evaluation and experience with similar assets. The estimated useful lives are reviewed at least each financial period-end and are updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence and legal or other limitations on the use of the assets. It is possible, however, that future results of operations could be materially affected by changes in the estimates brought about by changes in the factors mentioned above.

The carrying amount of property and equipment is disclosed in Note 15.

ii. **Provision for Aircraft Return and Maintenance Cost**

Whenever there is a commitment to maintain aircraft held under operating lease arrangements, a provision is made during the lease term for the lease return obligations specified within those lease agreements. The provision is based upon historical experience, manufacturers' advice and, where appropriate, contractual obligations in determining the present value of the estimated future costs of major airframe inspections and engine overhauls. Estimates are required to be made in respect of the timing of maintenance. The carrying amount of estimated liability is disclosed in Note 26.

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iii. Post-Employment Benefits Obligation

The cost of defined benefit plan and present value of the pension obligation are determined based on actuarial valuation which makes use of various assumptions such as discount rates, expected rates of return on plan assets, rates of compensation increases and mortality rates. The defined benefit obligation is highly sensitive to changes in the assumptions. The carrying amount of the obligation is disclosed in Note 29.

iv. Income Tax

In certain circumstances, the Group may not be able to determine the exact amount of its current or future tax liabilities due to ongoing investigations by, or negotiations with, the taxation authority. Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. In determining the amount to be recognized in respect of an uncertain tax liability, the Group applies similar considerations as it would use in determining the amount of a provision to be recognized in accordance with PSAK 57, "Provisions, Contingent Liabilities and Contingent Asset. Income tax is disclosed in Note 11c.

v. Impairment Loss on Loans and Receivables

The Group assesses its loans and receivables for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, management makes judgement as to whether there is an objective evidence that loss event has occurred. Management also makes judgement as to the methodology and assumptions for estimating the amount and timing of future cash flows which are reviewed regularly to reduce any difference between loss estimate and actual loss. The carrying amount of loans and receivables are disclosed in Notes 7, 8 and 47.

vi. Allowance for Decline in Value of Inventories

The Group provides allowance for decline in value of inventories based on estimated future usage of such inventories. While it is believed that the assumptions used in the estimation of the allowance for decline in value of inventories are appropriate and reasonable, significant changes in these assumptions may materially affect the assessment of the allowance for decline in value of inventories, which ultimately will impact the result of the Groups' operations. The carrying amount of inventories is disclosed in Note 9.

vii. Fair value measurement and valuation process

Some of the Group's assets and liabilities are measured at fair value for financial purpose. Management determine the appropriate valuation techniques and inputs for fair value measurements. In estimating the fair value of an asset or liability, the Group uses market-observable data to the extent it is available. Where Level 1 input are not available, the Group engages third party qualified valuers to perform the valuation. Information about the valuation techniques and inputs used in determining the fair value of various assets and liabilities are disclosed in Notes 15, 16 and 47.

5. RESTATEMENT OF COMPARATIVE CONSOLIDATED FINANCIAL STATEMENTS FOR THE YEARS ENDED DECEMBER 31, 2014, 2013 AND JANUARY 1, 2013/ DECEMBER 31, 2012

On January 1, 2015, the Group implemented revised PSAK 24 (revised 2013). The amendments change the accounting for defined benefit plans and termination benefits. The most significant change relates to the accounting for changes in defined benefit obligations and plan assets. The amendments require the recognition of changes in defined benefit obligations and in fair value of plan assets when they occur, and hence eliminate the 'corridor approach' permitted under the previous version of PSAK 24 and accelerate the recognition of past service costs. The amendments require all actuarial gains and losses to be recognized immediately through other comprehensive income in order for the net pension asset or liability recognized in the consolidated statement of financial position to reflect the full value of the plan deficit or surplus.



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The Company and its subsidiaries changed its accounting policy pertaining to post-employment benefits (Note 2x), in accordance with PSAK 24 and restated its consolidated financial statements for the years ended December 31, 2014 and 2013, to effect such change.

The summary of account as of December 31, 2014, 2013 and January 1, 2013/ December 31, 2012 before and after implementation of the revised PSAK 24 are as follows:

	After restatement			Before restatement		
	December 31, 2014	December 31, 2013	January 1, 2013/ December 31, 2012	December 31, 2014	December 31, 2013	January 1, 2013/ December 31, 2012
	USD	USD	USD	USD	USD	USD
<b>NON CURRENT ASSETS</b>						
Deferred tax assets	119,650,511	34,850,834	22,076,105	107,412,835	29,535,572	15,602,076
<b>NON CURRENT LIABILITIES</b>						
Deferred tax liabilities	2,531,137	11,632,923	3,029,549	2,997,485	16,987,753	15,019,898
Employment benefits obligation	191,065,699	184,760,613	243,428,464	140,352,566	141,410,675	168,489,755
<b>EQUITY</b>						
Retained earnings	(287,873,266)	88,772,641	50,119,105	(253,830,286)	119,211,018	106,926,120
Other comprehensive income	(126,884,816)	(165,090,777)	(147,278,931)	(120,487,161)	(163,951,715)	(149,937,390)
Non controlling interest	15,969,623	17,100,834	19,386,749	12,773,917	17,169,865	20,147,399
<b>OPERATING EXPENSES</b>						
Flight operations	597,638,617	597,655,865	2,562,179,370	2,562,248,361	2,243,445,104	2,244,840,144
Ticketing, sales and promotion	79,657,570	79,662,361	354,822,396	354,841,560	335,582,593	335,842,135
User charges and station	72,657,782	68,014,009	339,756,096	338,999,993	298,001,244	297,019,335
Maintenance and overhaul	81,262,273	82,036,726	419,536,774	420,886,843	285,193,329	287,126,405
Passenger services	73,369,008	73,717,201	302,908,137	302,933,051	282,897,297	283,416,382
General and administrative	59,734,149	57,204,460	244,510,498	246,049,326	228,315,526	227,003,116
Hotel operation	8,112,784	8,112,784	34,077,718	34,077,718	33,758,910	33,758,910
Transportation operation	4,122,579	4,122,579	17,798,905	17,798,905	19,816,371	19,816,371
Network operation	4,416,291	4,416,291	16,755,061	16,763,284	17,956,789	18,007,374
Loss (gain) on foreign exchange	34,310,821	27,683,451	(8,896,197)	(7,065,398)	(59,680,414)	(48,278,916)
TAX BENEFITS (EXPENSE)	43,082,212	42,959,290	87,541,825	88,563,047	(3,386,833)	(70,707)
PROFIT (LOSS) FOR THE CURRENT YEAR	(166,181,401)	(163,851,383)	(368,911,279)	(371,974,942)	23,531,387	13,583,006
<b>OTHER COMPREHENSIVE INCOME</b>						
Remeasurement of defined benefit obligation	(3,493,473)	-	(11,874,958)	-	16,635,556	-
Exchange differences on translating foreign operations	9,358,838	10,590,910	(8,416,201)	(8,660,298)	(33,680,437)	(33,733,084)
Related income tax	873,368	-	(3,637,751)	(6,606,490)	(2,578,382)	1,580,507

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6. CASH AND CASH EQUIVALENTS

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Cash on hand			
Rupiah	1,667,472	1,539,272	1,286,563
U.S. Dollar	587,980	930,890	604,239
Other foreign currencies	290,084	172,568	299,599
Total Cash on hand	<u>2,545,536</u>	<u>2,642,730</u>	<u>2,190,401</u>
Banks			
Related parties (Note 46)			
Bank Mandiri	35,408,706	20,872,110	38,119,010
Bank Negara Indonesia	22,204,278	35,861,887	53,935,565
Bank Rakyat Indonesia	1,964,220	31,708,763	20,494,602
Bank Syariah Mandiri	621,110	455,601	405,050
Bank Mega	209,478	-	-
Third parties			
Bank Internasional Indonesia	101,201,821	1,248,953	157,668
Citibank N.A.	85,373,142	84,256,120	85,254,097
Bank of China	23,989,747	15,485,385	7,236,135
Standard Chartered Bank	14,898,549	10,136,962	9,706,291
Bank Central Asia	12,753,502	16,514,276	2,438,407
Commonwealth Bank of Australia	12,009,250	12,908,505	11,106,812
Bank Permata	6,817,325	4,066,847	566,309
California Bank	4,954,312	973,116	1,418,562
Saudi Arabian Bank	4,283,331	3,173,272	2,453,385
Industrial Commercial Bank of China	1,635,696	1,396,139	3,414,822
United Overseas Bank	1,327,770	1,687,653	277,345
Bank Muamalat	1,224,672	2,124,710	1,108,233
ABN Amro Bank	1,204,343	214,874	92,066
The Bank of Tokyo-Mitsubishi UFJ	1,115,415	2,507,923	2,548,135
Banca di Roma	746,861	839,503	952,916
Sumitomo Mitsui Banking Corporation	703,841	35,077	-
CIMB Niaga	676,671	509,615	292,268
Mizuho Bank	634,060	970,941	1,252,683
National Australian Bank	388,304	579,203	737,214
Korean Exchange Bank	320,045	346,065	1,151
Kookmin Bank Korea	309,170	417,150	655,421
Bank Exim Indonesia	295,998	819,557	285,589
Bangkok Bank Limited	292,827	898,907	229,246
Lloyds Bank Ltd.	253,967	247,255	2,942,564
Bank of New Zealand	64,251	425,253	393,353
Bank Mega	-	421,235	327,808
Other banks (each below USD 300,000)	1,110,929	1,171,870	1,015,733
Total bank	<u>338,993,591</u>	<u>253,274,727</u>	<u>249,818,440</u>

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	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Time deposits			
Related parties (Note 46)			
Bank Rakyat Indonesia	57,933,318	83,835,343	33,930,323
Bank Negara Indonesia	10,437,661	18,444,890	5,579,582
Bank Mega	6,270,009	-	-
Bank Mandiri	305,717	321,543	-
Bank Mega Syariah	229,288	-	-
Bank Syariah Mandiri	-	-	8,204,118
Bank Rakyat Indonesia Syariah	-	-	6,563,295
Third parties			
Bank Muamalat	30,948,640	65,475,884	86,388,793
Bank Permata	10,000,000	-	66,714,415
Bank Bukopin	6,316,923	3,154,924	666,174
Bank CIMB Niaga	458,575	321,543	246,124
Bank Jabar Banten Syariah	309,929	161,919	-
Bank Danamon	149,723	-	-
Bank Mega	-	6,645,763	19,256,002
Bank Jatim	-	48,232	-
Bank Artha Graha	-	-	506,174
Bank Mega Syariah	-	-	365,212
Total time deposits	<u>123,359,783</u>	<u>178,410,041</u>	<u>228,420,212</u>
Total	<u>464,898,910</u>	<u>434,327,498</u>	<u>480,429,053</u>
Interest rate per annum on time deposit			
Rupiah	7,25% - 10,75%	4,25% - 10,75%	5,00% - 11,00%
U.S. Dollar	2,10% - 2,75%	1,00% - 5,75%	0,10% - 3,75%

Cash and cash equivalent by currency:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
U.S. Dollar	279,500,805	192,678,442	133,783,673
Rupiah	95,261,437	154,666,038	266,524,225
Chinese Renmimbi	37,444,366	31,855,512	21,088,383
Australian Dollar	17,785,252	17,620,548	18,827,232
Japanese Yen	8,482,979	13,068,509	12,644,695
Euro	5,377,049	5,886,899	7,085,143
Singapore Dollar	3,093,972	3,538,724	3,068,188
Saudi Arabian Riyal	4,299,062	3,213,102	2,507,521
Great Britain Poundsterling	2,526,730	2,397,388	2,469,824
Korean Won	3,925,720	2,228,024	4,841,640
Hongkong Dollar	1,912,769	1,658,579	2,616,116
Thailand Dollar	1,994,684	1,137,166	1,633,453
United Arab Emirates Dirham	837,907	2,202,971	466,000
Taiwan Dollar	106,743	360,441	461,976
Other currencies (each under USD 300,000)	2,349,435	1,815,155	2,410,984
Total	<u>464,898,910</u>	<u>434,327,498</u>	<u>480,429,053</u>

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7. TRADE ACCOUNTS RECEIVABLES

a. By Debtors

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Related parties (Note 46)			
PT Pos Indonesia	687,421	1,000,506	532,813
PT Jiwasraya	615,232	646,754	1,966,795
Abacus International Ltd	522,534	440,786	410,871
PT Angkasa Pura II	521,926	404,396	805,773
PT Bukit Asam (Persero) Tbk	241,387	124,230	113,915
Ministry of Religious Affairs	15,271	16,062	26,672
Others	58,414	114,751	38,881
Total	<u>2,662,185</u>	<u>2,747,485</u>	<u>3,895,720</u>
Third parties			
Airlines services			
Passenger agents	50,610,093	34,677,506	59,210,984
Cargo agents	15,443,524	15,539,489	15,051,369
Airlines	10,268,139	9,244,903	8,474,780
Credit cards	8,079,076	5,953,843	3,494,044
Others	6,277,193	4,898,204	3,605,040
Sub total	<u>90,678,025</u>	<u>70,313,945</u>	<u>89,836,217</u>
Non airlines services	<u>52,873,853</u>	<u>54,162,034</u>	<u>54,669,335</u>
Total	<u>143,551,878</u>	<u>124,475,979</u>	<u>144,505,552</u>
Allowance for impairment loss	<u>(6,226,315)</u>	<u>(6,599,637)</u>	<u>(2,844,443)</u>
Total - net	<u>137,325,563</u>	<u>117,876,342</u>	<u>141,661,109</u>
Total Trade Accounts Receivable	<u>139,987,748</u>	<u>120,623,827</u>	<u>145,556,829</u>

b. By Currency

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Rupiah	56,822,537	58,554,907	58,003,924
U.S. Dollar	54,399,038	38,032,436	55,672,141
Japanese Yen	4,511,090	6,532,578	8,816,761
Korean Won	4,501,266	3,504,654	2,673,552
Euro	4,046,741	3,294,955	4,157,581
Australian Dollar	4,053,913	2,972,414	4,062,138
Saudi Arabian Riyal	4,416,023	2,511,506	1,749,217
Chinese Renmimbi	2,686,130	2,410,669	2,037,590
Malaysian Ringgit	2,647,876	1,840,851	1,303,554
Singapore Dollar	1,204,005	706,343	759,599
Other currencies	6,925,444	6,862,151	9,165,215
Total	<u>146,214,063</u>	<u>127,223,464</u>	<u>148,401,272</u>
Allowance for impairment loss	<u>(6,226,315)</u>	<u>(6,599,637)</u>	<u>(2,844,443)</u>
Total - net	<u>139,987,748</u>	<u>120,623,827</u>	<u>145,556,829</u>

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c. Aging of Trade Accounts Receivable Not Impaired

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Not yet due	105,675,114	89,742,524	23,538,411
Past due			
1 - 60 days	20,210,961	17,158,457	105,422,719
61 - 180 days	5,222,989	5,218,172	7,337,677
181 - 360 days	4,452,293	4,451,603	4,033,227
> 360 days	4,426,391	4,053,071	5,224,795
Total	<u>139,987,748</u>	<u>120,623,827</u>	<u>145,556,829</u>

The average credit term is 30 - 60 days for the three months ended March 31, 2015 and for the years ended December 31, 2014 and 2013. No interest is charged on overdue trade accounts receivables.

Changes in the allowance for impairment loss:

	2015 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
Beginning balance	6,599,637	2,844,443	1,562,838
Addition	119,263	3,843,064	2,128,910
Recovery	(492,585)	(87,870)	(847,305)
Ending balance	<u>6,226,315</u>	<u>6,599,637</u>	<u>2,844,443</u>

The age of impaired trade accounts receivables is above 360 days.

Allowance for impairment loss from individual and collective impairment are as follows:

	2015 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
Individual assessments	119,263	3,289,481	348,023
Collective assessments	-	553,583	1,780,887
Total	<u>119,263</u>	<u>3,843,064</u>	<u>2,128,910</u>

In determining the recoverability of a trade account receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited as the customer base is large and unrelated.

Based on management's identification for trade accounts receivables that are past due but not impaired, management considers that those receivables are still realizable because based on its assessment there is no significant change in credit quality from those customers. For accounts receivables from non-airlines services, the Group does not maintain any collateral or credit enhancement over those accounts receivable and does not have any legal right of offset against any amounts owed by the Group to the counterparty. For receivable from sales of airline ticket, further discussion about credit policy is set forth in Note 47 about credit risk.

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Individually impaired trade receivables consist of accounts which management considers are no longer recoverable based on its assessment of credit quality and financial condition of the customers. The Group does not have any collateral over those balances.

Management believes that the allowance for impairment losses from third parties is adequate. Management also believes that there are no significant concentrations of credit risk in third party receivable. No allowance for impairment loss was provided on receivables from related parties, as management believes that all such receivables are collectible.

8. OTHER RECEIVABLES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Employee receivables	2,585,005	2,744,459	2,887,028
Accrued revenues	2,758,295	2,517,089	3,946,418
Others	5,302,511	3,088,384	2,324,917
Total	<u>10,645,811</u>	<u>8,349,932</u>	<u>9,158,363</u>

Management believes that all such receivables are collectible thus allowance for impairment losses was not provided.

9. INVENTORIES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Spare parts	69,038,382	66,846,766	67,828,074
Catering	13,374,639	15,208,350	18,372,071
Ticketing document	994,570	991,742	1,105,954
Others	3,460,177	3,552,348	4,464,165
Total	86,867,768	86,599,206	91,770,264
Allow ance for decline in value	(1,369,145)	(1,394,807)	(444,835)
Net amount	<u>85,498,623</u>	<u>85,204,399</u>	<u>91,325,429</u>

Changes in the allowance for decline in value of inventories are as follows:

	2015 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
Beginning balance	1,394,807	444,835	498,627
Additions	24,338	1,097,330	-
Recovery	(50,000)	(147,358)	(53,792)
Ending balance	<u>1,369,145</u>	<u>1,394,807</u>	<u>444,835</u>

Management believes that the allowance for decline in value of inventories is adequate to cover possible losses on the decline in inventory value.

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As of March 31, 2015, December 31, 2014, and 2013, the inventories of the Company were insured with PT Asuransi Jasa Indonesia, a related party (Note 46), against fire and other risks under pool policies with total sum insured of USD 197,996,304, USD 240,543,826, and USD 207,224,954, respectively. Management believes that the insurance coverage is adequate to cover possible losses on the inventories insured.

As of March 31, 2015, December 31, 2014 and 2013, no inventories were used as collateral except inventory of PT Aerofood Indonesia (ACS), a subsidiary, which were used as collateral for the long term loan credit facility from Bank Rakyat Indonesia (Note 24).

10. ADVANCES AND PREPAID EXPENSES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Prepaid rent	67,910,501	66,923,530	41,152,438
Aircraft rental	36,873,744	40,961,267	21,527,352
Spare parts	7,230,338	7,737,208	3,460,239
Aircraft maintenance	6,893,991	244,934	1,520,335
Building rental	4,194,334	3,370,655	3,906,444
Fuel	2,774,587	4,901,046	6,520,618
Duty trip	2,163,917	2,646,311	2,010,476
Insurance	1,393,729	1,605,012	1,128,275
Others	5,704,507	6,375,837	8,892,326
Total	<u>135,139,648</u>	<u>134,765,800</u>	<u>90,118,503</u>

11. TAXATION

a. Prepaid Taxes

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<u>The Company</u>			
Estimated Overpayment of Corporate Income Tax			
Year 2015	680,570	-	-
Year 2014	7,600,394	7,600,394	-
Year 2013	7,521,917	7,521,917	7,521,917
Sub total	<u>15,802,881</u>	<u>15,122,311</u>	<u>7,521,917</u>
<u>Subsidiaries</u>			
Estimated Overpayment of Corporate Income Tax			
Year 2015	2,081,778	-	-
Year 2014	5,390,914	5,390,914	-
Year 2013	1,733,604	1,733,604	1,964,490
Year 2012 and before	1,536,746	1,536,746	3,536,169
Value Added Tax	4,166,948	3,459,912	6,911,561
Sub total	<u>14,909,990</u>	<u>12,121,176</u>	<u>12,412,220</u>
Total	<u>30,712,871</u>	<u>27,243,487</u>	<u>19,934,137</u>

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b. Taxes Payable

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<u>The Company</u>			
Income taxes			
Article 21	1,160,593	692,857	1,367,488
Article 22	12,885	671,651	10,371
Article 4 (2)	49,128	17,939	56,641
Article 23	848,899	382,023	962,182
Article 26	34,831	50,929	9,883
Income tax article 29	-	-	-
Value Added Taxes	7,726,345	7,392,809	4,201,956
Other taxes	38,837	12,203	83,241
Sub total	<u>9,871,518</u>	<u>9,220,411</u>	<u>6,691,762</u>
<u>Subsidiaries</u>			
Income taxes			
Article 21	1,931,044	3,419,601	2,606,949
Article 23	825,071	379,581	414,930
Article 25	97,858	150,845	308,080
Article 4 (2)	172,404	35,631	289,592
Article 26	47,860	73,018	27,206
Income tax article 29	1,689,533	2,139,341	3,389,242
Value Added Taxes	690,880	2,120,376	1,516,576
Local Government Taxes 1	1,440,090	554,649	2,158,841
Other taxes	2,968,790	365,268	599,160
Sub total	<u>9,863,530</u>	<u>9,238,310</u>	<u>11,310,576</u>
Total	<u><u>19,735,048</u></u>	<u><u>18,458,721</u></u>	<u><u>18,002,338</u></u>

c. Tax Benefit (Expense)

	2015 (Three months) (Unaudited) USD	2014 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
<u>Current tax</u>				
The Company	-	-	-	-
Subsidiaries	(2,700,272)	(2,284,773)	(9,268,154)	(11,856,082)
Total current tax	<u>(2,700,272)</u>	<u>(2,284,773)</u>	<u>(9,268,154)</u>	<u>(11,856,082)</u>
<u>Deferred tax</u>				
The Company	948,636	41,264,334	94,547,308	(4,542,336)
Subsidiaries	(1,263,001)	4,102,651	2,481,697	13,011,585
Total deferred tax	<u>(314,365)</u>	<u>45,366,985</u>	<u>97,029,005</u>	<u>8,469,249</u>
Tax expense of the Company and subsidiaries in connection with SKP and SP correction	(2,418)	-	(219,026)	-
Total	<u><u>(3,017,055)</u></u>	<u><u>43,082,212</u></u>	<u><u>87,541,825</u></u>	<u><u>(3,386,833)</u></u>



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Current Tax

A reconciliation between income (loss) before tax per consolidated statements of profit or loss and taxable income (fiscal loss) of the Company is as follows:

	2015 (Three months) (Unaudited) USD	2014 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
Income (loss) before tax per consolidated statements of profit or loss	15,433,060	(209,263,613)	(456,453,104)	26,918,220
Elimination and adjustment	<u>(10,446,365)</u>	<u>15,041,966</u>	<u>(5,237,317)</u>	<u>24,267,506</u>
Income (loss) before tax of the Company	<u>4,986,695</u>	<u>(194,221,647)</u>	<u>(461,690,421)</u>	<u>51,185,726</u>
<u>Temporary differences:</u>				
Allowance for impairment losses of accounts receivables	(220,720)	(3,705,218)	12,880,631	316,420
Allowance for decline in value of inventories	367	811	496,050	(28,567)
Depreciation expense	4,116,416	(337,620)	7,942,844	5,573,535
Impairment of assets	-	-	44,785,396	5,093,951
Impairment of investment in Merpati	-	-	4,588,112	-
Maintenance assets	(13,498,461)	(6,291,852)	24,636,007	(37,314,909)
Post employment benefits	(3,874,785)	10,553,106	(11,050,484)	(27,815,704)
Stock issuance cost	-	(779,643)	(3,118,571)	(3,118,571)
Sub total	<u>(13,477,183)</u>	<u>(560,416)</u>	<u>81,159,985</u>	<u>(57,293,845)</u>
<u>Nondeductible expenses/</u>				
<u>Non taxable income</u>				
Lease liabilities	(4,067,887)	(17,298,198)	(37,632,694)	(66,042,949)
Income subjected to final tax	(1,540,287)	(3,014,464)	(15,658,608)	(15,325,404)
Expenses that are not deductible for tax purposes	12,747,258	14,219,941	62,318,253	55,561,776
Syndicated loan	-	-	-	(6,208,877)
Stock issuance cost	-	-	(3,075,607)	-
Gain on acquisition of A330	-	-	57,832,075	-
Sub total	<u>7,139,084</u>	<u>(6,092,721)</u>	<u>63,783,419</u>	<u>(32,015,454)</u>
Taxable income (fiscal loss) before fiscal loss carryforward	(1,351,404)	(200,874,784)	(316,747,017)	(38,123,573)
Fiscal loss carryforward	<u>(354,870,590)</u>	<u>(38,123,573)</u>	<u>(38,123,573)</u>	<u>-</u>
Accumulated fiscal loss	<u><u>(356,221,994)</u></u>	<u><u>(238,998,357)</u></u>	<u><u>(354,870,590)</u></u>	<u><u>(38,123,573)</u></u>

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The details of current tax expense and tax payable (overpayment) are as follows:

	2015 (Three months) (Unaudited) USD	2014 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
<b>The Company</b>				
Current tax expense	-	-	-	-
Less prepaid taxes				
Income tax - Article 15	(7,157)	(859,529)	(3,438,116)	(320,470)
Income tax - Article 22	(325,112)	(276,339)	(1,105,357)	(1,775,610)
Income tax - Article 23	(348,301)	(142,938)	(571,753)	(524,942)
Income tax - Article 25	-	(621,292)	(2,485,168)	(4,900,895)
Sub total	(680,570)	(1,900,099)	(7,600,394)	(7,521,917)
Current tax under (over) payment	(680,570)	(1,900,099)	(7,600,394)	(7,521,917)
<b>Subsidiaries</b>				
Current tax expense				
PT Garuda Maintenance Facility				
Aero Asia	1,549,802	1,241,891	4,029,331	5,716,637
PT Aero Wisata and subsidiaries	588,217	736,760	2,841,455	3,229,494
PT Abacus Distribution Systems				
Indonesia	16,289	27,853	165,310	404,751
PT Gapura Angkasa	545,965	558,015	2,232,058	2,505,200
Total	2,700,273	2,564,519	9,268,154	11,856,082
Less prepaid taxes	(3,092,517)	(1,563,162)	(12,519,727)	(10,431,330)
Current tax under (over) payment	(392,244)	1,001,357	(3,251,573)	1,424,752

**Deferred Tax**

Details of deferred tax assets and liabilities are as follows:

	January 1, 2015 USD	Credited (charged) to income for the year USD	Recognized in other comprehensive income USD	Translation Adjustments USD	March 31, 2015 (Unaudited) USD
<b>Deferred tax assets (liabilities)</b>					
<b>The Company</b>					
Allowance for impairment loss of accounts receivable	4,746,025	(54,192)	-	-	4,691,833
Allowance for decline in value of inventories	211,028	92	-	-	211,120
Depreciation	(31,774,844)	5,245,301	-	-	(26,529,543)
Impairment of asset	(1,060,602)	-	-	-	(1,060,602)
Impairment of investment in Merpati	1,147,028	-	-	-	1,147,028
Provision for long term receivable	8,431,316	(988)	-	-	8,430,328
Maintenance assets	(37,448,997)	(4,147,955)	-	-	(41,596,952)
Estimated liabilities for aircraft return and maintenance cost	21,368,399	537,223	-	-	21,905,622
Post employment benefits	25,124,460	(968,696)	1,398,931	-	25,554,695
Tax loss carryforward	88,717,650	337,851	-	-	89,055,501
Total	79,461,463	948,636	1,398,931	-	81,809,030
<b>Subsidiaries</b>					
PT Citilink Indonesia	20,978,988	(592,090)	-	-	20,386,898
PT Abacus Distribution Systems Indonesia	69,085	22,646	4,622	-	96,353
PT Garuda Maintenance Facility Aero Asia	12,852,829	(588,174)	1,056,340	-	13,320,995
PT Aero Wisata and its subsidiaries	2,204,684	397,522	45,874	(74,815)	2,573,265
PT Gapura Angkasa	4,083,462	(408,316)	219,477	(197,588)	3,697,033
Total	40,189,048	(1,168,414)	1,326,313	(272,403)	40,074,544
Deferred tax asset - net	19,650,511	(219,778)	2,725,244	(272,403)	21,883,574
<b>Deferred tax liabilities - net</b>					
<b>Subsidiaries</b>					
PT Aero Systems Indonesia	(250,672)	(16,963)	(12,793)	-	(280,428)
PT Aero Wisata and its subsidiaries	(2,280,465)	(77,624)	174,134	76,401	(2,107,554)
Deferred tax liabilities - net	(2,531,137)	(94,587)	161,341	76,401	(2,387,982)

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	December 31, 2014 (As restated - Note 5)				
	January 1, 2014	Credited (charged) to income for the year	Recognized in other comprehensive income	Translation Adjustments	December 31, 2014
	USD	USD	USD	USD	USD
<b>Deferred tax assets (liabilities)</b>					
<u>The Company</u>					
Allowance for impairment loss of accounts receivable	7,147,927	(2,401,902)	-	-	4,746,025
Allowance for decline in value of inventories	95,770	115,258	-	-	211,028
Depreciation	(28,976,084)	4,701,077	(7,499,837)	-	(31,774,844)
Impairment of asset	(1,040,291)	(20,311)	-	-	(1,060,602)
Impairment of investment in Merpati	-	1,147,028	-	-	1,147,028
Provision for long term receivable	4,225,574	4,205,742	-	-	8,431,316
Maintenance assets	(40,062,410)	2,613,413	-	-	(37,448,997)
Estimated liabilities for aircraft return and maintenance cost	13,748,833	7,619,566	-	-	21,368,399
Post employment benefits	25,987,200	(1839,675)	976,935	-	25,124,460
Stock issuance cost	779,643	(779,643)	-	-	-
Tax loss carry forward	9,530,895	79,186,755	-	-	88,717,650
<b>Total</b>	<b>(8,562,943)</b>	<b>94,547,308</b>	<b>(6,522,902)</b>	<b>-</b>	<b>79,461,463</b>
<u>Subsidiaries</u>					
PT Citilink Indonesia	15,855,587	4,194,607	928,794	-	20,978,988
PT Abacus Distribution Systems Indonesia	65,890	16,877	(13,682)	-	69,085
PT Garuda Maintenance Facility Aero Asia	13,065,708	(1,059,820)	846,941	-	12,852,829
PT Aero Wisata and its subsidiaries	2,388,550	(86,119)	16,304	(114,051)	2,204,684
PT Garuda Angkasa	3,475,099	(1012,927)	710,055	911,235	4,083,462
<b>Total</b>	<b>34,850,834</b>	<b>2,052,618</b>	<b>2,488,412</b>	<b>797,184</b>	<b>40,189,048</b>
<b>Deferred tax asset - net</b>	<b>26,287,891</b>	<b>96,599,926</b>	<b>(4,034,490)</b>	<b>797,184</b>	<b>119,650,511</b>
<b>Deferred tax liabilities - net</b>					
<u>Subsidiaries</u>					
PT Aero Systems Indonesia	(103,458)	(179,630)	32,416	-	(250,672)
PT Aero Wisata and its subsidiaries	(2,966,522)	608,709	(41,166)	18,514	(2,280,465)
<b>Deferred tax liabilities - net</b>	<b>(3,069,980)</b>	<b>429,079</b>	<b>(8,750)</b>	<b>18,514</b>	<b>(2,531,137)</b>
<b>December 31, 2013 (As restated - Note 5)</b>					
	January 1, 2013	Credited (charged) to income for the year	Recognized in other comprehensive income	Translation Adjustments	December 31, 2013
	USD	USD	USD	USD	USD
<b>Deferred tax assets</b>					
<u>The Company</u>					
Allowance for impairment loss of account receivable	7,068,822	79,105	-	-	7,147,927
Allowance for decline in value of inventories	117,132	(21,362)	-	-	95,770
Property and equipment	(27,907,056)	(1,372,972)	303,944	-	(28,976,084)
Impairment of asset	(1,106,789)	66,498	-	-	(1,040,291)
Provision for long term receivable	4,225,574	-	-	-	4,225,574
Maintenance assets	(34,440,639)	(5,621,770)	-	-	(40,062,409)
Estimated liabilities for aircraft return and maintenance cost	12,374,024	1,374,808	-	-	13,748,832
Post employment benefits	37,664,345	(6,701,023)	(4,976,122)	-	25,987,200
Accrued expense	1,096,872	(1,096,872)	-	-	-
Share issuance cost	1,559,286	(779,643)	-	-	779,643
Fiscal loss carry forward	-	9,530,895	-	-	9,530,895
<b>Total</b>	<b>651,571</b>	<b>(4,542,336)</b>	<b>(4,672,178)</b>	<b>-</b>	<b>(8,562,943)</b>
<u>Subsidiaries</u>					
PT Citilink Indonesia	721,960	14,542,774	590,853	-	15,855,587
PT Abacus Distribution Systems Indonesia	143,132	(70,596)	(6,646)	-	65,890
PT Garuda Maintenance Facility Aero Asia	13,028,243	(1,390,162)	1,427,627	-	13,065,708
PT Aero Wisata and its subsidiaries	2,487,605	424,180	(25,043)	(498,192)	2,388,550
PT Garuda Angkasa	4,508,705	(212,881)	(184,693)	(636,032)	3,475,099
<b>Total</b>	<b>20,889,645</b>	<b>13,293,315</b>	<b>1,802,098</b>	<b>(1,134,224)</b>	<b>34,850,834</b>
<b>Total deferred tax asset - net</b>	<b>21,542,116</b>	<b>8,750,979</b>	<b>(2,870,080)</b>	<b>(1,134,224)</b>	<b>26,287,891</b>
<b>Deferred tax liability</b>					
<u>Subsidiaries</u>					
PT Aero Systems Indonesia	534,889	(517,170)	(121,177)	-	(103,458)
PT Aero Wisata and its subsidiaries	(3,029,549)	235,440	417,357	(589,770)	(2,966,522)
<b>Total deferred tax liabilities - net</b>	<b>(2,494,660)</b>	<b>(281,730)</b>	<b>296,180</b>	<b>(589,770)</b>	<b>(3,069,980)</b>

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A reconciliation between the total tax benefit and the amounts computed by applying the effective tax rate to loss before income taxes as follows:

	2015	2014	(As restated - Note 5)	
	(Three months) (Unaudited)	(Three months) (Unaudited)	2014 (One year)	2013 (One year)
	USD	USD	USD	USD
Income (loss) before tax per consolidated statements of profit or loss	15,433,060	(209,263,613)	(456,453,104)	26,918,220
Tax benefit at effective tax rates	(3,858,265)	52,315,903	114,113,276	(6,729,555)
Tax effects of non deductible expenses:				
The Company	(1,784,771)	(6,208,939)	(15,945,855)	8,003,864
Subsidiaries	(765,925)	(2,671,224)	(4,695,820)	(2,774,504)
Adjustment recognized in current year in relation to the prior year deferred tax	3,391,906	(320,041)	(5,929,776)	(1,280,163)
Unrecognized tax loss of the Company and subsidiaries	-	(33,487)	-	(606,475)
Tax benefit (expense) per consolidated statements of profit or loss	<u>(3,017,055)</u>	<u>43,082,212</u>	<u>87,541,825</u>	<u>(3,386,833)</u>

12. MAINTENANCE RESERVE FUND AND SECURITY DEPOSITS

	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
	USD	USD	USD
Aircraft maintenance reserve funds (Note 49)	671,850,635	606,698,350	473,179,589
Operating lease security deposits (Note 49)	176,033,857	180,234,967	144,443,468
Total	<u>847,884,492</u>	<u>786,933,317</u>	<u>617,623,057</u>

13. ADVANCES FOR PURCHASE OF AIRCRAFT

This account represents advances for the purchase of Boeing 777-300ER, Boeing 737-800 NG, Boeing 737-800 MAX, Airbus A330-200, Airbus A320-200, Bombardier CRJ1000, and ATR 72-600 and simulator equipment. Details of related agreements have been disclosed in Note 50.

Below are the details of advances for purchase of aircraft:

	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
	USD	USD	USD
A330			
Beginning balance	159,333,216	189,873,807	151,389,855
Additions	2,124,138	179,663,642	158,692,055
Deductions	-	(210,204,233)	(120,208,103)
Ending balance	<u>161,457,354</u>	<u>159,333,216</u>	<u>189,873,807</u>
A320			
Beginning balance	83,742,958	73,273,288	44,217,895
Additions	1,242,683	36,027,459	35,308,620
Deductions	(27,437,758)	(25,557,789)	(6,253,227)
Ending balance	<u>57,547,883</u>	<u>83,742,958</u>	<u>73,273,288</u>

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	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<b>B777-300ER</b>			
Beginning balance	116,987,900	219,297,500	279,424,180
Additions	30,167	23,280,314	203,653,739
Deductions	-	(115,894,874)	(263,780,419)
Transfer out to B737-800 MAX	-	(9,695,040)	-
Ending balance	<u>117,018,067</u>	<u>116,987,900</u>	<u>219,297,500</u>
<b>B737-800 NG</b>			
Beginning balance	-	9,664,720	14,771,356
Additions	-	2,107,666	8,351,064
Deductions	-	-	(13,457,700)
Transfer out to B737-800 MAX	-	(11,772,386)	-
Ending balance	<u>-</u>	<u>-</u>	<u>9,664,720</u>
<b>B737-800 MAX</b>			
Beginning balance	21,467,426	-	-
Transfer in from B777-300 ER and B737-800 NG	-	21,467,426	-
Ending balance	<u>21,467,426</u>	<u>21,467,426</u>	<u>-</u>
<b>CRJ1000 NextGen</b>			
Beginning balance	-	4,467,370	7,354,133
Additions	-	1,278,912	8,525,698
Deductions	-	(5,746,282)	(11,412,461)
Ending balance	<u>-</u>	<u>-</u>	<u>4,467,370</u>
<b>ATR 72-600</b>			
Beginning balance	2,418,000	2,418,000	-
Additions	-	-	2,418,000
Ending balance	<u>2,418,000</u>	<u>2,418,000</u>	<u>2,418,000</u>
<b>Flight Simulator</b>			
Beginning balance	4,933,991	1,371,750	-
Additions	2,566,708	6,310,427	29,837,750
Deductions	(100,000)	(2,748,186)	(28,466,000)
Ending balance	<u>7,400,699</u>	<u>4,933,991</u>	<u>1,371,750</u>
<b>Total</b>	<u><u>367,309,429</u></u>	<u><u>388,883,491</u></u>	<u><u>500,366,435</u></u>

14. INVESTMENT IN ASSOCIATES

	Domicile	Percentage of Ownership %	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
PT Aeroprima	Jakarta	40.00	227,541	477,417	846,645
PT Aeronurti Catering Services	Jakarta	45.00	57,246	68,230	125,442
<b>Total</b>			<u><u>284,787</u></u>	<u><u>545,647</u></u>	<u><u>972,087</u></u>

The associates of the Group are operating exclusively in Indonesia.

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Changes in investments in associates:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<b>PT Aeroprima</b>			
Balance at beginning of year	477,417	846,645	1,005,469
Equity in net income (loss)	(226,400)	(376,188)	56,463
Dividends	-	-	-
Translation adjustment	(23,476)	6,960	(215,287)
Balance at end of year	<u>227,541</u>	<u>477,417</u>	<u>846,645</u>
<b>PT Aeronurti Catering Services</b>			
Balance at beginning of year	68,230	125,442	174,095
Equity in net income (loss)	(10,104)	(58,259)	(29,917)
Translation adjustment	(880)	1,047	(18,736)
Balance at end of year	<u>57,246</u>	<u>68,230</u>	<u>125,442</u>

Summarized financial information in respect of associates is set out below:

	March 31, 2015 (Unaudited)			
	Aeroprima USD	Aeronurti USD		
<b>Assets</b>	<u>2,776,749</u>	<u>520,418</u>		
<b>Liabilities</b>	1,618,135	466,585		
Equity attributable to owners of the Group	695,168	32,300		
Non-controlling interest	<u>463,445</u>	<u>21,533</u>		
<b>Total</b>	<u>2,776,749</u>	<u>520,418</u>		
Revenue	842,191	175,693		
Expenses	<u>(790,939)</u>	<u>(197,565)</u>		
Profit (loss)	<u>51,252</u>	<u>(21,872)</u>		
Profit (loss) attributable to :				
Owner of the Company	30,751	(13,123)		
Non controlling interest	<u>20,501</u>	<u>(8,749)</u>		
Profit (loss) for the period	<u>51,252</u>	<u>(21,872)</u>		
Other comprehensive income attributable to :	-	-		
Owner of the Company	-	-		
Non controlling interest	<u>-</u>	<u>-</u>		
Total comprehensive income for the period	<u>-</u>	<u>-</u>		
	<u>Assets</u>	<u>Liabilities</u>	<u>Revenue</u>	<u>Profit (loss)</u>
	USD	USD	USD	USD
<u>December 31, 2014</u>				
PT Aeroprima	3,080,500	1,915,812	4,136,895	(940,472)
PT Aeronurti Catering Services	653,807	551,866	876,699	(129,465)
Total	<u>3,734,307</u>	<u>2,467,678</u>	<u>5,013,594</u>	<u>(1,069,937)</u>
<u>December 31, 2013</u>				
PT Aeroprima	4,026,270	1,920,626	3,762,142	141,158
PT Aeronurti Catering Services	682,529	503,798	893,767	(66,482)
Total	<u>4,708,799</u>	<u>2,424,424</u>	<u>4,655,909</u>	<u>74,676</u>

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JANUARY 1, 2013/DECEMBER 31, 2012 – Continued

**15. PROPERTY AND EQUIPMENT**

	January 1,	Additions		Deductions		Reclassification		Currency		Total before		Revaluations		March 31, 2015 (Unaudited)		
	2015	USD		USD		USD		conversion.		revaluation		surplus		Cost		
	USD	USD		USD		USD		USD		USD		USD		USD		
Acquisition cost/revaluation:																
Aircraft assets																
Direct Acquisition																
Airframes	16,130,195	-	-	-	-	-	-	-	-	16,130,195	-	-	-	-	16,130,195	-
Engines	194,127,134	-	-	-	-	-	-	-	-	194,127,134	-	-	-	-	194,127,134	-
Simulators	97,677,170	97,853	-	-	-	-	-	-	-	97,775,023	-	-	-	-	97,775,023	-
Rotable parts	448,312,198	1,721,397	-	(1,522)	-	-	-	-	-	450,032,073	-	-	-	-	450,032,073	-
Maintenance assets																
Airframes	49,531,939	2,023,210	-	(387,383)	-	-	-	-	-	51,167,766	-	-	-	-	51,167,766	-
Engines	156,067,249	6,320,556	-	(2,527,340)	-	-	-	-	-	160,860,465	-	-	-	-	160,860,465	-
Leased assets																
Airframes	457,783,880	-	-	-	-	-	-	-	-	457,783,880	-	-	-	-	457,783,880	-
Engines	119,604,251	-	-	-	-	-	-	-	-	119,604,251	-	-	-	-	119,604,251	-
Cabin refurbishment	28,033,601	-	-	(5,026,175)	-	-	-	-	-	23,007,426	-	-	-	-	23,007,426	-
Leasehold improvement	75,636,636	-	-	-	-	-	-	-	-	75,636,636	-	-	-	-	75,636,636	-
Non aircraft assets																
Direct Acquisition																
Equipment	224,358,018	1,375,122	-	(169,156)	-	2,122	-	(739,746)	-	224,826,360	-	-	-	-	224,826,360	-
Hardware	7,326,574	16,469	-	-	-	-	-	-	-	7,343,043	-	-	-	-	7,343,043	-
Vehicles	91,394,762	262,187	-	(14,864,499)	-	-	-	(904,699)	-	89,256,751	-	-	-	-	89,256,751	-
Engines	9,949,624	73,841	-	-	-	20,157	-	(375,685)	-	9,667,937	-	-	-	-	9,667,937	-
Installation	6,549,135	19,033	-	-	-	-	-	(319,732)	-	6,248,436	-	-	-	-	6,248,436	-
Land	120,436,939	-	-	-	-	-	-	(2,428,922)	-	118,008,017	-	-	-	-	118,008,017	-
Land right	62,202	-	-	-	-	-	-	-	-	62,202	-	-	-	-	62,202	-
Buildings and infrastructure	92,584,398	210,524	-	-	-	11,387	-	(12,559,484)	-	91,546,825	-	-	-	-	91,546,825	-
Assets under construction	56,865,396	2,222,588	-	(14,000)	-	(36,074)	-	(189,842)	-	58,850,668	-	-	-	-	58,850,668	-
Leasehold assets vehicles																
Leasehold improvement		267,256	-	-	-	-	-	(4,630)	-	262,626	-	-	-	-	262,626	-
Buildings	12,128,177	38,467	-	-	-	(78,349)	-	(173,104)	-	119,519,191	-	-	-	-	119,519,191	-
Building, operate, transfer																
Buildings and infrastructure	162,1940	630	-	-	-	-	-	(45,099)	-	157,7471	-	-	-	-	157,7471	-
Engines	119,151	-	-	-	-	-	-	(5,865)	-	113,286	-	-	-	-	113,286	-
Installation	20,426	-	-	-	-	-	-	(5,928)	-	14,498	-	-	-	-	14,498	-
Total	2,111,599,995	14,649,133	-	(18,608,475)	-	(80,757)	-	(6,462,736)	-	2,100,097,160	-	-	-	-	2,100,097,160	-
															15,351,105,989	-
															564,991,171	-

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	January 1, 2015 USD	Additions USD	Deductions USD	Reclassification USD	Currency conversion USD	Total before revaluation adjustment USD	Revaluation surplus USD	March 31, 2015 (Unaudited) USD
<b>A accumulated depreciation:</b>								
<b>Aircraft assets</b>								
<b>Direct Acquisition</b>								
Airframes	38,285,978	6,798,825	-	-	-	45,084,803	-	45,084,803
Engines	39,526,878	2,703,361	-	-	-	52,230,239	-	52,230,239
Simulators	53,096,251	1,072,337	-	-	-	54,170,588	-	54,170,588
Rotable parts	18,830,636	1,392,595	(1,522)	-	-	20,221,709	-	20,221,709
<b>Maintenance assets</b>								
Airframes	15,749,456	1,068,986	(387,383)	-	-	16,431,059	-	16,431,059
Engines	104,197,707	9,508,018	(2,527,340)	-	-	111,178,385	-	111,178,385
<b>Leased assets</b>								
Airframes	41,467,935	1,424,877	-	-	-	42,892,812	-	42,892,812
Engines	74,947,042	742,480	-	-	-	75,689,522	-	75,689,522
Cabin refurbishment	27,575,333	32,733	(5,026,175)	-	-	22,581,891	-	22,581,891
Leasehold improvement	28,093,890	1,794,229	-	-	-	29,888,119	-	29,888,119
<b>Non aircraft assets</b>								
<b>Direct acquisition</b>								
Equipment	15,440,274	2,666,754	(183,386)	-	(22,175)	17,701,927	-	17,701,927
Hardware	5,315,964	358,080	-	-	-	5,674,044	-	5,674,044
Vehicles	80,815,206	1845,487	(762,783)	-	(366,831)	8153,1079	-	8153,1079
Engine	4,294,074	404,697	-	-	(79,815)	4,618,956	-	4,618,956
Installation	3,879,340	146,681	-	-	(224,989)	3,801,032	-	3,801,032
Buildings and infrastructure	1,793,003	171,150	-	-	(192,722)	3,316,431	-	3,316,431
<b>Leased assets</b>								
Vehicles	36,149	9,256	-	-	(192)	45,213	-	45,213
<b>Leasehold improvement</b>								
Buildings	5,990,812	67,104	-	-	(86,246)	6,575,580	-	6,575,580
<b>Buildings, operate, transfer</b>								
Buildings and infrastructure	1,028,127	51,796	-	-	(51,374)	1,028,549	-	1,028,549
Engine	18,151	-	-	-	(5,865)	13,286	-	13,286
Installation	20,427	-	-	-	(5,929)	14,498	-	14,498
<b>Total</b>	<b>1,188,605,633</b>	<b>44,418,356</b>	<b>(1,888,589)</b>	<b>-</b>	<b>(12,335,678)</b>	<b>12,2,889,722</b>	<b>-</b>	<b>12,2,889,722</b>
<b>Net carrying value</b>	<b>922,994,362</b>							<b>887,207,438</b>



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	January 1	Additions	Deductions	Reclassification	Currency conversion	Total before revaluation adjustment	Revaluations surplus	December 31,		December 31, 2014	
	2014							2014	2014	Cost	Revaluation
	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD	USD
<b>A acquisition cost/revaluation:</b>											
<b>Aircraft assets</b>											
Direct acquisition											
Airframes	24,667,572	4,532,323	-	172,839,340	-	202,039,235	(40,730,040)	161,309,195	-	-	161,309,195
Engines	67,839,366	20,038,684	(1823,889)	92,412,165	-	178,466,296	5,660,838	194,127,134	-	-	194,127,134
Simulators	94,776,895	2,900,275	-	-	-	97,677,170	-	97,677,170	-	-	97,677,170
Rotable parts	136,930,314	11,568,333	-	223,551	-	148,312,198	-	148,312,198	-	-	148,312,198
Maintenance assets											
Airframes	38,356,668	11,625,058	(449,787)	-	-	49,531,939	-	49,531,939	-	-	49,531,939
Engines	108,560,154	58,283,952	(10,776,857)	-	-	156,067,249	-	156,067,249	-	-	156,067,249
Leased assets											
Airframes	614,627,621	21,141,639	(2,413,125)	(175,572,255)	-	457,783,880	-	457,783,880	-	-	457,783,880
Engines	186,222,911	26,654,835	-	(93,273,495)	-	119,604,251	-	119,604,251	-	-	119,604,251
Cabin refurbishment	50,874,174	-	(22,840,573)	-	-	28,033,601	-	28,033,601	-	-	28,033,601
Leasehold improvement	74,320,636	1316,000	-	-	-	75,636,636	-	75,636,636	-	-	75,636,636
<b>Non aircraft assets</b>											
Direct acquisition											
Equipment	215,253,514	9,765,019	(740,471)	187,358	(107,402)	224,358,018	-	224,358,018	-	-	224,358,018
Hardware	5,870,640	410,001	-	1045,933	-	7,326,574	-	7,326,574	-	-	7,326,574
Vehicles	90,841,365	4,959,806	(3,476,506)	-	(929,893)	91,394,762	-	91,394,762	-	-	91,394,762
Engines	10,096,539	777,199	(240,677)	(522,284)	(16,153)	9,949,624	-	9,949,624	-	-	9,949,624
Installation	6,111,426	406,573	(87,702)	253,415	(134,577)	6,549,135	-	6,549,135	-	-	6,549,135
Land	93,830,316	44,356	-	(450,021)	(1,170,603)	92,254,048	28,182,890	120,436,938	-	-	120,436,938
Land right	62,202	-	-	-	-	62,202	-	62,202	-	-	62,202
Buildings and infrastructure	87,737,466	3,724,129	(1933,004)	968,490	(3,215,862)	87,281,219	5,303,180	92,584,399	-	-	92,584,399
Assets under construction	36,425,753	23,151,368	(118,182)	(1,500,791)	(92,752)	56,865,396	-	56,865,396	-	-	56,865,396
Leasehold improvement											
Buildings	7,726,491	4,453,279	-	-	(5,1593)	12,128,177	-	12,128,177	-	-	12,128,177
Building, operate, transfer	-	-	-	-	-	-	-	-	-	-	-
Buildings and infrastructure	2,040,703	769,406	-	(1,166,845)	(2,1324)	1,621,940	-	1,621,940	-	-	1,621,940
Engines	285,312	-	-	(163,707)	(2,454)	119,151	-	119,151	-	-	119,151
Installation	440,544	-	-	(317,638)	(2,480)	120,426	-	120,426	-	-	120,426
<b>Total</b>	<b>1,953,898,572</b>	<b>206,112,235</b>	<b>(45,900,773)</b>	<b>(5,036,614)</b>	<b>(5,890,093)</b>	<b>2,103,183,127</b>	<b>8,416,868</b>	<b>2,111,599,995</b>	<b>1,543,142,329</b>	<b>568,457,666</b>	<b>568,457,666</b>

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	January 1,	Additions	Deductions	Reclassification	Currency	Total before	Revaluation	December 31,
	2014	USD	USD	USD	conversion,	revaluation	surplus	2014
	USD				USD	adjustment	USD	USD
<b>A accumulated depreciation:</b>								
<b>Aircraft assets</b>								
Direct acquisition								
Aircrafts	1704,973	5,182,779	-	214,182,226	-	38,285,978	-	38,285,978
Engines	2,061,258	1,079,695	(1823,889)	28,209,814	-	39,526,878	-	39,526,878
Simulators	49,039,675	4,058,576	-	-	-	53,098,251	-	53,098,251
Rotable parts	114,532,652	4,294,258	-	3,726	-	118,830,636	-	118,830,636
Maintenance assets								
Aircrafts	12,135,100	4,064,143	(449,787)	-	-	15,749,456	-	15,749,456
Engines	72,755,532	42,219,032	(10,776,857)	-	-	104,197,707	-	104,197,707
Leased assets								
Aircrafts	398,664,487	44,331,895	(2,413,125)	(21,115,322)	-	419,467,935	-	419,467,935
Engines	88,484,418	13,301,603	-	(26,838,979)	-	74,947,042	-	74,947,042
Cabin refurbishment	46,235,926	4,179,980	(22,840,573)	-	-	27,575,333	-	27,575,333
Leasehold improvement	20,961,223	7,132,667	-	-	-	28,093,890	-	28,093,890
Non aircraft assets								
Direct Aquisition								
Equipment	152,560,229	13,984,535	(408,723)	(52,168)	(643,599)	165,440,274	-	165,440,274
Hardware	6,121,579	1,161,152	-	(1,966,767)	-	5,315,964	-	5,315,964
Vehicles	76,414,431	8,602,391	(1,807,215)	-	(2,394,401)	80,815,206	-	80,815,206
Engine	3,819,204	10,144,605	(253,064)	(40,307)	(246,364)	4,294,074	-	4,294,074
Installation	6,173,213	562,667	(69,505)	(2,597,606)	(794,429)	3,879,340	-	3,879,340
Buildings and infrastructure	658,762	1,788,044	(329,758)	57,501	(381,546)	1,793,003	-	1,793,003
Leased assets								
Vehicles	36,149	-	-	-	-	36,149	-	36,149
Leasehold improvement								
Buildings	3,745,581	2,285,063	-	-	(39,832)	5,990,812	-	5,990,812
Buildings, operate, transfer								
Buildings and infrastructure	2,061,652	207,073	-	(1,993,733)	(40,865)	1,028,127	-	1,028,127
Engine	308,431	-	-	(186,826)	(2,454)	119,151	-	119,151
Installation	401,257	-	-	(278,352)	(2,478)	120,427	-	120,427
<b>Total</b>	<b>1,058,880,732</b>	<b>179,430,158</b>	<b>(41,172,496)</b>	<b>(4,586,793)</b>	<b>(3,945,968)</b>	<b>1,188,605,633</b>	<b>-</b>	<b>1,188,605,633</b>
Net carrying value	895,017,840							922,954,362

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	January 1,	Additions	Deductions	Reclassification,	Currency	Total before	Revaluations	December 31,	
	2013							2013	2013
	USD	USD	USD	USD	conversion	revaluation	surplus	USD	USD
Aquisition cost/revaluation:									
Aircraft assets									
Direct Acquisition									
Airframes	32,292,731	-	(2,795,352)	(5,348,576)	-	24,178,803	488,769	24,667,572	-
Engines	84,475,232	3,745,377	(3,705,028)	(16,477,369)	-	68,008,212	(168,846)	67,839,366	-
Simulators	68,449,311	28,486,940	(2,129,356)	-	-	94,776,895	-	94,776,895	-
Rotable parts	13,106,348	3,852,142	(28,176)	-	-	16,930,314	-	16,930,314	-
Maintenance assets									
Airframes	22,886,865	11,595,417	(80,455)	4,064,541	-	38,356,668	-	38,356,668	-
Engines	95,045,073	30,252,344	(12,292,462)	(4,414,801)	-	108,560,154	-	108,560,154	-
Assets in progress	3,047,465	10,452,454	-	(13,499,919)	-	-	-	-	-
Leased assets									
Airframes	574,631,029	39,748,632	(3,123,333)	3,371,293	-	614,627,621	-	614,627,621	-
Engines	154,869,506	39,017,372	(6,576,695)	(1,087,272)	-	186,222,911	-	186,222,911	-
Cabin refurbishment	50,777,728	778,207	(68,176)	-	-	50,874,174	-	50,874,174	-
Leasehold improvement	72,046,988	2,303,648	-	-	-	74,320,636	-	74,320,636	-
Non aircraft assets									
Direct acquisition									
Equipment	20,103,657	29,063,037	(259,448)	1,751,378	(16,338,310)	25,253,514	-	25,253,514	-
Hardware	5,949,974	224,966	-	-	(304,300)	5,870,640	-	5,870,640	-
Vehicles	92,005,697	7,845,356	(3,729,739)	189,755	(5,439,714)	90,841,355	-	90,841,355	-
Engines	9,013,648	1,666,848	(223,206)	1,730,529	(2,091,280)	10,096,539	-	10,096,539	-
Installation	6,486,435	636,625	(56,907)	845,610	(1,500,337)	6,111,426	-	6,111,426	-
Land	88,212,960	11,667	(13,832)	670,285	(10,780,058)	78,201,022	15,629,294	93,830,316	93,830,316
Land right	62,202	-	-	-	-	62,202	-	62,202	-
Buildings and infrastructure	99,112,946	87,837,091	(48,736)	(835,991)	(91,425,765)	94,639,545	(6,902,079)	87,737,466	87,737,466
Assets under construction	10,413,266	38,456,346	-	(11,640,202)	(803,657)	36,425,753	-	36,425,753	-
Lease assets vehicles	99,638	-	-	(100,473)	535	-	-	-	-
Leasehold improvement									
Buildings	5,428,036	898,324	-	1,400,432	-	7,726,491	-	7,726,491	-
Building, operate, transfer									
Buildings and infrastructure	2,267,475	-	-	-	(226,772)	2,040,703	-	2,040,703	-
Engines	317,223	-	(249)	-	(31,662)	285,312	-	285,312	-
Installation	472,561	-	-	-	(32,017)	440,544	-	440,544	-
Total	1,811,856,894	336,912,793	(35,854,135)	(39,050,780)	(28,973,337)	1,944,851,434	9,047,188	1,953,898,622	274,074,720

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	January 1,	Additions	Deductions	Reclassification	Currency	Total before	Revaluation	December 31,
	2013	USD	USD	USD	conversion	revaluation	surplus	2013
	USD				USD	adjustment	USD	USD
<b>A accumulated depreciation:</b>								
<b>Aircraft assets</b>								
Direct acquisition								
Airframes	-	9,425,776	(338,124)	(7,382,679)	-	1,704,973	-	1,704,973
Engines	-	27,918,717	(13,999,077)	(24,458,382)	-	2,061,258	-	2,061,258
Simulators	48,73,890	1,922,801	(1,597,017)	-	-	49,039,674	-	49,039,674
Rotable parts	10,97,1083	3,583,985	(22,416)	-	-	114,532,652	-	114,532,652
<b>Maintenance assets</b>								
Airframes	8,822,792	3,263,016	(80,155)	239,446	-	12,135,099	-	12,135,099
Engines	61,284,529	24,468,664	(11,954,708)	(1,042,953)	-	72,755,532	-	72,755,532
<b>Leased assets</b>								
Airframes	387,516,906	14,579,720	(3,123,333)	(308,806)	-	398,664,487	-	398,664,487
Engines	73,884,923	21,284,917	(6,576,695)	(108,727)	-	88,484,418	-	88,484,418
Cabin refurbishment	34,714,279	12,203,408	(6,817,611)	-	-	46,235,926	-	46,235,926
Leasehold improvement	14,358,445	6,602,778	-	-	-	20,961,223	-	20,961,223
<b>Non aircraft assets</b>								
Direct acquisition								
Equipment	10,291,383	12,969,177	(259,674)	(10,234)	(10,330,423)	152,560,229	-	152,560,229
Hardware	5,865,530	425,646	-	-	(89,597)	6,121,579	-	6,121,579
Vehicles	72,273,453	8,203,026	(2,239,612)	17,750	(1,840,186)	76,414,431	-	76,414,431
Engine	4,290,127	7,659,965	(222,723)	(24,505)	(989,660)	3,819,204	-	3,819,204
Installation	6,786,535	4,902,277	(56,907)	(74,229)	(967,461)	6,178,215	-	6,178,215
Buildings and infrastructure	-	7,202,272	(362)	(5,690,611)	(852,537)	658,762	-	658,762
<b>Leased assets</b>								
Vehicles	109,252	6,502	-	(106,850)	27,245	36,149	-	36,149
<b>Leasehold improvement</b>								
Buildings	2,130,388	16,15,193	-	-	-	3,745,581	-	3,745,581
<b>Buildings, operate, transfer</b>								
Buildings and infrastructure	2,281,961	4,498	-	-	(224,807)	2,061,652	-	2,061,652
Engine	340,343	-	(250)	-	(31,662)	308,431	-	308,431
Installation	433,275	-	-	-	(32,018)	401,257	-	401,257
<b>Total</b>	<b>985,069,094</b>	<b>156,936,338</b>	<b>(28,662,811)</b>	<b>(39,050,780)</b>	<b>(5,411,106)</b>	<b>1,058,880,732</b>	<b>-</b>	<b>1,058,880,732</b>
<b>Net carrying value</b>	<b>826,747,800</b>							<b>895,077,840</b>

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Depreciation expense charged to operations for the three months ended March 31, 2015 and 2014 amounted to USD 44,408,356 and USD 40,188,895, respectively.

Disposal of property and equipment are as follows:

	2015 (Three months) (Unaudited) USD	2014 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
Net carrying value	719,887	606,649	4,728,277	7,191,323
Proceeds net of the selling expenses	559,729	445,657	4,770,914	10,314,619
Gain (loss) on sale of property and equipment	<u>(160,158)</u>	<u>(160,992)</u>	<u>42,637</u>	<u>3,123,296</u>

The revaluation of land, buildings and aircrafts was performed by independent appraisers registered in OJK (formerly Bapepam), KJPP Fuadah, Rudi & Rekan. In 2014 as stated in the report dated December 22, 2014 for land and building and February 12, 2015 for aircraft. In 2013 as stated in the report dated December 22, 2014 while in 2012, as stated in the report dated February 11, 2013. The revaluation of fixed asset used the financial information as of November 30, 2014, 2013 and 2012.

Based on the appraisal report, the valuation was determined in accordance with the Indonesian Appraisal Standards (SPI), referring to recent arm's length market transaction and Bapepam-LK's rule No. VIII.C.4. regarding valuation and presentation of asset valuation report in capital market. Appraisal method used is the market value and cost approach.

Details of the Group's land, building and aircraft and information about the fair value hierarchy as of December 31, 2014, are as follows:

	Level 1	Level 2	Level 3
Land	-	✓	-
Building and improvement	-	-	✓
Aircraft	-	✓	-

There were no transfer between Level 1 and level 2 during the period.

The difference between the fair value and carrying amount of the assets net of tax, was recorded in other comprehensive income and accumulated in equity as "Revaluation Surplus Reserve".

On June 30, 2014, the Company reclassified six A330 aircraft under finance lease with book value of USD 174,687,925 into directly owned assets in connection with the settlement of ECA (Note 25). In accordance with the Company's policy relating to the use of revaluation model for aircraft, land and buildings as of June 30, 2014, the Company measured the market value of the six A330 aircraft using the estimate measured by KJPP Fuadah Rudi & Rekan, on their report dated October 31, 2014, and recognized the difference as gain under other comprehensive income which amounted to USD 16,105,056 and impairment of USD 8,416,462 in profit and loss.

In April 2013, one aircraft registered as PK-GGN owned by PT Citilink Indonesia, a subsidiary, was damaged from a "hard landing" at the Minangkabau International Airport, Padang. The subsidiary claimed and received the insurance coverage from PT Asuransi Jasa Indonesia, a related party (Note 46), amounting to USD 8,715,000. The book value of the aircraft amounted to USD 4,763,179. The difference of USD 3,951,821 between the agreed claim and the book value of the aircraft is recorded as other income.

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If property and equipment, aircraft, land, building and improvements were stated at the historical cost basis, the carrying amount would be as follows:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Aircraft	45,725,062	13,165,289	84,110,915
Land	30,826,616	49,566,851	38,877,600
Building and improvement	39,920,642	30,291,042	29,492,621
Total	<u>116,472,320</u>	<u>93,023,182</u>	<u>152,481,136</u>

Management believes that there is no significant difference between the fair value and carrying value of property and equipment, if those assets (excluding aircraft, land, building and infrastructure) have been measured at fair value basis.

As of March 31, 2015, assets under construction consisted of the following:

	March 31, 2015 (Unaudited)			Estimated completion
	Carrying amount USD	Total contract USD	Percentage of completion %	
Machine Installation	1,014,000	2,345,851	43%	2015
Building construction	57,836,668	61,254,382	94%	2015
	<u>58,850,668</u>	<u>63,600,233</u>		

Gross carrying amount of property and equipment that have been fully depreciated and still in use as of March 31, 2015 amounted to USD 114,361,714, respectively.

Property and equipment of the Group are used as collateral for bank loan, long-term loans and lease liabilities (Notes 19, 24 and 25).

As of March 31, 2015, four Boeing 737-300 aircraft owned by PT Citilink Indonesia, a subsidiary, are temporarily idle with carrying amount of USD 6,702,932.

As of March 31, 2015, December 31, 2014 and 2013, property and equipment except land, were insured with insurance companies against fire, theft and other possible risk as follows:

Period	Insurance company	Sum insured	
		USD	Rupiah
March 31, 2015	Related party (Note 46) PT Asuransi Jasa Indonesia		
	Third parties PT Asuransi Bina Dana Artha and PT Himalaya Pelindung	159,251,242	2,397,539,109,995
December 31, 2014	Related parties (Note 46) PT Asuransi Jasa Indonesia and PT Tugu Pratama Indonesia	240,543,826	1,864,021,790,056
	Third parties PT Asuransi Central Asia and PT Himalaya Pelindung		
December 31, 2013	Related parties (Note 46) PT Asuransi Jasa Indonesia and PT Tugu Pratama Indonesia	261,088,683	1,826,624,232,028
	Third parties PT Asuransi Central Asia and PT Himalaya Pelindung		

Management believes that the insurance coverage is adequate to cover possible losses on the assets insured.

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16. INVESTMENT PROPERTIES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Beginning balance	26,818,510	22,020,790	18,912,898
Gain on revaluation	-	3,664,021	3,107,892
Addition	-	1,583,720	-
Deduction	(110,385)	-	-
Reclassification (Note 15)	-	(450,021)	-
Ending balance	<u>26,708,125</u>	<u>26,818,510</u>	<u>22,020,790</u>

The Group has investment properties in land and building.

The revaluation of investment properties was performed by independent appraisers registered with OJK (formerly Bapepam), KJPP Fuadah, Rudi & Rekan in 2014, 2013 and 2012, as stated in their report dated December 22, 2014, January 10, 2014, and February 11, 2013 relating to investment property valuation as of November 30, 2014 and 2013.

Based on the appraisal reports the valuation was determined in accordance with the Indonesian Appraisal Standards (SPI), referring to recent arm's length market transaction and Bapepam-LK's rule No. VIII.C.4. regarding valuation and presentation of asset valuation report in capital market. Appraisal method used is the market value and cost approach.

The difference between the fair value and carrying amount of the asset is recorded as gain on revaluation of investment properties. As of March 31, 2015, the Group's investment properties fair value is categorised as Level 2, and there were no transfers between Level 1 and Level 2 during the period.

17. INTANGIBLE ASSETS-NET

	January 1, 2015 USD	Additions USD	Deductions USD	Reclassifications USD	March 31, 2015 USD
Acquisition cost:					
Direct acquisitions					
Software	1,354,293	-	-	-	1,354,293
License	12,847,359	-	-	-	12,847,359
Leased assets					
Software	1,425,866	-	-	-	1,425,866
License	175,042	-	-	-	175,042
Total	<u>15,802,560</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,802,560</u>
Accumulated amortization:					
Direct acquisitions					
Software	539,215	98,428	-	-	637,643
License	8,410,040	269,511	-	-	8,679,551
Leased assets					
Software	706,923	73,869	-	-	780,792
License	99,053	4,880	-	-	103,933
Total	<u>9,755,231</u>	<u>446,688</u>	<u>-</u>	<u>-</u>	<u>10,201,919</u>
Net carrying value	<u>6,047,329</u>				<u>5,600,641</u>

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	January 1, 2014 USD	Additions USD	Deductions USD	Reclassifications USD	December 31, 2014 USD
Acquisition cost:					
Direct acquisitions					
Software	638,610	715,683	-	-	1,354,293
License	12,847,359	-	-	-	12,847,359
Leased assets					
Software	1,425,866	-	-	-	1,425,866
License	175,042	-	-	-	175,042
Software still under installation	59,748	-	(59,748)	-	-
<b>Total</b>	<b>15,146,625</b>	<b>715,683</b>	<b>(59,748)</b>	<b>-</b>	<b>15,802,560</b>
Accumulated amortization:					
Direct acquisitions					
Software	500,909	38,306	-	-	539,215
License	7,330,972	1,079,068	-	-	8,410,040
Leased assets					
Software	412,050	294,873	-	-	706,923
License	79,813	19,240	-	-	99,053
<b>Total</b>	<b>8,323,744</b>	<b>1,431,487</b>	<b>-</b>	<b>-</b>	<b>9,755,231</b>
<b>Net carrying value</b>	<b>6,822,881</b>				<b>6,047,329</b>
		January 1, 2013 USD	Additions USD	Reclassifications USD	December 31, 2013 USD
Acquisition cost:					
Direct acquisitions					
Software		619,335	19,275	-	638,610
License		10,721,677	574,162	1,551,520	12,847,359
Leased assets					
Software		1,073,866	352,000	-	1,425,866
License		175,042	-	-	175,042
Software still under installation		1,606,018	5,250	(1,551,520)	59,748
<b>Total</b>		<b>14,195,938</b>	<b>950,687</b>	<b>-</b>	<b>15,146,625</b>
Accumulated amortization:					
Direct acquisitions					
Software		468,284	32,625	-	500,909
License		6,249,365	1,081,607	-	7,330,972
Leased assets					
Software		197,240	214,810	-	412,050
License		63,943	15,870	-	79,813
<b>Total</b>		<b>6,978,832</b>	<b>1,344,912</b>	<b>-</b>	<b>8,323,744</b>
<b>Net carrying value</b>		<b>7,217,106</b>			<b>6,822,881</b>



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Intangible assets represent COMPASS ARGAs system, purchase of licenses from Lufthansa Systems Asia Pacific Pte, Ltd., in relation to the Company's information technology service, such as Profitline Yield, Netline Shed, Netline Plan, Profitline Price, Fare Management Systems (FMS), Revenue Management Systems (RMS), and purchase of oracle license from PT Oracle Indonesia and Internet Booking Engine (IBE).

Amortization expense for the three months ended March 31, 2015 and 2014 amounted to USD 446,688 and USD 356,730, respectively, which are presented as network operation expenses.

Management believes that there are no events or changes in circumstances which may indicate impairment of intangible assets as of reporting date.

There were no intangible assets used as collateral.

18. OTHER ASSETS– NET

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Plan assets (Note 29)	10,218,848	12,067,331	10,722,622
Manufacturer's incentive	7,397,246	8,870,062	9,039,498
Security deposits - non aircraft	6,347,180	6,191,122	6,751,612
Restricted cash	4,464,656	3,845,411	6,337,409
Non productive assets	4,242,410	4,242,410	4,161,124
Other financial assets	4,106,536	4,180,835	8,800,031
Others receivables - net	-	-	16,845,647
Security deposits - ECA (Note 25)	-	-	9,845,338
Others	6,347,886	5,882,249	3,663,893
Total	<u>43,124,762</u>	<u>45,279,420</u>	<u>76,167,174</u>

Other receivables – net

The Company has long term receivables from PT Merpati Nusantara Airlines (MNA) which arose from the maintenance of aircrafts. MNA is an affiliated entity due to government ownership. Based on the agreement dated March 10, 1999, MNA agreed to settle its payables within 8 years with interest rate of 7% per annum for receivable denominated in USD and 15% per annum for receivable denominated in Rupiah.

In 2003, the Company's management and MNA agreed to convert the accounts receivable into Mandatory Convertible Bonds (MCB) amounting to USD 30,502,683 and Rp 999,003,673, while the remaining balance of USD 2,770,572 will be settled separately. The Minister of State-Owned Enterprise had approved the issuance of MCB with a term of 5 years at interest rate of 3% per annum and yield to maturity of 18%. However, MNA did not agree with several clauses that the Company added in the draft agreement.

In 2004, MNA has cancelled the MCB process and proposed the conversion into shares. This proposal was confirmed by the Minister of State-Owned Enterprise (SOE) in his letter No. S-89/MBU/2005 dated February 25, 2005. In response to the letter, MNA sent a letter to the Minister of State-Owned Enterprise No. DF-2108/05 dated April 15, 2005 which stated that MNA is still conducting the restructuring program until year 2010 and during the restructuring program; MNA should comply with the covenants determined by each creditor in accordance with the commitment stated in the loan restructuring agreement, including MNA's investment decision.

In March 2009, the Company and MNA have signed a Memorandum of Understanding where both parties agreed that MNA will settle its liabilities to the Company of USD 33,273,256 and Rp 999,003,673 in 13 (thirteen) years since the signing of Debt Restructuring Agreement. On February 28, 2012, this memorandum of understanding has been extended until March 11, 2013. Moreover on January 10, 2012, the Company received a letter from The Ministry of State Owned Enterprise, which stated that the loan owed by Merpati to the Company will be rescheduled with installment payment to start by 2016.

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On November 18, 2013, the Company and MNA signed a Memorandum of Understanding to reschedule the term of MOU until March 11, 2014.

On April 7, 2014 the Company entered into Amendment IV and MNA Memorandum of Understanding to extend the MOU period from March 12, 2014 until March 11, 2015.

On August 14, 2014, the Ministry of SOE approved the assignment of PT Perusahaan Pengelolaan Aset (Persero) ("PT PPA") to represent its agency in implementing the restructuring and/or revitalization of PT MNA wherein PT PPA can start the tender process to attract potential investors with regards to the joint operation (KSO) and joint cooperation (KSU) between PT MNA and potential investors while waiting approval from Ministry of Finance.

Based on management assessment, in relation to the outstanding balance of long term receivable and also considering the internal and external factor, Management concluded to fully impair the Merpati Nusantara Receivables by the end of 2014 and record as impairment of asset (Note 43).

Manufacturer's Incentive

Movements of manufacturer's incentive are as follows:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Beginning balance	8,870,062	9,039,498	5,572,643
Additions	363,751	9,274,086	31,641,634
Deductions	<u>(1,836,567)</u>	<u>(9,443,522)</u>	<u>(28,174,779)</u>
Ending balance	<u>7,397,246</u>	<u>8,870,062</u>	<u>9,039,498</u>

Other financial assets

The Group's available for sale investments are as follows:

	Domicile	Percentage of ownership %	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Investments in shares - at cost					
Abacus International Holdings Ltd	Singapore	2.06	1,730,949	1,730,948	1,730,948
Papas Limited	Hongkong	17.65	1,242,816	1,242,816	1,243,019
PT Nusa Dua Graha International	Bali	8.00	999,842	1,047,759	1,067,603
PT Arthaloka Indonesia	Jakarta	3.00	87,726	92,268	94,168
PT Bumi Minang Padang Plaza	Padang	10.00	45,203	67,044	76,181
PT Merpati Nusantara Airlines	Jakarta	4.21	-	-	4,588,112
Total Other Financial Assets			<u>4,106,536</u>	<u>4,180,835</u>	<u>8,800,031</u>

The Group owns shares held primarily for long-term growth potential since such companies are engaged in the same industry similar to the Group. Those companies are non-listed and there is no readily available measure of fair value of shares thus the investment is stated at cost.

Based on assessment of Management, it is decided to impair the entire investment in PT MNA of USD 4,588,112 by the end of 2014 and record as impairment of asset (Note 43). The decision was made due to non-operation of PT MNA since February 2014. For airlines companies who has not operated for one year, the flight air operator certificate will be suspended.

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Non-productive assets

Non-productive assets consist of Garuda Indonesia Training Center (GITC) building and rotables.

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Net carrying amount - before impairment	4,667,323	4,667,323	4,667,323
Provision for impairment of assets	(424,913)	(424,913)	(506,199)
Net	<u>4,242,410</u>	<u>4,242,410</u>	<u>4,161,124</u>
The movement of the provision is follow:			
Beginning balance	(506,199)	(506,199)	(240,208)
Net changes for the period	81,286	81,286	(265,991)
Ending balance	<u>(424,913)</u>	<u>(424,913)</u>	<u>(506,199)</u>

Security deposits – non aircraft

This account represents security deposits for branch office buildings and utilities.

Restricted cash

This account represents restricted cash related to long term loan.

19. LOANS FROM BANKS AND FINANCIAL INSTITUTION

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Dubai Islamic Bank PJSC and National Bank of Abu Dhabi PJSC	292,201,923	-	-
Bank Rakyat Indonesia	106,281,520	17,031,085	-
Bank Internasional Indonesia	99,516,560	-	-
Bank ICBC	32,495,204	12,450,164	-
Bank HSBC	19,779,022	19,997,361	-
Bank Negara Indonesia	9,395,749	20,833,500	40,222,668
Indonesia Infrastructure Finance	5,000,000	5,000,000	5,000,000
Total	<u>564,669,978</u>	<u>75,312,110</u>	<u>45,222,668</u>

Dubai Islamic Bank PJSC (“DIB”) and National Bank of Abu Dhabi PJSC (“NBAD”) – Murabahah Financing

On March 11, 2015, the Company entered into murabahah financing amounting to USD 400,000,000 with DIB and NBAD as the Arranger, Bookrunner and the Original Participants. The parties agreed to the sale and purchase agreement for contract services of Available Seat Kilometers (ASK). The right to sell ASK is effective over 12 months, with costs per ASK of USD 0.0766 and total saleable ASK rights of 5,225,009,231.02.

In relation to the financing agreement, the Company in return acts as the exclusive representative of Emirates NBD Bank PJSC to sell the relevant rights to ASK to third parties (Wakalah agreement).

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The Company must meet the following financial covenants calculated on the basis of twelve (12) months:

- Debt ratio not to exceed 10.5x on March 31, 2015; 9.1x on June 30, 2015; 7.8x on September 30, 2015; and 6.5x on December 31, 2015.
- Coverage ratio not less than 1x on September 20, 2015 and December 31, 2015.

The outstanding balance of murabahah financing as of March 31, 2015 amounted to USD 292,201,923.

Bank Rakyat Indonesia

On December 30, 2014, the Company obtained credit facilities consisting of Kredit Modal Kerja Impor (KMKI), and Penangguhan Jaminan Impor ("PJI") in the form of Surat Kredit Berdokumen Dalam Negeri ("SKBDN"), Letter of Credit (LC), Sight/Usance/Usance Payable at Sight (UPAS) and Standby Letter of Credit (SBLC) amounting to Rp 1 trillion and USD 30 million. KMKI facility has tenor of up to 6 (six) months, for LC/SKBDN/Sight and up to 3 (three) months for LC/SKBDN Usance/UPAS, PJI facility has tenor of up to 180 days and SBLC facility tenor has of up to 12 months.

The purposes of the KMKI and PJI facilities are is for jet fuel purchases from Pertamina and aircraft maintenance of GMFAA.

Total outstanding loan as of March 31, 2015 and December 31, 2014 amounted to USD 106,281,520 (Rp 998,067,413,859 equivalent to USD 76,281,520 and USD 30,000,000) and USD 17,031,085 (Rp 214,216,991,197), respectively.

PT Bank International Indonesia ("BII")

On March 23, 2015, the Company entered into a partnership with BII to finance business of Hajj and Umroh, wherein each party contributed funds amounting to USD 1,000,000 and USD 100,000,000. BII as a passive partner will get earnings ratio based on activities related to Hajj and Umroh or other types of businesses that are determined later by agreement of the Parties (revenue sharing). Partnership for Hajj and Umroh was conducted after the date of this Facility Line Agreement was signed and will expire on March 27, 2017. The Company must meet the following financial covenants calculated on the basis of twelve (12) months:

- Debt ratio not to exceed 10.5x on March 31, 2015; 9.1x on June 30, 2015; 7.8x on September 30, 2015; and 6.5x on December 31, 2015.
- Coverage ratio not less than 1x on September 20, 2015 and December 31, 2015.

The outstanding loan as of March 31, 2015 amounted to USD 99,516,560.

Bank Industrial Commercial Bank of China (ICBC)

On November 14, 2013, the Company obtained a credit facility in the form of Domestic Letter of Credit ("SKBDN") and the Omnibus Sight/Usance/Usance Payable at Sight (UPAS) Letter of Credit (L/C) including Standby Letter of Credit Line (SBLC). SKBDN and UPAS have a maximum tenor of 90 days and for the SBLC has a maximum tenor of 12 months. The combined limit of the facility is USD 20,000,000.

The purpose of this facility is for working capital needs.

Total outstanding bank loan as of March 31, 2015 and December 31, 2014 amounted to USD 32,495,204 and USD 12,450,164, respectively.

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The Hongkong and Shanghai Banking Corporation Limited (HSBC)

On August 26, 2014, the Company obtained credit facility from HSBC, with maximum credit limit of USD 20,000,000.

The purposes of this facility are for fuel payment to Pertamina, payment to maintenance service provider and payment to airport operator for landing, handling, overflying and route charges (LHOR).

The outstanding loan as of March 31, 2015 and December 31, 2014 amounted to USD 19,779,022 and USD 19,997,361, respectively.

Bank Negara Indonesia

- The Company

On June 28, 2012, the Company obtained credit facility from Bank Negara Indonesia, herein referred to as Surat Kredit Berdokumen Dalam Negeri (“SKBDN”) Bank Negara Indonesia (“BNI”). Under the credit facility, the maximum credit limit is USD 15 million.

The purpose of the BNI SKBDN is for purchase of jet fuel from PT Pertamina (Persero). The Company is required to maintain deposits or checking account balances with BNI during 2 working days before the due date of repayment amounting to the principal amount plus interest.

On April 19, 2013, in accordance with deed No. 16 with addendum of credit facility as deed No. 32 dated October 16, 2014 by Wenda Taurista Anindya, S.H. The Company obtained credit facility SKBDN with the maximum credit limit of USD 40 million. The facility is to be used for jet fuel purchase and operating activities.

The outstanding loan as of March 31, 2015, December 31, 2014 and 2013 amounted to USD 9,021,821, USD 20,321,821, and USD 39,618,118, respectively.

- PT Aerotrans Services Indonesia (ATS)

In November 29, 2012, ATS obtained Working Capital Loans (KMK) BNI with maximum limit of Rp 7,500,000,000, effective interest rate of 11% per annum, and with last maturity date on November 28, 2014. This loan is guaranteed with all ATS’s receivable from GMFAA.

The outstanding loan as of March 31, 2015, December 31, 2014 and 2013 amounted to Rp 4,892,464,785 (equivalent to USD 373,928), Rp 6,365,282,033 (equivalent to USD 511,679), and Rp 7,368,853,033 (equivalent to USD 604,550), respectively.

Indonesia Infrastructure Finance (IIF)

On December 23, 2013, GMFAA, a subsidiary entered a working capital facility agreement with PT Indonesia Infrastructure Finance amounting to USD 5,000,000 with interest rate LIBOR 3 months + margin at 3.5%. This facility is valid for 1 year from the date of signing of the agreement. This loan is used to finance the development of a new hangar in Batam/Bintan, and/or the procurement of machine and equipment.

As of March 31, 2015, December 31, 2014 and 2013, outstanding loan amounted to USD 5,000,000 in each years.

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20. TRADE ACCOUNTS PAYABLE

a. By Creditor

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Related parties (Note 46)			
PT Pertamina (Persero)	80,712,111	103,863,212	108,911,065
PT Angkasa Pura I (Persero)	2,859,248	2,612,037	2,574,185
Perum LPPNI	4,823,634	2,602,347	3,568,602
PT Angkasa Pura II (Persero)	4,561,363	2,145,982	5,023,393
PT Telekomunikasi Indonesia (Persero) Tbk	237,949	320,302	694,319
Others	854,457	19,191	-
Sub total	<u>94,048,762</u>	<u>111,563,071</u>	<u>120,771,564</u>
Third parties			
Airline services			
Fuel	14,334,534	19,690,148	21,865,753
General and administrative	12,055,876	15,616,132	11,758,155
Catering	10,653,593	13,809,741	13,368,408
Maintenance and overhaul	7,441,769	8,995,052	1,574,181
User charges and station	3,768,928	6,433,591	7,432,440
Airline	633,983	826,723	498,079
Sub total	<u>48,888,683</u>	<u>65,371,387</u>	<u>56,497,016</u>
Non airline services	<u>40,526,843</u>	<u>38,654,973</u>	<u>29,682,794</u>
Sub total	<u>89,415,526</u>	<u>104,026,360</u>	<u>86,179,810</u>
Total	<u>183,464,288</u>	<u>215,589,431</u>	<u>206,951,374</u>

b. By Currency

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Rupiah	94,119,978	127,708,608	130,511,081
U.S. Dollar	77,788,339	70,250,381	58,659,207
Japanese Yen	1,748,089	3,166,251	3,444,371
Arabian Riyal	1,368,085	3,003,224	1,066,898
Singapore Dollar	2,708,590	2,877,754	2,847,791
Australian Dollar	785,642	1,318,053	891,930
Euro	976,791	1,181,468	1,030,500
Korean Won	3,942	559,459	543,720
Other currencies	3,964,832	5,524,233	7,955,876
Total	<u>183,464,288</u>	<u>215,589,431</u>	<u>206,951,374</u>

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21. OTHER PAYABLES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Foreign airport retribution	17,205,485	17,230,526	13,374,631
Passenger ticket insurance	839,931	774,326	677,884
Insurance and healthcare	285,413	51,548	3,871,701
Others	14,770,808	6,140,208	3,063,935
Total	<u>33,101,637</u>	<u>24,196,608</u>	<u>20,988,151</u>

22. ACCRUED EXPENSES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
General and administrative	63,527,899	70,562,902	59,480,482
User charges and station	34,402,027	39,764,772	19,007,595
Maintenance and overhaul	41,344,567	43,159,171	25,210,421
Ticketing sales and promotion	18,920,753	18,886,753	17,634,954
Flight operations	5,629,786	8,617,027	18,357,595
Passenger services	8,186,175	7,166,969	5,743,449
Hangar IV construction	5,020,891	4,942,891	3,790,416
Interest	6,737,880	3,508,972	5,560,750
Others	22,677,496	27,988,492	14,885,123
Total	<u>206,447,474</u>	<u>224,597,949</u>	<u>169,670,785</u>

23. UNEARNED REVENUES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Traffic scheduled flight	172,789,686	209,547,184	168,012,509
Others	1,166,646	941,726	1,252,887
Total	<u>173,956,332</u>	<u>210,488,910</u>	<u>169,265,396</u>

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24. LONG-TERM LOANS

Details of long-term loans at March 31, 2015, December 31, 2014 and 2013, net of unamortized transaction cost.

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<u>Related parties (Note 46)</u>			
Bank Negara Indonesia	50,687,744	53,485,894	42,803,615
Indonesia Eximbank	38,103,192	40,051,868	-
PT Pertamina (Persero)	14,379,163	28,758,327	43,137,490
Bank Rakyat Indonesia	13,419,833	24,387,199	42,618,642
PT Angkasa Pura II (Persero)	10,315,531	13,473,346	16,104,859
PT Angkasa Pura I (Persero)	3,459,997	3,639,116	5,798,472
Sub total	<u>130,365,460</u>	<u>163,795,750</u>	<u>150,463,078</u>
<u>Third parties</u>			
BCA Club Deal - Syndicated loan	175,275,599	189,162,531	73,488,690
PT Bank Internasional Indonesia	92,500,000	96,437,500	-
Bank Pan Indonesia	64,824,105	74,767,818	74,105,017
Floating Rate Notes			
U.S. Dollar	10,919,731	16,018,433	30,418,159
Rupiah	450,705	1,244,352	3,385,111
Bank CIMB Niaga	3,338,239	3,884,983	4,542,238
PT Indonesia Infrastructure Finance	1,886,274	1,886,274	-
Commonwealth Bank (AUD)	993,852	1,067,821	-
PT Mandiri Tunas Finance	105,113	217,406	1,099,859
PT Tirta Finance	49,137	51,681	-
SCB & Emirates NBD PJSC Syndicated loan	-	113,462,274	-
Emirates NBD PJSC - Murabahah Financing	-	83,689,077	-
Bank Permata	-	69,950,713	69,591,334
Bringin Indotama Sejatera	-	7,917	53,410
Syndicated loan II	-	-	119,708,057
Syndicated loan III			
U.S. Dollar	-	-	45,640,043
Rupiah	-	-	34,620,710
Sub total	<u>350,342,755</u>	<u>651,848,780</u>	<u>456,652,628</u>
Total long term liabilities	480,708,215	815,644,530	607,115,706
Less current maturities	224,649,523	368,945,183	280,075,641
Long term loans portion	<u>256,058,692</u>	<u>446,699,347</u>	<u>327,040,065</u>

The amortized cost of long-term loans is as follows:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Long-term Loan	480,708,215	815,644,530	607,115,706
Accrued interest expense	2,394,126	3,135,498	1,290,965
Total	<u>483,102,341</u>	<u>818,780,028</u>	<u>608,406,671</u>



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The average interest rate are as follow:

	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
U.S. Dollar	1,140% - 4,230%	0,900% - 5,000%	1,159% - 4,750%
Rupiah	7,400% - 15,980%	6,500% - 15,980%	6,500% - 11,152%

Payment details as of March 31, 2015, December 31, 2014 and 2013 are as follow:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
SCB & Emirates NBD PJSC Syndicated loan	115,000,000	-	-
Emirates NBD PJSC - Murabahah Financing	85,000,000	-	-
Bank Permata	70,000,000	-	-
PT Pertamina (Persero)	14,379,163	14,379,163	14,379,163
PT Bank Rakyat Indonesia	10,316,506	20,477,023	1,558,143
Bank Pan Indonesia	10,000,000	-	-
BCA Club Deal - Syndicated loan	9,652,523	5,943,741	-
Floating rate notes			
U.S. Dollar	5,108,234	14,545,479	14,545,479
Rupiah	758,912	2,188,735	2,209,363
PT Bank Internasional Indonesia	4,000,000	3,000,000	-
PT Angkasa Pura II (Persero)	3,157,815	2,631,513	-
Bank Negara Indonesia	2,049,999	5,185,938	2,731,464
PT Mandiri Tunas Finance	245,764	903,548	1,566,474
Bank CIMB Niaga	221,741	1,849,854	2,258,280
Bringin Indotama Sejahtera	7,876	46,458	39,642
PT Angkasa Pura I (Persero)	-	2,046,465	-
Indonesia Eximbank	-	-	100,000,000
Syndicated loan I	-	-	27,500,000
Syndicated loan II	-	120,000,000	-
Syndicated loan III			
U.S. Dollar	-	46,000,000	-
Rupiah	-	36,898,338	-
St. George Bank Australia and National Australia Bank Limited	-	-	21,043
Total	<u>329,898,533</u>	<u>276,096,255</u>	<u>166,809,051</u>

PT Bank Negara Indonesia

a. GMFAA

On March 31, 2010, GMFAA, a subsidiary, obtained a Rp 100 billion loan facility which will mature on December 30, 2015 and subject to floating interest rate from Bank Negara Indonesia. The term of credit facility is 5 years and 9 months the purpose of which is for business development financing of new facilities and infrastructure and also for machine and equipment procurement of 52.32% from value of asset financing. This credit facility is secured by assets financed by the facility.

On June 25, 2012, GMFAA obtained an additional investment credit facility with maximum amount of Rp 55 billion, due on May 25, 2018 at a floating interest rate. The facility has a term of 6 years and is intended to finance the capability development and increased capacity for aircraft maintenance.

On May 31, 2013, GMFAA obtained additional investment credit facility with maximum plafond of Rp 490 billion and USD 6 million, due on November 30, 2025 at a floating interest rate from Bank Negara

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Indonesia. The facility has a term of 12 years and intended to finance the building of hangar IV and hangar equipment. The loan facility is secured with assets financed by this facility.

Interest is payable on the 25<sup>th</sup> of each month starting on June 2013. The loan principal of this facility is payable in quarterly installment of Rp 11,112,500,000 starting on August 25, 2014.

The major covenant of this facility include the following:

- a. Minimum *Current ratio* is 1 time,
- b. Debt to equity ratio is maximum of 2.5 times,
- c. Debt service coverage ratio is minimum of 100%.

On December 31, 2014, GMFAA has met the financial ratio requirement based on the agreement.

As of March 31, 2015, December 31, 2014 and 2013, outstanding loan balance amounted to Rp 557,863,436,964 (equivalent to USD 42,637,071), Rp 553,762,892,880 (equivalent to USD 44,514,702) and Rp 403,285,640,026 (equivalent to USD 33,086,032), respectively.

b. PT Aerofood Indonesia (ACS)

On June 20, 2012, ACS, a subsidiary, obtained loan from Bank Negara Indonesia with maximum credit of Rp 110 billion and will be due on June 19, 2018. This loan is used for project development of kitchen facilities in Denpasar, Medan and Balikpapan. The loan is secured by fiduciary right over the related kitchen facility.

As of March 31, 2015, December 31, 2014 and 2013, the outstanding balance of the loan amounted to Rp 74,621,087,488 equivalent to USD 5,703,232, Rp 79,941,069,918 (equivalent to USD 6,426,131) and Rp 90,302,457,964 (equivalent to USD 7,408,521), respectively.

c. PT Aero Wisata (AWS)

In March 2013, AWS, a subsidiary, obtained 3 loan facilities from Bank Negara Indonesia with maximum credit amount of Rp 18 billion, Rp 7 billion and Rp 25 billion and maturity date on March 3, 2021, September 2, 2022 and April 18, 2015, respectively. The loan is used to finance the renovation of Hotel Grand Preanger, Hotel Tastaru, Hotel Mandalika and for the subsidiary's working capital.

The major covenants of these loan facilities include the following:

- Minimum current ratio is 1 time,
- Maximum debt to equity ratio is maximum of 2.1 times,
- Debt service coverage ratio is no less than 100%.

As of March 31, 2015, December 31, 2014 and 2013, the outstanding balance of the loan amounted to Rp 30,713,918,044 (equivalent to USD 2,347,441), Rp 31,660,558,840 (equivalent to USD 2,545,061) and Rp 28,145,161,200 (equivalent to USD 2,309,062), respectively.

Indonesia Exim Bank

On August 15, 2012, the Company and Indonesia Eximbank signed a credit agreement with a total value of USD 75 million which is divided into two tranches: tranche A with credit limit of USD 25 million and tranche B with credit limit of USD 50 million used for the payment of pre-delivery payment (PDP) of the entire aircrafts purchases from Boeing, Airbus, Embraer and Bombardier which are covered by financing commitments in the form of sale and leaseback agreement with the lessor. The term of this agreement was 24 months from the signing of the agreement. Interest payments are made every 3 months.

The loan was collateralized by a deed of pledge over the Company's shares in GMFAA, a subsidiary, for USD 100 million and was fully repaid on August 14, 2014.

On April 28, 2014, the Company entered into a long-term loan facility agreement with Exim Bank Indonesia for Rp 500 billion with a term of 36 months designated for working capital. Interests are payable quarterly.

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Principal installment will begin 12 months after the date of the agreement; payable quarterly. The entire facility was drawn by the Company on May 9, 2014. There is no collateral for this loan facility.

The outstanding loan as of March 31, 2015 and December 31, 2014 amounted to Rp 498,5 billion (equivalent to USD 38,103,192) and Rp 498,3 billion (equivalent to USD 40,051,868), respectively.

PT Pertamina (Persero)

Based on agreement dated October 19, 2009, PT Pertamina (Persero) agreed to convert the Company's trade payable for fuel purchase transactions amounting to USD 76,484,911 into a long-term loan payable with installment terms. This loan is due on December 31, 2015.

As of March 31, 2015, December 31, 2014 and 2013, outstanding loan balance amounted to USD 14,379,163, USD 28,758,327 and USD 43,137,490, respectively.

Bank Rakyat Indonesia

a. The Company

On May 29, 2013, the Company has signed a Credit Facility with PT Bank Rakyat Indonesia (Persero) Tbk with a total facility of USD 40,000,000 and term of 24 months. This facility is used for general purposes including pre-delivery financing of aircraft purchases in 2013.

As of December 31, 2014, the Company has complied with the financial covenant stipulated in the agreement. Major covenant of the agreement includes, among others is debt-to-equity ratio is not to exceed 5 times.

As of March 31, 2015, December 31, 2014 and 2013, the outstanding loan balance amounted to USD 9,998,861, USD 19,985,270 and USD 39,870,262, respectively.

b. PT Aerofood Indonesia (ACS)

ACS, a subsidiary of AWS, obtained working capital and interchangeable with bank guarantee from Bank Rakyat Indonesia with maximum plafond of Rp 40 billion. Agreement on these loans facility has several changes and the last changes relates to the extension of the credit facility period be July 1, 2014 until July 1, 2015. This loan is secured by inventory and account receivables of ACS.

As of March 31, 2015, the loan has been settled. The outstanding loan December 31, 2014 and 2013 amounted to Rp 4 billion (equivalent to USD 321,543) and Rp 4 billion (equivalent to USD 328,165), respectively.

c. PT Gapura Angkasa (Gapura)

On February 29, 2012, Gapura obtained cash collateral credit from Bank Rakyat Indonesia with maximum plafond of Rp 29.5 billion and term of 36 months. This loan is secured by two deposit certificates, each worth Rp 20 billion and Rp 10 billion. The loan was settled on March 2014.

On March 13, 2014, Gapura obtained investment credit from Bank Rakyat Indonesia with a total plafond of Rp 56.7 billion, with term of 36 months and used for purchase of Ground Support Equipment (GSE). The loan is secured by GSE.

Total outstanding loan balance as of March 31, 2015, December 31, 2014, and 2013 amounted to Rp 44,759,997,648 (equivalent to USD 3,420,972), Rp 50,760,000,000 (equivalent to USD 4,080,386) and Rp 29,500,000,000 (equivalent to USD 2,420,215), respectively.

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PT Angkasa Pura II (Persero)

Based on agreement dated May 27, 2009, PT Angkasa Pura II (Persero) agreed to convert the Company's trade payable of Rp 195,910,872,304 (equivalent to USD 21,052,103) into a long-term loan payable with installment terms. This loan will fall due on December 30, 2015. As of March 31, 2015, December 31, 2014 and 2013, the outstanding loan balance amounted to USD 10,315,531, USD 13,473,346 and USD 16,104,859, respectively.

PT Angkasa Pura I (Persero)

Based on agreement dated May 27, 2009, PT Angkasa Pura I (Persero) agreed to convert the Company's trade payable amounting to Rp 91,465,097,646 (equivalent to USD 8,872,465) into a long-term loan payable with installment terms. This loan will fall due on December 30, 2015. As of March 31, 2015, December 31, 2014 and 2013, the outstanding loan balance amounted to Rp 45,270,600,748 (equivalent to USD 3,459,997), Rp 45,270,603,885 (equivalent to USD 3,639,116) and Rp 70,677,575,510 (equivalent to USD 5,798,472), respectively.

PT Bank Internasional Indonesia

On March 27, 2014, the Company entered into a partnership with BII to finance the business of Hajj and Umroh, wherein each party contributed funds amounting to USD 1,000,000 and USD 100,000,000. BII as a passive partner will get earnings ratio based on activities related to Hajj and Umroh or other types of businesses that are determined later by agreement of the Parties (revenue sharing). Partnership for Hajj and Umroh was conducted after the date of this Facility Line Agreement was signed and will expire on March 27, 2017.

The Company must meet the following financial covenants calculated on the basis of twelve (12) months:

- Debt ratio not to exceed 7 times,
- Coverage ratio not less than 1 times,
- The minimum cash percentage of the Group shall not be less than 5% from total operating revenue.

The outstanding loan balance as of March 31, 2015 and December 31, 2014 amounted to USD 92,500,000 and USD 96,437,500 respectively.

BCA Club Deal - Syndicated Loan

On December 2, 2013, the Company entered into a Syndicated Loan Agreement facilitated by PT Bank Central Asia, Tbk., and in circular with five banks:

- Lembaga Pembiayaan Ekspor Indonesia
- PT Bank Central Asia, Tbk
- PT Bank Internasional Indonesia Tbk
- PT Bank CTBC Indonesia
- Bank of China Limited

The syndicated loan facility amounted to USD 100 million and Rp 1,193,000,000,000 for general purpose of the Company.

The loan has a term of 36 (thirty six) months due on December 2, 2016. The principal will be repaid every 3 (three) months in which the first repayment will be made 12 (twelve) months from the signing date.

The loan is secured by an interest reserve account in which the balance is to be kept sufficient for 3 (three) months of interest payments. The account is held with PT Bank Central Asia, Tbk as the Facility Agent as well as the Security Agent.

On December 31, 2013, the Company made the first draw down which amounted to USD 75 million and in 2014 made total draw down amounting to USD 25 million and Rp 1,193,000,000,000.

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The major covenants include maintaining certain financial covenants as follow:

- Debt ratio not to exceed 5.75 times,
- Coverage ratio not less than 1.00,
- The minimum cash percentage of the Group shall not be less than 5.00%.

As of December 31, 2014, the Group has exceeded the financial covenants in the agreement, however the Group has received the waiver from the facility agent in relation with noncompliance of financial covenants. The facility agent agreed that exceeding the limit of such financial covenants do not make the loan to become immediately due and payable.

As of March 31, 2015, December 31, 2014 and 2013, the outstanding loan balance amounted to USD 175,275,599, USD 189,162,531 and USD 73,488,690, respectively.

PT Bank Pan Indonesia

On August 2, 2013, the Company entered into a commercial loan agreement with PT Bank Pan Indonesia Tbk. The total loan facility amounted to USD 75 million with term of 36 months.

The outstanding loan as of March 31, 2015, and December 31, 2014 and 2013, amounted to USD 64,824,105, USD 74,767,818 and USD 74,105,017, respectively.

Floating Rate Note Payable

The Company issued Floating Rate Notes payable (FRN) in U.S. Dollar and Rupiah currencies. The Chase Manhattan Bank - London Branch acted as Trustee in the issuance of the FRN. The FRN matured in 2007.

Based on deed of changes and buyback agreement dated January 21, 2010, the remaining unsettled FRN which amounted to USD 75 million and Rp 108 billion respectively, was restructured and will be due in 2018.

Outstanding balance of FRN as of March 31, 2015 amounted to USD 10,919,731 and Rp 5,897,024,220 (equivalent to USD 450,705), December 31, 2014 amounted to USD 16,018,433 and Rp 15,481,978,080 (equivalent to USD 1,244,352), and as of December 31, 2013 amounted to USD 30,418,159 and Rp 41,261,123,098 (equivalent to USD 3,385,111).

Bank CIMB Niaga

a. PT Aero Wisata (AWS)

On October 6, 2009, AWS, a subsidiary, obtained on investment credit loan facility from Bank CIMB Niaga with maximum credit of Rp 20 billion. The loan is used to finance the renovation of Irian Biak Hotel. The term of the loan is 8 years, which includes a grace period of 18 months and will mature on October 6, 2017. The loan is secured by three landright certificates on the land area where the hotel is located (Note 15).

As of March 31, 2015, December 31, 2014 and 2013, outstanding loan balance amounted to Rp 5,845,538,492 (equivalent to USD 446,770), Rp 6,576,230,798 (equivalent to USD 528,636) and Rp 9,499,000,022 (equivalent to USD 779,309), respectively.

b. PT Aerotrans Service (ATS)

ATS obtained investment loan facility from Bank CIMB Niaga to finance the purchase of new vehicle for operations with term of 3 to 4 years per annum.

Such loan agreement includes certain terms and conditions that restrict ATS to distribute dividends and change its organizational structure without written notification to the bank.

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ATS obtained a loan facility to be used as bridging financing for liquidity gap arising from investment activities. This loan has a maximum term of one year or the period of leased agreement whichever is shorter, with interest rate per annum at 1.25% plus the interest rate of time deposits guaranteed by the government. This loan is secured by time deposit.

On June 24, 2010, ATS restructured its loan. The agreed restructured terms are as follow:

- a. Reduce interest rate from 13% - 16% per annum to 11% - 12.25% per annum.
- b. Change in allocation of loan facility as follows:
  - Investment loan transaction (PTK) No. 2 and partial Novation from fixed back to back loan amount of Rp 7 billion was combined into PTK investment No. 5.
  - PTK investment No. 3 and partial Novation from fixed back to back loan amount of Rp 4 billion was combined into PTK investment No. 6.

These facilities have a term of 36 months to 42 months.

The restructured loan is secured by related vehicles purchased with a minimum amount of Rp 175,124,150,000, accounts receivable from rental of vehicles with minimum amount of Rp 10,504,404,158 and opening of escrow account and a comfort letter from AWS.

As of March 31, 2015, December 31, 2014 and 2013, outstanding loan balances amounted to Rp 37,831,980,396 (equivalent to USD 2,891,469), Rp 41,752,950,896 (equivalent to USD 3,356,347) and Rp 40,199,683,876 (equivalent to USD 3,298,030), respectively.

c. PT Aerofood Indonesia (ACS)

On October 2011, ACS obtained loan from CIMB Niaga with maximum limit of Rp 10 billion, effective interest rate 12.50% and maturity date on October 24, 2016. The loan is pledged by fiduciary right of Hi Lift Truck amounting to Rp 12.5 billion. In September 2014, this loan has been extinguished.

As of March 31, 2015, December 31, 2014, the outstanding loan has been settled and as of December 31, 2013 outstanding loan balance amounted to Rp 5,666,666,673 (equivalent to USD 464,900).

PT Indonesia Infrastructure Finance

On July 16, 2014, GMFAA obtained an investment credit facility from PT Indonesia Infrastructure Finance (IIF), maximum amount of USD 30 million with maturity date until December 16, 2020. The loan has floating interest rate of 3-month LIBOR plus 4.45% per annum. This facility can be used to purchase tools and spare parts.

All the loan facility are secured with assets financed by this facility (Note 14).

Without written consent from the Bank and IIF, the Company is restricted to, among other things: undertake merger; propose a bankruptcy; invest; engages in other operational activities; opens new operations; acts as guarantor; pledges the assets to other party; and changes its articles of association. The Company should inform the Bank in writing, when among other things the Company: changes its legal form; pays loan to shareholder; distributes dividends; grants loan; obtains loan; enters into a lease transaction with a leasing company; acquires a third party asset; and changes its management composition. Further, the Company has to comply with the following financial ratios: (a) minimum current ratio of 1:1; (b) maximum debt to equity ratio of 2.5; (c) debt service coverage ratio of 100%.

As of December 31, 2014, the Company has complied with all financial ratios required on the loan agreement.

As of March 31, 2015 and December 31, 2014, outstanding loan balance amounted USD 1,886,274 and USD 1,886,274, respectively.

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Commonwealth Bank

On October 14, 2014, GOHA obtained a loan facility from the Commonwealth Bank of Australia used to finance the acquisition of office buildings and investment property located at 263 Clarence Street, Sydney, NSW, 2000 with a loan limit of AU\$ 1,300,000. The maturity of the loan is 5 (five) years and can be repaid in part or in whole on the dates specified in the agreement. Interest rate and other expenses of loans consist of:

- The interest rate used is the variable market rate and will be charged every three months.
- Line fee of 0.93% per annum calculated on the facility limit and payable on the first day of each month and on cancellation of limit.
- Usage fee of 1.20% per annum calculated on the total drawn balance of facility and payable on the first day of each month and on cancellation of limit.
- Liquidity fee of 0.1% per annum calculated on the drawn balance of market rate loan and will be charge on reset date or on full prepayment of the loan.
- Rollover fee of AUD 150 will be charged on each reset date.

As of March 31, 2015 and December 31, 2014, outstanding loan balance amounted to USD 993,852 (equivalent AUD 1,300,000) and USD 1,067,821 (equivalent to AUD 1,300,000) respectively.

PT Mandiri Tunas Finance

This loan was obtained by ATS, a subsidiary of AWS, for the purchase of 27 vehicles with term of 36 months. This loan is secured by the financed vehicles.

As of March 31, 2015, December 31, 2014, and 2013, the outstanding loan balance amounted to Rp 1,375,300,023 (equivalent to USD 105,113), Rp 2,704,530,640 (equivalent to USD 217,406) and Rp 13,406,183,732 (equivalent to USD 1,099,859), respectively.

PT Tirta Finance

On October 24, 2013, ATS entered into purchase financing with PT Tirta Finance for the purchase of GPS. The finance lease has a term of 4 years and fixed interest rate of 15.98% per annum.

On December 9, 2013, the finance lease term has been amended to become 1.5 years. The outstanding balance of this loan as of March 31, 2015 and December 31, 2014 amounted to Rp 642,914,459 (equivalent to USD 49,137) and Rp 642,911,640 (equivalent to USD 51,681) respectively.

SCB & Emirates NBD PJSC

On April 15, 2014, the Company entered into a long-term syndicated loan facility with Standard Chartered Bank and Emirates NBD PJSC. These facilities granted the Company total maximum credit of USD 200 million with term of 36 months and designated for working capital purposes. Principal and interest payments is made every 3 (three) months, with the first payment due on 15 (fifteen) months after the date of the agreement. The loan facilities were availed by the Company in stages, total draw down in 2014 amounted to USD 200,000,000. The collateral for this loan is a reserved interest placement for three (3) months, which is classified as restricted cash balance (Note 18).

The major covenants include maintaining certain financial covenants as follow:

- Debt ratio not to exceed 6 times,
- Coverage ratio not less than 1 times,
- The minimum cash percentage shall not be less than 5% of total operating revenues.

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As of December 31, 2014, the Group has exceeded the financial covenants in the agreement, however the Group has received the waiver from the facility agent in relation with noncompliance of financial covenants. The facility agent agreed that exceeding the limit of such financial covenants do not make the loan to become immediately due and payable.

The outstanding loan at December 31, 2014 amounted to USD 113,462,274 and on February 18, 2015 this loan has been settled with the bridging loan from National Abu Dhabi Bank.

Emirates NBD PJSC – Murabahah Financing

On July 17, 2014, the Company entered into murabahah financing amounting to USD 85,000,000 with Emirates NBD PJSC. The parties agreed to the sale and purchase agreement for contract services of Available Seat Kilometers (ASK). The right to sell ASK is effective over 36 months, with costs per ASK of USD 0.0681 and total saleable ASK rights of 1,248,164,464. In relation to the financing agreement, the Company in return acts as the exclusive representative of Emirates NBD Bank PJSC to sell the relevant rights to ASK to third parties (Wakalah agreement).

The outstanding balance of murabahah financing as of December 31, 2014 amounted to USD 83,689,077 and on February 18, 2015 this loan has been settled with the bridging loan from National Abu Dhabi Bank.

PT Bank Permata

On February 18, 2013, the Company entered into a commercial loan agreement with PT Bank Permata Tbk. The total loan facility amounted to USD 70 million with term of 24 months. The loan principal will be paid on the 24 months which on February 18, 2015.

As of March 31, 2015, the loan has been settled. The outstanding loan at December 31, 2014 and 2013 amounted to USD 69,950,713 and USD 69,591,334, respectively.

Bringin Indotama Sejahtera

In 2012, ATS entered into vehicle purchase financing with Bringin Indotama Sejahtera for the purchase of vehicles. The finance lease has a term of 3 years and a fixed interest rate of 12.25% per annum.

As of March 31, 2015, the loan has been settled. The outstanding balance of this loan as of, December 31, 2014 and 2013 amounted to, Rp 98,499,920 (equivalent to USD 7,917) and Rp 651,008,040 (equivalent to USD 53,410), respectively.

Syndicated loan II

On November 6, 2012, the Company entered into a Syndicated Loan Facility which was facilitated by Citicorp International Limited and circularly with eight banks: Citigroup Global Markets Singapore Pte Ltd, PT Bank Panin Tbk, PT Bank ICBC Indonesia, First Gulf Bank PJSC, Singapore Branch, Korea Development Bank, KDB Asia Limited, Standard Chartered Bank, Jakarta Branch and Bank of China Limited, Jakarta Branch. The maximum credit facility is USD 120 million with term of 24 months. Principal payments will be made at month 15, 18, 21 and 24 by the same amount of USD 30 million. This facility is used for general purposes. The loan was secured by an interest reserve account for three (3) months interest payments.



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The Company has used all the plafond facility as of December 31, 2012 with details as follow:

	Total USD
<u>Facility agents</u>	
Citigroup Global Markets Singapore Pte Ltd	15,000,000
PT Bank Panin Tbk	25,000,000
PT Bank ICBC Indonesia	24,000,000
First Gulf Bank PJSC, Singapore Branch	20,000,000
Korea Development Bank *)	15,000,000
Standard Chartered Bank, Jakarta Branch	15,000,000
Bank of China Limited, Jakarta branch	6,000,000
	<u>120,000,000</u>

\*) USD 15,000,000 commitment to be split between Korea Development Bank and KDB Asia Limited

The major covenants of the agreement include the following:

- Coverage ratio not less than 1.05,
- Debt ratio not to exceed 5.75 times,
- The minimum cash percentage of the Group shall not be less than 5 percent.

As of December 31, 2014, the outstanding loan has been settled while as of December 31, 2013, the outstanding loan amounted to USD 119,708,057, respectively.

#### Syndicated Loan III

On February 21, 2013, the Company entered into a USD 90 million syndicated loan III facilitated by Citibank. The syndicated loan III is upsizing the loan facility of syndicated loan II. This syndicated loan is raised from four banks, namely: PT Bank Panin Tbk amounting to USD 20 million and Rp 213,378,000,000 (equivalent to USD 24 million), PT Bank ICBC Indonesia amounting to USD 6 million, PT Bank Central Asia Tbk amounting to Rp 213,378,000,000 (equivalent to USD 24 million), and Emirates NBD PJSC, Singapore Branch for USD 20 million.

The loan has a term of 24 months from November 7, 2012 with principal payments at month 15, 18, 21 and 24.

As of December 31, 2014, the outstanding loan has been settled while as of December 31, 2013 the outstanding loan amounted to USD 45,640,043 for Syndicated loan III in U.S Dollar currency and USD 34,620,710 (equivalent to Rp 421,991,834,190) for syndicated loan III in Rupiah.

## 25. LEASE LIABILITIES

The Group entered into lease transaction for the lease of aircraft Airbus type A-330 which were financed by Export Credit Agency (ECA), with lease period of 1996 – 2016 and Export Development Canada (EDC) for lease of aircraft CRJ1000 with lease period of 2012 – 2022.

The Group also entered into lease agreement with PT Hewlett-Packard Finance Indonesia, PT Century Tokyo Leasing Indonesia and Mitsui Capital Leasing for the lease of software, hardware and vehicles with lease period of 3 years.

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The minimum lease payments based on the lease agreements are as follow:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Within one year	15,104,743	17,256,791	58,814,443
Over one year but not longer than five years	63,383,806	65,723,598	98,416,610
Over five years	57,253,506	56,059,509	58,290,805
Total future lease payment	<u>135,742,055</u>	<u>139,039,898</u>	<u>215,521,858</u>
Less future finance charges	<u>19,827,727</u>	<u>20,141,541</u>	<u>23,770,914</u>
Present value of minimum lease payments	<u>115,914,328</u>	<u>118,898,357</u>	<u>191,750,944</u>
Presented in consolidated statement of financial position as:			
Current maturities	13,046,441	12,933,174	53,268,680
Non current maturities	<u>102,867,887</u>	<u>105,965,183</u>	<u>138,482,264</u>
Total	<u>115,914,328</u>	<u>118,898,357</u>	<u>191,750,944</u>

Export Credit Agency (ECA)

On December 21, 2010, the Company completed the restructuring of the ECA debt. The restructuring clarified the following matters:

- The outstanding ECA debt balance as of December 21, 2010 consisting of debt to Commercial Lenders amounting to USD 78,782,738 and ECA amounting to USD 175,461,456 was rescheduled and will due every month until December 2016. The interest rate on the ECA loan is LIBOR + 0.9/0.95%, while the interest rate on loans to Commercial Lenders is LIBOR+1.75%. The debt with ECA and Commercial Lenders is secured by 6 (six) Airbus A330-300 aircrafts and three 3 (three) Rolls Royce model Trent 768 engines. Additional collateral for a portion of ECA debt (Tranche A and B1) amounting to USD 50 million is 7 Boeing 737-400 aircrafts. All collateral has been released based on Deed of Release dated March 2, 2011.
- On December 21, 2010, the Company repurchased USD 15,546,270 of its loan through reverse dutch auction process, for USD 11 million, generating a gain of USD 4,546,270.

The major covenants in the finance lease agreement include the following:

- The Company will not, and will ensure that no companies in the Garuda group, have any financial liabilities except for:
  - Financial liabilities arising from this agreement, supplementary rental agreements, other rental documents, and liabilities to creditors already existing on the effective date and disclosed in the Deed Poll.
  - Financial liabilities incurred from operating leases in which the lessee is a company in the Garuda group.
  - From the effective date of the agreement until June 30, 2011, the total financial liabilities incurred by the companies in the Garuda group may not exceed USD 80 million, thereafter (starting from July 1, 2011) until the termination of the agreement such restriction has been waived.
  - Garuda group shall meet the financial covenant restrictions required in the agreement, such as:
    - Coverage ratio not less than 1.3,
    - Debt ratio not to exceed 5 times,

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- For the years 2010 – 2016 the maximum capital expenditure each year shall be 2.5% of the total operating revenue.
- The Company also agreed to settle the above-mentioned loans to the creditors using the excess cash of the Company as stipulated in the Cash Sweep Deed of Covenant.

In the ECA debt restructuring agreement, there is a negative covenant that does not allow the Company to pay or announce any dividend or other distribution, except:

- a) The dividend does not exceed: (i) 10% of the distributable profit for such financial year prior to an IPO or (ii) 50% of the distributable profit for such financial year after an IPO.
- b) Dividend is distributed if the Company has excess cash in the year concerned as defined in the agreement.
- c) It is allowed by law for the Company to make payment or announcement.
- d) There is no outstanding balance that has fallen due and has not been paid for any rental agreement and no other balances that have fallen due and not been paid for other debt borrowings.
- e) There are no occurrences relating to continuing inability to pay.

On December 15, 2010, the Company has paid the tax security deposit for tranche A and tax security deposit for tranche B, of EUR 7 million and EUR 1 million, respectively, as one of the conditions to be met by the Company in the ECA debt restructuring process (Note 18).

At December 31, 2013, the Company's coverage ratio is 1.13 times and Debt Ratio is 6.28 times, respectively. Management has reviewed the terms of the ECA agreement and concluded that exceeding the limit of such financial covenant does not make the loan to become immediately due and payable.

On June 19, 2014, the Company signed the termination agreement relating to six (6) Airbus A330-300 aircraft with manufacturer serial No. 138, 140, 144, 148, 153 and 165. Based on this agreement, within two (2) banking days prior termination date, the Company shall pay the creditor the amount of USD 62,480,833 consisting of principal payment of USD 62,121,518 and interest payment of USD 359,315. The additional cost related to the termination amounted to USD 119,178.

On June 30, 2014, the security deposit and maintenance reserve fund related to ECA has been released together with the six Airbus A330-300 aircraft with manufacturer serial No. 138, 140, 144, 148, 153 and 165 which were reclassified as owned aircraft (Note 15).

As of December 31, 2013, the outstanding balance of ECA finance lease obligation amounted to USD 83,743,135. In 2014, this loan has been settled.

#### Export Development Canada (EDC)

On July 27, 2012, the Company obtained financing from EDC facility related to CRJ1000 Next-Generation with a maximum credit of USD 135 million valid until November 30, 2014. At December 31, 2014, the Company has used all this facility.

There are two interest rates applicable to these financing: Fixed Rate and Floating Rate.

- Fixed interest rate is computed using the semi-annual 6-year swap rate + margin + premium.
- Floating interest rate is computed using the 3-month LIBOR + margin + premium.

The Company is required to confirm in advance the applicable interest rate to be used upon delivery of the aircraft.

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Upon execution of financing agreement, the interest rate is realized as follows:

1. The Company elected fixed interest payment for the loan tied to PK-GRA. Payments are made each quarter beginning on January 5, 2013.
2. The Company elected fixed interest payment for the loan tied to PK-GRC. Payments are made each quarter beginning on January 30, 2013.
3. The Company elected fixed interest payment for the loan tied to PK-GRE. Payments are made each quarter beginning on February 9, 2013.
4. The Company elected fixed interest payment for the loan tied to PK-GRM. Payments are made each quarter beginning on September 25, 2013.
5. The Company elected floating interest payment for the loan tied to PK-GRN. Payments are made each quarter beginning on November 29, 2013.
6. The Company elected floating interest payment for the loan tied to PK-GRQ. Payments are made each quarter beginning on September 20, 2014.

Significant covenants of the financing facility are as follow:

1. Debt ratio of the Group shall not be equal to or more than 7.25 times.
2. Coverage ratio of the Group shall not be equal to or less than 1 times.
3. Minimum cash of the Group shall not be equal to or less than 5% for more than two (2) consecutive quarters.

As of December 31, 2014, the Group exceeded the financial covenants in the agreement, however the Group has received the waiver from the facility agent in relation with noncompliance with financial covenants. The facility agent agreed that exceeding the limit of such financial covenants do not make the loan to become immediately due and payable.

Financing period is 10 years with maturity as follows:

1. CRJ1000 PK-GRA will be due every 5th of each quarter. The first installment date is on January 5, 2013, with final maturity on October 5, 2022.
2. CRJ1000PK-GRC will be due every 30th of each quarter. The first installment date is on January 30, 2013, with final maturity on October 30, 2022.
3. CRJ1000PK-GRE will be due every 9th of each quarter. The first installment date is on February 5, 2013, with final maturity on November 9, 2022.
4. CRJ1000PK-GRM will be due on 25th of each quarter. The first installment date is on September 25, 2013, with final maturity on June 25, 2023.
5. CRJ1000PK-GRN will be due on 29th of each quarter. The first installment date is on November 29, 2013, with final maturity on August 29, 2023.
6. CRJ1000PK-GRQ will be due on 20th of each quarter. The first installment date is on September 20, 2014, with final maturity on June 20, 2024.

No security deposit is issued for this financing. As of March 31, 2015, December 31, 2014 and 2013, the outstanding balance of EDC financing amounted to USD 114,496,737, USD 117,468,807 and USD 105,784,435, respectively.

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PT Hewlett-Packard Finance Indonesia and PT Century Tokyo Indonesia

The loan is related to the purchase of hardware and software with the lease has term of 36 months and effective interest rate per annum at 5.34% - 8% for USD and 10% - 12.25% for IDR in 2014; 8% for USD and 10% for IDR in 2013, respectively.

As of March 31, 2015, December 31, 2014 and 2013, the outstanding balance amounted to USD 1,204,985, USD 1,429,550 and USD 2,223,374, respectively.

Mitsui Leasing Capital

In 2015, ATS entered into purchase financing with Mitsui Capital Leasing for the purchase of 20 vehicles with term of 36 months and interest fixed rate 10.21% - 11.29%.

As of March 31, 2015, the outstanding balance amounted to Rp 2,781,770,742 (equivalent to USD 212,607).

26. ESTIMATED LIABILITY FOR AIRCRAFT RETURN AND MAINTENANCE COST

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Balance at beginning of year	112,788,440	70,252,250	52,331,790
Provision during the year	1,512,433	59,120,035	33,946,760
Amount utilised	(1,208,911)	(22,566,134)	(19,509,300)
Amortized discount	1,327,570	5,982,289	3,483,000
Balance at end of year	<u>114,419,532</u>	<u>112,788,440</u>	<u>70,252,250</u>
Presentation			
Current maturities	46,852,454	39,262,253	15,060,990
Non current maturities	67,567,078	73,526,187	55,191,260
Total	<u>114,419,532</u>	<u>112,788,440</u>	<u>70,252,250</u>

27. BONDS PAYABLE

In July 2013, the Company issued a sustainable public offering called "Garuda Indonesia Sustainable Bond 1". The Company is aiming to raise Rp 4,000,000,000,000 from the offering. In the first phase, the Company offered Sustainable Bond Garuda Indonesia 2013 amounting to USD 200,724,972 (equivalent to Rp 2,000,000,000,000). About 80% of the proceeds will be used as advance payment for the purchase of aircrafts and the remaining 20% will be used as working capital to pay for aircraft lease rentals.

The bond principal is to be settled at bullet payment on maturity. Interest is fixed at 9.25% per annum, payable every three months starting on October 5, 2013 to July 5, 2018. Buy-back of bond can be made one year after allotment date at market price.

The Trustee for the bonds is PT CIMB Niaga Tbk. On issuance date, the bond received Fitch rating of IdA, and listed in the Indonesian Stock Exchange on July 8, 2013. The bond is not secured by any collateral and not guaranteed by any party.

Fitch issued the Company's bond rating for February 6, 2015 is BBB+(idn) and as of December 31, 2014, the such rating is A-(idn).

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The major covenants include maintaining certain financial covenants as follow:

1. Coverage ratio not less than 1 time, and
2. Debt ratio not to exceed 7 times.

On Mach 5, 2015, a General Meeting of Bondholders was held wherein the bondholders agreed to the changes in the financial covenant of the underwriting agreement.

The revised financial covenants are as follow:

1. Debt ratio not to exceed 2.5 times;
2. Minimum cash percentage shall not be less than 5% of the Group revenues; and
3. Group total equity should not be less than USD 800,000,000.

Balance as of March 31, 2015, December 31, 2014 and 2013 amounted to Rp 1,987,495,575,897 (equivalent to USD 151,902,750), Rp 1,987,389,557,320 (equivalent to USD 159,758,003) and Rp 2,000,000,000,000 (equivalent to USD 162,850,383), respectively.

28. OTHER NONCURRENT LIABILITIES

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Deferred income from sale and leaseback (Note 49)	35,167,152	33,798,787	22,720,707
Advances from agent	1,491,310	1,307,665	2,742,732
Others	648,324	332,879	407,854
Total	<u>37,306,786</u>	<u>35,439,331</u>	<u>25,871,293</u>

29. POST-EMPLOYMENT BENEFITS OBLIGATION

a. Post-employment Benefits

Defined Contribution Plan

The Company and PT Garuda Maintenance Facility Aero Asia (GMFAA), a subsidiary, established a defined contribution pension plan for all their permanent employees. The pension plan is managed by Dana Pensiun Garuda Indonesia (DPGA), whose deed of establishment was approved by the Minister of Finance of the Republic of Indonesia in his Decision Letter No. KEP-403/KM.17/1999 dated November 15, 1999. The pension fund contributions are equivalent to 7.5% of employees' basic salary wherein 2% are assumed by the employee and the difference is assumed by the Company and GMFAA.

Based on the Company's Annual General Shareholder Meeting (RUPST) dated April 26, 2013, the shareholders agreed and approved the changes in pension funding from 7,5% of employee basic salary to become 10%, while the contribution ratio as borne by an employee was changed from 2% to become 3% with the remaining portion borne by the Company.

In 2014, the Company amended its pension preparation program, where employees can no longer avail of the option to be inactive one year before their normal retirement age. Under the new "Collective Employment Agreements" (CEA) all employee must be actively working until his normal retirement age.

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PT Abacus Distribution Systems Indonesia (ADSI), a subsidiary, established an insurance program covering post-retirement benefits for all qualified permanent employees. This program provides post-retirement benefits based on the participant latest salary. This program is managed by PT Asuransi Jiwasraya (Persero). The program is funded by contributions from the subsidiary and its employees at 7.5% and 2.5%, of the employees' basic salary, respectively.

In 2014, PT Aero Systems Indonesia (ASI), a subsidiary, amended its CEA. The amendments change the calculation of post-employment benefit scheme for normal retirement with additional bereavement payment for employee who dies before his normal retirement age. ASI also amended its long-service awards benefit for employees who have worked for 10 years and 20 years.

Pension expense recorded as part of operating expense for the three-month period ended March 31, 2015 and 2014 amounted USD 1,747,121 and USD 1,556,806 and for the year ended December 31, 2014 and 2013 amounted to USD 6,378,295 and USD 7,432,668, respectively.

Defined Benefit Plan

PT Aero Wisata, a subsidiary, established a defined benefit pension plan for all its permanent employees. The plan is managed by Dana Pensiun Aero Wisata whose deed of establishment was approved by the Minister of Finance of Republic of Indonesia in his Decision Letter No. KEP-044/KM.10/2007 dated March 26, 2007. The pension fund is funded by contribution from PT Aero Wisata and its employees at 11.40% and 5%, respectively, of the employee gross salary. At retirement age, the employees will obtain benefit of 2.5% times working period times basic pension income.

The GMFAA, ADSI, ASI, AWS and GA also provide benefits to their qualifying employees in accordance with the Company's policies based on Labor Law No. 13 Year 2003. No funding has been made to this defined benefit plan.

b. Other Long-term Benefit

The GMFAA, ADSI, ASI, AWS and GA provide long service awards to their employees who have already rendered 20 years of service in accordance with their policies. No funding has been made to this long-term benefit.

At March 31, 2015 and December 31, 2014 and 2013 the cost of providing defined benefit plan and other long-term benefits is calculated by PT Padma Radya Aktuarial, an independent actuary, using the following key assumptions:

	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
Discount rate	7,5%-8%	8,25% - 8,5%	8,6% - 9%
Future salary increment rate	3% - 8%	3% - 8%	3% - 8%
Mortality rate	TMII	TMII	TMII
Disability rate	10% of mortality rate	10% of mortality rate	10% of mortality rate
Resignation rate	5% at age 25 and decreasing linearly to 0% at age 56	5% at age 25 and decreasing linearly to 0% at age 56	5% at age 25 and decreasing linearly to 0% at age 56
Normal retirement rate	56 years	56 years	56 years
Medical cost increment rate - for healthcare	6,1% until year 2018 then 5% flat rate	6,1% until year 2018 then 5% flat rate	6,1% until year 2017 then 5% flat rate

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The amounts recognized in profit or loss and other comprehensive income arising from the post-employment defined benefits plan and other long-term benefits, are as follows:

	March 31, 2015 (Unaudited)			
	Post-employment benefit			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Recognized in profit and loss:				
Current service cost	2,498,371	22,825	187,462	2,708,658
Past service cost	187,141	509,592	(3,317,157)	(2,620,424)
Net interest of liability (asset)	3,421,193	(190,388)	122,798	3,353,603
Actuarial gain/loss	-	-	340,687	340,687
	<u>6,106,705</u>	<u>342,029</u>	<u>(2,666,210)</u>	<u>3,782,524</u>
Recognized in other comprehensive income:				
Remeasurement on the net defined benefit liability:				
Actuarial gain or loss	9,695,110	1,743,020	-	11,438,130
Return on plan asset	133,655	(25,444)	-	108,211
	<u>9,828,765</u>	<u>1,717,576</u>	<u>-</u>	<u>11,546,341</u>
Total	<u>15,935,470</u>	<u>2,059,605</u>	<u>(2,666,210)</u>	<u>15,328,865</u>

	December 31, 2014 (As restated - Note 5)			
	Post-employment benefit			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Recognized in profit and loss:				
Current service cost	9,097,653	78,787	1,207,346	10,383,786
Past service cost	(129,386)	-	(10,545,144)	(10,674,530)
Net interest in liability (asset)	13,769,050	(1,794,862)	1,424,634	13,398,822
Actuarial gain/loss	-	-	729,899	729,899
	<u>22,737,317</u>	<u>(1,716,075)</u>	<u>(7,183,265)</u>	<u>13,837,977</u>
Recognized in other comprehensive income:				
Remeasurement on the net defined benefit liabilities				
Actuarial gain or loss	9,942,744	2,634,668	-	12,577,412
Return on plan asset	828,581	(1,531,034)	-	(702,453)
	<u>10,771,325</u>	<u>1,103,634</u>	<u>-</u>	<u>11,874,959</u>
Total	<u>33,508,642</u>	<u>(612,441)</u>	<u>(7,183,265)</u>	<u>25,712,936</u>



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	December 31, 2013 (As restated - Note 5)			
	Post-employment benefit			
	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Recognized in profit and loss:				
Current service cost	10,530,538	162,786	1,734,018	12,427,342
Past service cost	(460,940)	-	(9,569)	(470,509)
Net interest in liability (asset)	10,216,639	(355,838)	1,417,651	11,278,452
Actuarial gain or loss	-	-	(1,238,603)	(1,238,603)
	<u>20,286,237</u>	<u>(193,052)</u>	<u>1,903,497</u>	<u>21,996,682</u>
Recognized in other comprehensive income:				
Remeasurement on the net defined benefit liability				
Actuarial gain or loss	(15,104,337)	(11,101,975)	-	(26,206,312)
Return on plan asset	668,643	8,902,112	-	9,570,755
	<u>(14,435,694)</u>	<u>(2,199,863)</u>	<u>-</u>	<u>(16,635,557)</u>
Total	<u>5,850,543</u>	<u>(2,392,915)</u>	<u>1,903,497</u>	<u>5,361,125</u>

	January 1, 2013/December 31, 2012 (As restated - Note 5)				
	Post-employment benefit				
	Healthcare plan USD	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Recognized in profit and loss:					
Current service cost	-	11,045,997	179,310	1,833,548	13,058,855
Past service cost	-	(2,466,478)	-	(443,543)	(2,910,021)
Net interest in liability (asset)	283,586	14,041,928	(1,598,769)	1,758,887	14,485,632
Actuarial gain or loss	-	(4,013)	-	(27,093)	(31,106)
	<u>283,586</u>	<u>22,617,434</u>	<u>(1,419,459)</u>	<u>3,121,799</u>	<u>24,603,360</u>
Recognized in other comprehensive income:					
Remeasurement on the net defined benefit liability	-	-	-	-	-
Actuarial gain or loss	-	(13,861,557)	587,652	-	(13,273,905)
Return on plan asset	-	(667,654)	(1,557,945)	-	(2,225,599)
	<u>-</u>	<u>(14,529,211)</u>	<u>(970,293)</u>	<u>-</u>	<u>(15,499,504)</u>
Total	<u>283,586</u>	<u>8,088,223</u>	<u>(2,389,752)</u>	<u>3,121,799</u>	<u>9,103,856</u>

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The amounts included in the consolidated statements of financial position arising from the post-employment defined benefits plan and other long-term benefit are as follow:

	March 31, 2015 (Unaudited)			
	Employee benefit obligations			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Present value of obligation	189,651,812	35,763,273	6,000,502	231,415,587
Fair value of plan assets	(8,944,096)	(41,644,489)	-	(50,588,585)
Net liability	<u>180,707,716</u>	<u>(5,881,216)</u>	<u>6,000,502</u>	<u>180,827,002</u>
Employee benefit obligations	<u>180,707,716</u>	<u>4,337,632</u>	<u>6,000,502</u>	<u>191,045,850</u>
Plan assets	<u>-</u>	<u>(10,218,848)</u>	<u>-</u>	<u>(10,218,848)</u>
	December 31, 2014 (As restated - Note 5)			
	Employee benefit obligations			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Present value of obligation	186,608,453	34,941,201	9,379,688	230,929,342
Fair value of plan assets	(9,518,011)	(43,151,482)	-	(52,669,493)
Net liability	<u>177,090,442</u>	<u>(8,210,281)</u>	<u>9,379,688</u>	<u>178,259,849</u>
Employee benefit obligations	<u>177,090,442</u>	<u>3,857,050</u>	<u>9,379,688</u>	<u>190,327,180</u>
Plan assets	<u>-</u>	<u>(12,067,331)</u>	<u>-</u>	<u>(12,067,331)</u>
	December 31, 2013 (As restated - Note 5)			
	Employee benefit obligations			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Present value of obligation	170,793,727	32,997,922	19,076,550	222,868,199
Fair value of plan assets	(9,774,431)	(40,479,065)	-	(50,253,496)
Net liability	<u>161,019,296</u>	<u>(7,481,143)</u>	<u>19,076,550</u>	<u>172,614,703</u>
Employee benefit obligations	<u>161,019,296</u>	<u>3,241,479</u>	<u>19,076,550</u>	<u>183,337,325</u>
Plan assets	<u>-</u>	<u>(10,722,622)</u>	<u>-</u>	<u>(10,722,622)</u>

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	January 1, 2013/December 31, 2012 (As restated - Note 5)				Total USD
	Employee benefit obligations				
	Healthcare plan USD	Defined benefit plan USD	Health care USD	Long service award USD	
Present value of obligation	72,380	223,379,377	52,505,470	27,528,868	303,486,095
Fair value of plan assets	-	(12,577,806)	(58,890,645)	-	(71,468,451)
Net liability	<u>72,380</u>	<u>210,801,571</u>	<u>(6,385,175)</u>	<u>27,528,868</u>	<u>232,017,644</u>
Employee benefit obligations	<u>72,380</u>	<u>210,801,571</u>	<u>4,812,590</u>	<u>27,528,868</u>	<u>243,215,409</u>
Plan assets	<u>-</u>	<u>-</u>	<u>(11,197,765)</u>	<u>-</u>	<u>(11,197,765)</u>

Movements in the present value obligation are as follow:

	March 31, 2015 (Unaudited)			
	Employee benefit obligations			
	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Present value obligation - beginning balance	186,608,453	34,941,201	9,379,688	230,929,342
Current service cost	2,498,371	22,825	187,462	2,708,658
Interest expense	3,609,461	693,823	122,798	4,426,082
Employee's contribution	10,112	-	-	10,112
Past service cost	187,141	509,592	(3,317,157)	(2,620,424)
Benefit payment	(3,490,469)	(345,065)	(502,296)	(4,337,830)
Remeasurement on the net defined benefit liability:				
Actuarial gain or loss from experience adjustment	2,076,630	(43,017)	108,863	2,142,476
Actuarial gain or loss from change in financial assumption	7,618,480	1,786,037	231,824	9,636,341
Foreign exchange differential	(9,466,368)	(1,802,123)	(210,680)	(11,479,171)
Present value obligation - ending balance	<u>189,651,811</u>	<u>35,763,273</u>	<u>6,000,502</u>	<u>231,415,586</u>

	December 31, 2014 (As restated - Note 5)			
	Employee benefit obligations			
	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Present value obligation - beginning balance	170,793,727	32,997,924	19,076,550	222,868,201
Current service cost	9,097,653	78,787	1,207,346	10,383,786
Interest expense	14,665,447	1,941,596	1,424,634	18,031,677
Employee's contribution	94,643	-	-	94,643
Past service cost	(129,386)	-	(10,545,144)	(10,674,530)
Benefit payment	(13,375,831)	(1,850,796)	(2,564,196)	(17,790,823)
Remeasurement on the net defined benefit liability:				
Actuarial gain or loss and experience adjustment	901,908	456,102	62,971	1,420,981
Actuarial gain or loss from change in financial assumption	9,040,836	2,178,566	666,927	11,886,329
Foreign exchange differential	(4,480,544)	(860,978)	50,600	(5,290,922)
Present value obligation - ending balance	<u>186,608,453</u>	<u>34,941,201</u>	<u>9,379,688</u>	<u>230,929,342</u>

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	December 31, 2013 (As restated - Note 5)				
	Employee benefit obligations				
	Healthcare plan USD	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Present value obligation - beginning balance	72,380	223,379,377	52,505,470	27,528,868	303,486,095
Current service cost	-	10,530,538	162,786	1,734,018	12,427,342
Interest expense	-	10,900,023	3,065,286	1,417,651	15,382,960
Employee's contribution	-	99,756	-	-	99,756
Past service cost	-	(460,940)	-	(9,569)	(470,509)
Benefit payment	(66,263)	(13,454,503)	(2,115,639)	(5,015,679)	(20,652,084)
Remeasurement on the net defined benefit liability:					
Actuarial gain or loss and experience adjustment	-	25,638,295	213,815	2,563,847	28,415,957
Actuarial gain or loss from change in financial assumption	-	(40,742,632)	(11,315,790)	(3,802,450)	(55,860,872)
Foreign exchange differential	(6,117)	(45,096,187)	(9,518,004)	(5,340,136)	(59,960,444)
Present value obligation - ending balance	-	170,793,727	32,997,924	19,076,550	222,868,201

	January 1, 2013/ December 31, 2012 (As restated - Note 5)				
	Employee benefit obligations				
	Healthcare plan USD	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Present value obligation - beginning balance	13,628,718	240,220,814	54,721,683	29,416,937	337,988,152
Current service cost	-	11,045,997	179,310	1,833,548	13,058,855
Interest expense	283,586	14,802,627	2,633,109	1,758,887	19,478,209
Employee's contribution	-	128,664	-	-	128,664
Past service cost	-	(2,466,478)	-	(443,543)	(2,910,021)
Benefit payment	(13,330,107)	(11,666,230)	(2,177,757)	(3,199,141)	(30,373,235)
Remeasurement on the net defined benefit liability:					
Actuarial gain (loss) and experience adjustment	-	(11,093,044)	956,422	(1,043,821)	(11,180,443)
Actuarial gain (loss) from change in demographic assumption	-	-	-	-	-
Actuarial gain (loss) from change in financial assumption	-	(2,772,526)	(368,770)	1,016,728	(2,124,568)
Mutation In/Out	-	25,752	-	17,408	43,160
Foreign exchange differential	(509,817)	(14,846,199)	(3,438,527)	(1,828,135)	(20,622,678)
Present value obligation - ending balance	72,380	223,379,377	52,505,470	27,528,868	303,486,095

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Movements in the net liability of the post-employment defined benefits plan and other long-term benefit are as follows:

	March 31, 2015 (Unaudited)			
	Post-employment benefit			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Balance of beginning of period	177,090,442	(8,210,281)	9,379,688	178,259,849
Expense recognised in profit/loss	6,106,706	342,029	(2,666,210)	3,782,526
Expense recognised in other comprehensive income	9,828,765	1,717,576	-	11,546,341
Foreign exchange differential	(8,999,747)	332,688	(210,680)	(8,877,739)
Employer's contribution	(24,634)	-	-	(24,634)
Payments of benefits	(3,293,816)	(63,228)	(502,296)	(3,859,340)
Balance at end of period	<u>180,707,716</u>	<u>(5,881,216)</u>	<u>6,000,503</u>	<u>180,827,003</u>
Employee benefit obligation	<u>180,707,716</u>	<u>4,337,632</u>	<u>6,000,503</u>	<u>191,045,851</u>
Plan assets	<u>-</u>	<u>(10,218,848)</u>	<u>-</u>	<u>(10,218,848)</u>

	December 31, 2014 (As restated - Note 5)			
	Post-employment benefit			
	Defined benefit plan	Health care	Long service award	Total
	USD	USD	USD	USD
Balance of beginning of period	161,019,296	(7,481,143)	19,076,550	172,614,703
Expense recognized in profit/loss	22,737,316	(1,716,075)	(7,183,265)	13,837,976
Expense recognized in other comprehensive income	10,771,324	1,103,633	-	11,874,957
Foreign exchange differential	(4,286,093)	118,815	50,599	(4,116,679)
Employer's contribution	(230,549)	(1,295)	-	(231,844)
Payments of benefits	(12,920,852)	(234,216)	(2,564,196)	(15,719,264)
Balance at end of period	<u>177,090,442</u>	<u>(8,210,281)</u>	<u>9,379,688</u>	<u>178,259,849</u>
Employee benefit obligation	<u>177,090,442</u>	<u>3,857,050</u>	<u>9,379,688</u>	<u>190,327,180</u>
Plan assets	<u>-</u>	<u>(12,067,331)</u>	<u>-</u>	<u>(12,067,331)</u>

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	December 31, 2013 (As restated - Note 5)				
	Employee benefit obligations				
	Healthcare plan USD	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Balance of beginning of period	72,380	210,801,571	(6,385,174)	27,528,869	232,017,646
Expense recognized in profit/loss	-	20,286,237	(193,052)	1,903,497	21,996,682
Expense recognized in other comprehensive income	-	(14,435,694)	(2,199,863)	-	(16,635,557)
Employer's contribution	-	(243,006)	(68,948)	-	(311,954)
Foreign exchange differential	(6,117)	(42,528,249)	1,608,225	(5,340,137)	(46,266,278)
Payments of benefits	(66,263)	(12,861,563)	(242,331)	(5,015,679)	(18,185,836)
Balance at end of period	-	161,019,296	(7,481,143)	19,076,550	172,614,703
Employee benefit obligation	-	161,019,296	3,241,479	19,076,550	183,337,325
Plan assets	-	-	(10,722,622)	-	(10,722,622)

	January 1, 2013 / December 31, 2012 (As restated - Note 5)				
	Employee benefit obligations				
	Healthcare plan USD	Defined benefit plan USD	Health care USD	Long service award USD	Total USD
Balance of beginning of period	13,628,718	227,838,999	(3,884,852)	29,416,937	266,999,802
Expense recognized in profit/loss	283,586	22,617,434	(1,419,459)	3,121,800	24,603,361
Expense recognized in other comprehensive income	-	(14,529,211)	(970,293)	-	(15,499,504)
Employer's contribution	-	(281,699)	(143,382)	-	(425,081)
Mutation in/out	-	25,752	-	17,408	43,160
Foreign exchange differential	(509,817)	(14,049,569)	315,041	(1,828,135)	(16,072,480)
Payments of benefits	(13,330,107)	(10,820,135)	(282,230)	(3,199,141)	(27,631,613)
Balance at end of period	72,380	210,801,571	(6,385,175)	27,528,869	232,017,645
Employee benefit obligation	72,380	210,801,571	4,812,590	27,528,869	243,215,410
Plan assets	-	-	(11,197,765)	-	(11,197,765)

The Company has discontinued the healthcare plan program for the employee who retired for certain period.

Movements in the present value of health care plan assets are as follows:

	March 31,	(As restated - Note 5)	
	2015	December 31,	December 31,
	(Unaudited)	2014	2013
	USD	USD	USD
Fair value of plan assets - beginning balance	52,669,493	50,253,496	71,468,450
Expected return on plan assets	1,072,478	4,632,856	4,104,509
Remeasurement on the net defined benefit liability			
Return on plan asset	(108,211)	702,453	(9,570,755)
Employer's contribution	24,634	231,844	311,954
Employee's contribution	10,112	94,643	99,756
Benefit payment	(478,490)	(2,071,559)	(2,466,248)
Foreign exchange differential	(2,601,432)	(1,174,240)	(13,694,168)
Fair value of plan assets - ending balance	50,588,584	52,669,493	50,253,498

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The major category of plan assets, and the expected rate of return at the end of the reporting period for each category, are as follows:

	Expected return			Fair value of plan assets		
	(As restated - Note 5)			(As restated - Note 5)		
	March 31, 2015 (Unaudited) %	December 31, 2014 %	December 31, 2013 %	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Equity instruments	43.75%	40.19%	53.63%	22,132,503	21,170,116	26,953,075
Time deposits and others	54.13%	51.01%	38.20%	27,383,603	26,866,521	19,195,914
Investment result expected average	2.12%	8.80%	8.17%	1,072,478	4,632,856	4,104,509
Fair value of plan assets - ending balance	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>50,588,584</u>	<u>52,669,493</u>	<u>50,253,498</u>

The effect of an increase (decrease) of 1% in the assumed medical cost trend rate on:

	March 31, 2015 (Unaudited)		
	Defined benefit plan USD	Health care USD	Long service award USD
	Initial discount rate		
Discount rate +1%		(11,006,515)	(418,378)
Discount rate -1%		15,502,217	533,019
Future salary increment rate			
Salary increment rate +1%		16,021,741	-
Salary increment rate -1%		(10,686,516)	-

The overall expected rate of return is a weighted average of the expected returns of the various categories of plan assets held. The directors' assessment of the expected return is based on historical return trends and analysis' predictions of the market for the assets over the life of the related obligation.

The actual return on plan assets was USD 1,072,478, USD 4,632,856 and USD 4,104,509 for the three month ended March 31, 2015 and for the years ended December 31, 2014, and 2013, respectively.

The history of experience adjustment is as follows:

	March 31, 2015 (Unaudited) USD	(As restated - Note 5)			
		December 31, 2014 USD	December 31, 2013 USD	December 31, 2012 USD	December 31, 2011 USD
	Present value of defined benefit obligation	231,415,587	230,929,342	222,868,201	303,486,096
Fair value of plan assets	(50,588,585)	(52,669,493)	(50,253,498)	(71,468,450)	(58,606,534)
Deficit	<u>180,827,002</u>	<u>178,259,849</u>	<u>172,614,703</u>	<u>232,017,646</u>	<u>267,535,195</u>
Experience adjustment on plan liabilities	<u>2,142,476</u>	<u>1,420,981</u>	<u>28,415,957</u>	<u>(11,180,442)</u>	<u>13,677,607</u>
Experience adjustment on asset liabilities	<u>108,211</u>	<u>(702,453)</u>	<u>9,570,755</u>	<u>(2,225,599)</u>	<u>(899,970)</u>

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30. CAPITAL STOCK

	March 31, 2015 (Unaudited)		
	Number of shares	Percentage of ownership %	Total paid-up capital USD
Series ADwiwarna share:			
Government of the Republic of Indonesia	1	0.0000%	0.05
Series B share:			
Government of the Republic of Indonesia	15,653,127,999	60.5094%	792,323,087
Credit Suisse AG Singapore			
TC AR CL PT Trans Airways	6,711,457,801	25.9441%	339,717,592
Directors:			
Muhammad Arif Wibowo	148,120	0.0006%	7,497
Heriyanto Agung Putra	181,829	0.0007%	9,204
Novijanto Herupratomo	123,816	0.0005%	6,267
Public			
(each holding below 2%)	3,503,887,067	13.5350%	177,369,922
Total	<u>25,868,926,633</u>	<u>100.0000%</u>	<u>1,309,433,569</u>
	December 31, 2014		
	Number of shares	Percentage of ownership %	Total paid-up capital USD
Series ADwiwarna share:			
Government of the Republic of Indonesia	1	0.0000%	0.05
Series B share:			
Government of the Republic of Indonesia	15,653,127,999	60.5094%	792,323,087
Credit Suisse AG Singapore			
TC AR CL PT Trans Airways	6,711,457,801	25.9441%	339,717,592
Directors:			
Muhammad Arif Wibowo	148,120	0.0006%	7,497
Heriyanto Agung Putra	181,829	0.0007%	9,204
Novijanto Herupratomo	123,816	0.0005%	6,267
Public			
(each holding below 2%)	3,503,887,067	13.5350%	177,369,922
Total	<u>25,868,926,633</u>	<u>100.0000%</u>	<u>1,309,433,569</u>



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	December 31, 2013		
	Number of shares	Percentage of ownership %	Total paid-up capital USD
Series A Dwiwarna share:			
Government of the Republic of Indonesia	1	0.0000%	0.05
Series B share:			
Government of the Republic of Indonesia	15,653,127,999	69.1362%	792,323,085
Credit Suisse AG Singapore TC AR CL PT Trans Airways	2,466,965,725	10.8960%	124,871,776
Credit Suisse AG Singapore Trust A/C Clients	462,691,000	2.0436%	23,420,288
Commissioner:			
Wendy Aritenang Yazid	231,534	0.0010%	11,720
Directors:			
Emirsyah Satar	1,904,369	0.0084%	96,395
Batara Silaban	285,207	0.0013%	14,436
Heriyanto Agung Putra	181,829	0.0008%	9,204
Faik Fahmi	166,094	0.0007%	8,407
Novijanto Herupratomo	123,816	0.0005%	6,267
Handrito Hardjono	97,118	0.0004%	4,916
Public (each holding below 2%)	4,055,221,308	17.9110%	205,265,396
Total	<u>22,640,996,000</u>	<u>100.0000%</u>	<u>1,146,031,889</u>

"Series A" share is a special share owned by the Government that has special voting rights. The rights and restrictions in effect on "Series B" share also applies to "Series A" share, except that the Government cannot transfer the "Series A" share, and has a veto in connection with (i) changes in scope of the Company, (ii) capital increase without rights issue in advance, (iii) a merger, consolidation, acquisition and separation, (iv) changes of the provisions governing the rights of shares of "Series A" as stipulated in the Articles of Association, and (v) the dissolution, bankruptcy and liquidation of the Company. "Series A" share also has the right to appoint one director and one commissioner.

Based on Extraordinary Shareholder Meeting (RUPSLB) dated June 28, 2012, the shareholders agreed to carry out a quasi-reorganization in accordance with PSAK 51 (Revised 2003) and Bapepam rules No. IX.L1 related to quasi-reorganization procedures, supplementary to the Bapepam Chairman Decision Letter No. Kep-16/PM/2004 dated April 13, 2004. The Company performed the procedures of quasi-reorganization based on the opening consolidated financial statement as of January 1, 2012, as remeasured in U.S. Dollar which is the Company's functional and presentation currency.

In connection with quasi-reorganization, the RUPSLB approved the capital reduction by lowering the nominal value of shares from the original amount of Rp 500 to Rp 459 to be carried out after the government regulation related with new capital structure is issued. After the effective date, the capital structure of the Company will be:

1. Authorized capital reduced from Rp 15,000,000,000,000 to Rp 13,770,000,000,000.
2. Issued and paid-up capital reduced from Rp 11,320,498,000,000 to Rp 10,392,217,164,000.

On December 27, 2012, the Government of Republic of Indonesia issued Government Regulation No. 114 year 2012 related to the decrease of the Government Equity participation in the Company amounting to Rp 641,778,248,000. The Company also received the Decision Letter from Minister of Law and Human Rights of the Republic Indonesia No. AHU-66159.AH.01.02.tahun 2012 related with the amendment of the Company, articles of association in connection with quasi-reorganization. Because the component of equity other than the capital stock is not sufficient to eliminate the deficit balance, the Company reduced its capital stock by USD 1,145,905,003. The capital stock after quasi-reorganization amounted to USD 1,146,031,889.

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Based on Extraordinary Shareholder Meeting (RUPSLB) dated March 24, 2014, the shareholder agreed to issue 3,227,930,633 Series B shares or 12.48% from total issued shares and mandated to board of commissioner to define the realization of changes in capital stock in relation with rights issue. The total issued shares after rights issue are 25,868,926,633 shares. The Company offered B Series shares on that rights issue with maximum fund received of Rp 1,484,848,091,180 (equivalent to USD 130,204,652) at sale price of Rp 460 per share. Total additional capital stock is amounting to Rp 1,481,620,160,547 (equivalent to USD 163,401,680) with par value Rp 456 per share.

The differences between the par value at the exchanges rate set in the Company's Articles of Association and the par value at the exchange rate prevailing when the Company received payment for rights issue is recorded as additional paid in capital (Note 31).

31. ADDITIONAL PAID-IN CAPITAL

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Capital reserve	106	106	106
GEP on 2 boeing 747-400 aircrafts and 7 boeing 737-400 aircrafts based on Government Regulation No. 70 year 2000	10	10	10
GEP on jet engine test cell based on the Decision Letter of Ministry of Finance of the Republic of Indonesia No. S-124/MK.016/1998	4,088,185	4,088,185	4,088,185
Issuance of shares through public offering	121,453,020	121,453,020	121,453,020
Share issuance cost of initial public offering	(12,474,286)	(12,474,286)	(12,474,286)
Elimination of deficit in connection with quasi-reorganization	(108,518,998)	(108,518,998)	(108,518,998)
Issuance of shares through Rights Issue	283,152	283,152	-
Share issuance cost of Rights Issue	(3,075,606)	(3,075,606)	-
Exchange rate differences on Rights Issue	(33,197,028)	(33,197,028)	-
Differences in restructuring transaction under common control (Notes 1e and 5)	(2,507,044)	(2,507,044)	-
Total	<u>(33,948,489)</u>	<u>(33,948,489)</u>	<u>4,548,037</u>

The Government Equity Participation (GEP) of Rp 8,401,219,715 (equivalent to USD 4,088,185) was presented as additional paid-in capital since the Company has not yet increased its paid-up capital.

Share premium recorded amounting to Rp 3,227,930,633 (equivalent to USD 283,152) arise from rights issue held by the Company in 2014. The market value of share amounted to Rp 460/share and nominal value amounted to Rp 459/share.

Share premium arose from the market value of Rp 750 per share and nominal value of Rp 500 per share at initial public offering in 2011. Total share premium recorded before stock issuance cost amounted to Rp 1,100,000,000,000 (equivalent to USD 121,453,020).

The adjustment in additional paid in capital of USD 108,518,998 was made in connection with quasi-reorganization to eliminate opening deficit balance of the Company as of January 1, 2012 (Note 54).

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32. OTHER COMPREHENSIVE INCOME

	March 31,	(As restated - Note 5)	
	2015	December 31,	December 31,
	(Unaudited)	2014	2013
	USD	USD	USD
Revaluation surplus			
Beginning balance	99,066,192	52,373,880	38,412,435
Additions	-	56,829,767	18,993,491
Deductions	-	(2,250,128)	(4,345,839)
Transferred to retained earning	-	-	(2,283,780)
Deferred tax realization	-	-	2,327,626
Deferred tax effect	-	(6,606,490)	(747,118)
Non controlling interest	-	(1,280,837)	17,065
Sub total	<u>99,066,192</u>	<u>99,066,192</u>	<u>52,373,880</u>
Unrealized loss on cash flow hedge transaction	<u>(3,423,575)</u>	<u>(29,770)</u>	<u>-</u>
Cumulative translation adjustments			
Owner of the parent company	(245,714,492)	(238,379,976)	(236,039,101)
Non controlling interest	12,282,454	12,458,738	18,574,444
Sub total	<u>(233,432,038)</u>	<u>(225,921,238)</u>	<u>(217,464,657)</u>
Total	<u>(137,789,421)</u>	<u>(126,884,816)</u>	<u>(165,090,777)</u>

The revaluation surplus reserve arises on the revaluation of land, buildings and aircraft. When revalued land, building and aircraft are sold, the portion of the revaluation reserve that related to that assets is transferred directly to retained earnings. Items of other comprehensive income included in the properties revaluation reserve will not be reclassified subsequently to profit or loss.

33. STOCK OPTION

In 2011, the Company granted stock options to qualifying commissioners, directors and employees. Stock compensation expense is calculated based on the fair value of stock options granted and recognized as compensation expense. Based on the program, compensation expenses are recognized (cliff-vesting) using straight-line method during the vesting period. The accumulated costs are recognized as stock options in equity in 2011 which amounted to Rp 19,740,236,981 (equivalent to USD 2,278,677), consisting of 87,847,064 shares for phase 1 and 65,885,298 shares for phase 2.

The fair value of stock options are valued by Towers Watson Purbajaga an independent appraisal, in its report dated May 19, 2011 for phase 1 and February 29, 2012 for phase 2 which used Black-Scholes model to measure the option price.

The implementation of MESOP program is carried out through the following:

- a) Share purchase option rights granted to all participants who meet the specified requirements.
- b) Share purchase option rights that were distributed in MESOP program can be used by participants to purchase the Company's new shares at a price to be determined with due regard to rules and regulations.
- c) Right to purchase stock options will be issued by the Company in three stages over a period of two years after the date of listing on the Indonesia Stock Exchange.
- d) Stock option on first stage is given on the date of listing of shares on the Indonesia Stock Exchange. The second stage is given not later than December 2011. The third stage is given not later than December 2012.

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- e) Stock option issued in each stage will be subject to the vesting period of one year or 12 months from the date of issuance within the transaction period allowed to convert into stock option rights.
- f) Right to exercise the option will be determined based on state laws, participants will use the option to purchase stock, must pay the full price of implementation and cost incurred in implementation of the option rights.
- g) Vesting period within 12 months
- h) Option life in 5 years

In 2012, the Company granted stock option phase 3 of 65,885,298 shares. The accumulated cost recognized as stock option in equity as of March 31, 2015, December 31, 2014 and 2013 amounted to USD 2,770,970.

The fair values of stock options are valued by Towers Watson Purbajaga an independent appraisal, in its report dated February 26, 2013 for phase 3 which used Black-Scholes model to measure the option price.

34. APPROPRIATED RETAINED EARNINGS

Under Indonesian Company Law, the Company are obliged to allocate certain amount from the net earnings of each accounting year to reserve fund if the Company has a positive profit balance. The allocation of net earnings shall be performed up to an amount of 20% of the company's issued and paid up capital.

At the Annual General Meeting of Shareholders (RUPST) dated April 28, 2014 as stated in Deed No. 4 of Aulia Taufani, S.H., notary in Tangerang, the shareholders approved and stipulated the use of Net Income Attributable to Owners of the Parent Company for the fiscal year 2013 amounting to USD 11,038,843 with details as follows:

1. Dividend of 0%.
2. 5% of the Net Income Attributable to Owners of the Parent Company based on the consolidated financial statements for the year ended December 31, 2013 or in the amount of USD 551,942 shall be used as the Company's Mandatory Reserve.
3. 95% of the net income attributable to owners of the Parent Company based on the consolidated financial statements for the year ended December 31, 2013 or in the amount of USD 10,486,901 shall be used as other reserves.

The balance of the Company's appropriated retained earnings as of March 31, 2015, December 31, 2014 and 2013 amounted USD 6,081,861, USD 6,081,861 and USD 5,529,919, respectively or 0.66% of the Company's issued and paid up capital.

35. NON CONTROLLING INTEREST

	Non controlling interests in net assets				Net (income) loss attributable to non controlling interests			
	(As restated - Note 5)				(As restated - Note 5)			
	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013	January 1, 2013/ December 31, 2012	2015 (Three months) (Unaudited)	2014 (Three months) (Unaudited)	2014 (One year)	2013 (One year)
USD	USD	USD	USD	USD	USD	USD	USD	
PT Abacus Distribution Systems Indonesia	272,996	271,150	253,616	260,535	2,792	3,167	17,535	5,916
PT Aero Wisata and its subsidiaries	620,085	909,614	1,235,245	1,542,527	(128,020)	39,332	(66,869)	148,880
PT Garuda Angkasa (Note 1e)	16,713,564	14,788,859	15,611,973	17,583,687	1,143,558	1,818,809	1,183,894	2,878,641
Total	17,606,645	15,969,623	17,100,834	19,386,749	1,018,330	1,861,308	1,134,560	3,033,437

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36. OPERATING REVENUE

	2015	2014	2014	2013
	(Three months)	(Three months)	(One year)	(One year)
	(Unaudited)	(Unaudited)	(One year)	(One year)
	USD	USD	USD	USD
Scheduled airline services				
Passenger	753,531,221	681,008,757	3,147,243,028	2,955,288,708
Cargo	47,793,461	50,352,847	218,462,668	195,952,040
Excess baggage	2,204,699	1,245,023	10,172,649	10,081,118
Mail and document	1,951,276	2,368,755	8,377,041	8,764,325
Sub total	<u>805,480,657</u>	<u>734,975,382</u>	<u>3,384,255,386</u>	<u>3,170,086,191</u>
Non-scheduled airline services				
Hajj	-	-	182,062,387	195,192,932
Charter	39,203,045	2,856,691	21,840,111	20,772,955
	<u>39,203,045</u>	<u>2,856,691</u>	<u>203,902,498</u>	<u>215,965,887</u>
Others				
Aircraft maintenance and overhaul	18,207,292	12,690,443	70,989,413	67,835,959
Travel agent	11,258,137	15,705,005	67,041,690	81,964,385
Catering	13,318,043	14,631,357	57,113,910	60,461,986
Airline related	15,822,720	10,324,189	48,800,950	47,393,619
Groundhandling	9,264,156	10,213,234	36,512,163	44,260,248
Facilities	5,297,734	4,773,345	19,963,821	22,873,959
Hotel	3,669,004	4,515,100	19,819,838	22,218,229
Information technology	1,267,932	1,592,264	5,780,117	4,849,174
Transportation	915,335	1,216,295	4,592,232	5,583,464
Healthcare service	637,750	611,787	2,480,238	2,782,424
Training service	239,576	105,958	912,637	432,720
Others	2,744,682	3,199,095	11,365,379	12,741,992
Sub total	<u>82,642,361</u>	<u>79,578,072</u>	<u>345,372,388</u>	<u>373,398,159</u>
Total	<u>927,326,063</u>	<u>817,410,145</u>	<u>3,933,530,272</u>	<u>3,759,450,237</u>

No revenue earned from individual customers exceeded 10% of total operating revenue.

37. FLIGHT OPERATIONS EXPENSES

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Fuel	264,248,176	376,486,818	1,560,265,649	1,420,139,208
Aircraft rental and charter	211,773,084	161,897,712	765,872,793	592,251,660
Salaries and allowances	32,182,020	40,006,640	151,867,703	144,911,938
Depreciation expenses	16,805,325	13,364,471	59,803,489	62,155,939
Insurance	4,471,430	3,886,171	17,863,360	16,691,989
Employee benefit expenses	1,621,434	1,643,261	4,802,003	5,555,501
Others	613,748	353,544	1,704,373	1,738,869
Total	<u>531,715,217</u>	<u>597,638,617</u>	<u>2,562,179,370</u>	<u>2,243,445,104</u>

For three months ended March 31, 2015 and 2014, purchases of fuel from related party represents 50% and 63% of total flight operations expense. For the years ended December 31, 2014 and 2013, purchases of fuel from related party represents 49% and 45% of total flight operations expense (Note 46).

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38. TICKETING, SALES AND PROMOTION EXPENSES

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Comissions	28,502,842	26,605,264	127,355,601	117,819,462
Reservations	23,908,555	28,590,302	112,834,732	111,457,234
Salaries and allow ances	10,737,406	11,884,774	50,455,357	47,532,130
Promotions	7,590,360	8,000,796	46,179,710	41,504,898
Rental	2,348,800	3,179,132	10,943,820	9,289,844
Employee benefit expenses	321,498	392,275	(13,777)	1,089,296
Professional services and training	205,032	92,208	1,896,998	2,401,356
Others	1,589,576	912,819	5,169,955	4,488,373
<b>Total</b>	<b>75,204,069</b>	<b>79,657,570</b>	<b>354,822,396</b>	<b>335,582,593</b>

39. MAINTENANCE AND OVERHAUL EXPENSES

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Maintenance and overhaul	37,188,273	32,072,762	179,443,153	88,899,689
Depreciation expenses	21,100,169	17,991,589	92,180,739	67,717,824
Sparepart	16,013,201	15,356,376	73,396,129	59,914,150
Salaries and allow ances	15,544,298	12,511,426	54,729,460	55,022,379
Employee benefit expenses	1,575,865	1,471,437	6,725,684	5,504,040
Rental	1,483,712	1,141,752	8,890,737	5,116,842
Insurance	346,196	161,117	632,532	1,220,779
Fuel	252,207	257,978	1,155,983	1,467,728
Others	998,778	297,836	2,382,357	329,898
<b>Total</b>	<b>94,502,699</b>	<b>81,262,273</b>	<b>419,536,774</b>	<b>285,193,329</b>

40. PASSENGER SERVICE EXPENSES

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Passenger services	44,925,900	43,518,934	187,450,968	175,396,666
Salaries and allow ances	21,614,838	27,981,602	107,432,776	100,908,081
General inventories consumption	344,902	466,293	2,941,833	2,225,273
Professional services and training	219,274	254,003	2,228,903	1,624,865
Employee benefit expenses	731,533	773,747	(60,873)	1,157,503
Others	1,135,691	374,429	2,914,530	1,584,909
<b>Total</b>	<b>68,972,138</b>	<b>73,369,008</b>	<b>302,908,137</b>	<b>282,897,297</b>

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41. USER CHARGE AND STATION EXPENSES

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Aircraft and flight services	46,427,116	45,497,158	196,214,075	170,266,779
Groundhandling	20,884,643	21,027,155	102,413,717	88,476,864
Salaries and allowances	4,093,242	4,838,106	19,622,945	20,231,807
Rental	3,270,609	3,094,830	13,554,447	12,951,822
Depreciation expenses	461,841	497,906	3,648,915	1,961,552
Employee benefit expenses	(1,762,790)	(2,672,304)	2,392,403	2,612,473
Others	624,737	374,931	1,909,594	1,499,947
<b>Total</b>	<b>73,999,398</b>	<b>72,657,782</b>	<b>339,756,096</b>	<b>298,001,244</b>

42. GENERAL AND ADMINISTRATIVE EXPENSES

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Salaries and allowances	22,006,906	24,125,324	98,366,146	89,832,315
Taxes	6,012,257	5,771,754	25,452,564	19,794,132
Depreciation expenses	5,624,521	5,847,883	23,797,014	23,405,558
Rental	5,973,813	4,789,539	22,739,524	19,589,616
Utilities	3,876,150	3,636,833	16,340,301	15,868,925
Professional services and training	3,384,047	2,921,302	16,042,993	10,786,536
Maintenance and repairs	3,435,212	4,726,035	15,834,089	12,995,228
Insurances	2,261,128	1,948,815	8,257,060	8,982,388
Office supplies	1,779,698	572,365	3,402,802	3,423,127
Employee benefit expenses	1,294,986	1,463,915	728,987	7,584,337
Healthcare services	340,695	270,746	462,254	1,036,163
Membership dues and subscription	224,085	219,126	1,130,355	1,265,750
Others	1,353,816	3,440,512	11,956,409	13,751,451
<b>Total</b>	<b>57,567,314</b>	<b>59,734,149</b>	<b>244,510,498</b>	<b>228,315,526</b>

43. OTHER INCOME (CHARGES) – NET

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Gain (loss) sale and leaseback	782,938	479,051	18,039,756	846,147
Gain on revaluation of investment properties and non productive assets	-	-	3,664,035	3,107,892
Insurance claim	39,708	13,129	2,154,912	11,726,217
Gain on sale of property and equipment and non productive asset (Note 16)	(153,975)	(160,587)	42,637	3,123,296
Loss on derivative	56,072	-	(2,671,127)	(6,528,600)
Impairment loss (Notes 15 and 18)	-	-	(68,064,606)	(10,649,525)
Others - net	391,342	2,275,876	1,524,758	417,657
<b>Total</b>	<b>1,116,085</b>	<b>2,607,469</b>	<b>(45,309,635)</b>	<b>2,043,084</b>

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44. FINANCE COST

	2015	(As restated - Note 5)		
	(Three months)	2014	2014	2013
	(Unaudited)	(Three months)	(One year)	(One year)
	USD	USD	USD	USD
Interest expense				
Long-term loans	10,680,269	9,354,755	40,086,264	24,611,854
Bonds payable	2,606,392	3,746,136	15,453,359	7,896,630
Leases	1,098,888	1,497,088	5,504,538	7,048,681
Bank loans	94,113	98,426	1,417,171	1,224,877
Others	1,493,992	1,935,332	5,956,505	3,695,268
Sub total	15,973,654	16,631,737	68,417,837	44,477,310
Other finance cost	694,718	410,848	4,903,243	15,391,014
Total finance cost	16,668,372	17,042,585	73,321,080	59,868,324

45. EARNINGS (LOSS) PER SHARE

Basic earnings per share is calculated by dividing income attributable to parent company owners by the weighted average number of ordinary shares outstanding during the period.

Below is the data used for the computation of basic earnings per share:

	2015	2014	(As restated - Note 5)	
	(Three months)	(Three months)	2014	2013
	(Unaudited)	(Unaudited)	(One year)	(One year)
	USD	USD	USD	USD
Profit (loss) attributable to owner of the parent	11,397,675	(168,042,709)	(370,045,839)	20,497,950
Weighted average number of share for calculation of basic earning per share	25,798,177,468	22,640,996,000	25,002,249,367	22,640,996,000
Earnings per share - basic	0.00044	(0.00742)	(0.01480)	0.00091

The Company did not compute diluted earnings per share because the potential ordinary shares (i.e. options) are anti-dilutive.

46. NATURE OF RELATIONSHIP AND TRANSACTIONS WITH RELATED PARTIES

i) Nature of relationship

The Government of the Republic of Indonesia represented by Ministry of Finance, is the majority stockholder of the Company.

All entities that are owned and controlled by the Ministry of Finance of the Republic of Indonesia including entities where the Ministry of Finance Republic of Indonesia have significant influence.

Since 2015, PT Bank Mega and PT Bank Mega Syariah are entities who have the same shareholder with Company.

Commissioners and directors are key management personnel.

Transactions with Related Parties

In the normal course of business, the Group entered into certain transactions with related parties.



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- a. Details of significant accounts with related parties (government - owned entities unless otherwise indicated) are as follow:

	Total			% to Assets/ Liabilities		
	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013
	USD	USD	USD	%	%	%
Cash and cash equivalents (Note 6)						
Bank Rakyat Indonesia	59,897,538	115,544,106	54,424,925			
Bank Mandiri	35,714,423	21,193,653	38,119,010			
Bank Negara Indonesia	32,641,939	54,306,777	59,515,147			
Bank Mega	6,479,487	-	-			
Bank Syariah Mandiri	621,110	455,601	8,609,168			
Bank Mega Syariah	229,288	-	-			
Bank Rakyat Indonesia Syariah	-	-	6,563,295			
<b>Total</b>	<b>135,583,785</b>	<b>191,500,137</b>	<b>167,231,545</b>	<b>4.27%</b>	<b>6.15%</b>	<b>5.58%</b>
Trade accounts receivable (Note 7)						
PT Pos Indonesia	687,421	1,000,506	532,813			
PT Jiwasurya	615,232	646,754	1,966,795			
PT Abacus International Ltd	522,534	440,786	410,871			
PT Angkasa Pura II (Persero)	521,926	404,396	805,773			
PT Bukit Asam (Persero) Tbk	241,387	124,230	113,915			
Kementerian Agama/ Ministry of Religious Affairs	15,271	16,062	26,672			
Others	58,414	114,751	38,881			
<b>Total</b>	<b>2,662,185</b>	<b>2,747,485</b>	<b>3,895,720</b>	<b>0.08%</b>	<b>0.09%</b>	<b>0.13%</b>
Other assets (Note 18)						
PT Merpati Nusantara	-	-	16,845,647	0.00%	0.00%	0.56%
Bank loans (Note 19)						
Bank Negara Indonesia	9,395,749	20,833,500	40,222,668			
Bank Rakyat Indonesia	106,281,520	17,031,085	-			
<b>Total</b>	<b>115,677,269</b>	<b>37,864,585</b>	<b>40,222,668</b>	<b>5.03%</b>	<b>170%</b>	<b>2.1%</b>
Trade accounts payable (Note 20)						
PT Pertamina (Persero)	80,712,111	103,863,212	108,911,065			
PT Angkasa Pura I (Persero)	2,859,248	2,612,037	2,574,185			
Perum LPPNI	4,823,634	2,602,347	3,568,602			
PT Angkasa Pura II (Persero)	4,561,363	2,145,982	5,023,393			
PT Telekomunikasi Indonesia (Persero) Tbk	237,949	320,302	694,319			
Others	854,457	19,191	-			
<b>Total</b>	<b>94,048,762</b>	<b>111,563,071</b>	<b>120,771,564</b>	<b>4.09%</b>	<b>4.99%</b>	<b>6.34%</b>
Long term liabilities (Note 24)						
Bank Negara Indonesia	50,687,744	53,485,894	42,803,615			
Indonesia Eximbank	38,103,192	40,051,868	-			
PT Pertamina (Persero)	14,379,163	28,758,327	43,137,490			
Bank Rakyat Indonesia	13,419,833	24,387,199	42,616,642			
PT Angkasa Pura II (Persero)	10,315,531	13,473,346	16,104,859			
PT Angkasa Pura I (Persero)	3,459,997	3,639,116	5,798,472			
<b>Total</b>	<b>130,365,460</b>	<b>163,795,750</b>	<b>160,463,078</b>	<b>5.67%</b>	<b>7.33%</b>	<b>7.90%</b>

- b. Operating expenses from related parties constituted 30.33%, 38.71%, 29.46% and 28.84% of the total operating expenses for the three month periods ended March 31, 2015 and 2014, and for the year ended December 31, 2014 and 2013, respectively. At reporting date, the liabilities for these expenses were presented as trade accounts payable which constituted 4.05%, 4.97% and 6.24%, respectively, of the total liabilities as of March 31, 2015, December 31, 2014 and 2013.

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The details of operating expenses from related parties are as follows:

	2015 (Three months) (Unaudited) USD	2014 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
PT Pertamina (Persero)	264,248,176	376,486,818	1,247,284,549	1,020,854,735
PT Angkasa Pura II (Persero)	4,776,926	2,054,873	18,023,217	26,623,422
PT Angkasa Pura I (Persero)	1,838,239	714,839	10,266,221	15,027,363
Perum LPPNPI	7,215,449	544,399	968,588	3,748,853
Total	<u>278,078,790</u>	<u>379,800,929</u>	<u>1,276,542,575</u>	<u>1,066,254,373</u>
Percentage of:				
Total operating expense	30.33%	38.71%	29.46%	28.84%

c. The transactions with PT Pertamina (Persero) were related to aircraft fuel purchase mainly for domestic route and certain international route while the transactions, with PT Angkasa Pura I (Persero) and PT Angkasa Pura II (Persero) are related to airport operation and ground handling.

d. Remuneration of Commissioners and Directors

	2015 (Three months) (Unaudited) USD	2014 (Three months) (Unaudited) USD	2014 (One year) USD	2013 (One year) USD
<u>Commissioners</u>				
Short term benefits	117,467	90,631	580,040	629,373
Post employment benefits	25,139	14,186	53,357	53,091
	<u>142,606</u>	<u>104,817</u>	<u>633,397</u>	<u>682,464</u>
<u>Directors</u>				
Short term benefits	212,576	375,750	1,526,230	2,152,120
Post employment benefits	43,665	68,805	250,466	257,494
	<u>256,241</u>	<u>444,555</u>	<u>1,776,696</u>	<u>2,409,614</u>

#### 47. FINANCIAL INSTRUMENTS, FINANCIAL RISK AND CAPITAL RISK MANAGEMENT

##### A. Capital management

The Group strives to achieve an optimum capital structure in achieving the business goals, including maintaining a sound capital ratio and a strong credit rating, in order to maximize shareholder value and ensure the Group's business continuity.

The capital structure of the Group consists of debt as disclosed in Notes 19, 24, 25 and 27, cash and cash equivalents, and total equity comprising issued capital, additional paid-in capital, retained earnings (deficit) and non-controlling interest.

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The gearing ratio are as follow:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Debt			
Loan from banks and financial institution	564,669,978	75,312,110	45,222,668
Long-term loans	480,708,215	815,644,530	607,115,706
Bonds payable	151,902,750	159,758,003	162,850,383
Lease liabilities	115,914,328	118,898,357	191,750,944
Total debt	1,313,195,271	1,169,613,000	1,006,939,701
Cash and cash equivalents	464,898,910	434,327,498	480,429,053
Net debt	848,296,361	735,285,502	526,510,648
Equity	874,229,429	879,467,591	1,094,133,594
Net debt to equity ratio	97%	84%	48%

The Boards of Commissioners and Directors periodically review the Groups' financial performance. As part of this review, the Board of Commissioners and Directors consider the Groups' financial risk exposure.

B. Categories of financial instruments

Classification of the Groups' financial assets and liabilities are as follow:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<u>Loan and receivables</u>			
Cash and cash equivalents	464,898,910	434,327,498	480,429,053
Trade accounts receivables	139,987,748	120,623,827	145,556,829
Other receivables	10,645,811	8,349,932	9,158,363
Maintenance reserve fund and security deposits	847,884,492	786,933,317	617,623,057
Other assets	4,464,656	3,845,411	33,164,537
Total	1,467,881,617	1,354,079,985	1,285,931,839
<u>Financial liabilities - amortized cost</u>			
Bank loans and financial institution	564,669,978	75,312,110	45,222,668
Trade payables	183,464,288	215,589,431	206,951,374
Other payable	33,101,637	24,196,608	20,988,151
Accrued expenses	206,447,474	224,597,949	169,670,785
Long-term loans	480,708,215	815,644,530	607,115,706
Lease liabilities	115,914,328	118,898,357	191,750,944
Bonds payable	151,902,750	159,758,003	162,850,383
Total	1,736,208,670	1,633,996,988	1,404,550,011

The Group does not have financial assets classified as Held-to-Maturity.

C. Financial risk management policies and objectives

As a Group of companies that operates in the domestic and international aviation industry and other related areas, the Group faces and is strongly affected by various financial risks such as market risk, liquidity risk, and credit risk. The overall risk management approach is to minimize the effect of such risks on the Group's financial performance. The Group's policy is to use derivatives only for hedging purposes.

All financial risk management policies must constantly adhere to the following objectives:

- To protect the Group's net revenue against price changes, and when possible to make use of such price changes as an opportunity to increase profits;
- To achieve or do better than the Group's budget plan;
- To limit to a tolerable level the negative impact of price movements on cash flow and profitability.

The Directors review the financial risk management policies periodically.

Market risk management

The Group is exposed to market risk in particular aircraft fuel price risk, currency exchange rate risk and interest rate.

(i) Aircraft fuel price risk

Aircraft fuel price risk is defined as decline in the value of assets/revenue or increase in the value of liabilities/expenditures caused by changes in the prices of fuel commodities.

Risk exposure and strategy

The Company's exposure to aircraft fuel price risk uses market references with 100% floating prices, with the result that any upward price fluctuations will have a significant impact on achievement of the Company's targets. Aircraft fuel expenditure is a major cost component of the Company's cost structure, as well as the costs of aircraft leasing and maintenance. Fuel cost accounts for around 30% - 40% of the Company's overall operational expense.

Strategy implemented by the Company to minimize the risk of fluctuations in the price increase in the current year is to use cash flow hedge with a hedge instruments "plain vanilla call option", especially for hajj flight. Such risk is anticipated by monitoring the monthly Mark to Market at maturity date.

Apart from these efforts to reduce price fluctuation risk through hedging transactions, the Company also constantly strives to ensure that costs are controlled by using fuel efficiently in all flight operations through effective and efficient use of alternative aircraft and evaluation of current contracts. These efficiency efforts are set forth in the Company's work programs.

The aircraft fuel price risk sensitivity analysis is based on the assumption that all other factors, such as uplifted volume and other costs, remain constant. The aircraft fuel price risk analysis is based on regular and hajj flight contracts that are still outstanding at reporting date.

If the aircraft fuel price had increased (decreased) in price of USD 1 per barrel, as the result of change in price of fuel, the profit after tax for three months ended March 31, 2015 and 2014 would increased (decreased) by USD 2,082,612 and USD 9,107,705.

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(ii) Non-functional currency exchange rate risk

Non-functional currency exchange rate risk is defined as decline in the value of assets/revenue or increase in the value of liabilities/expenditures caused by fluctuation in non-functional currency exchange rates.

Risk exposure and strategy

As a world-class airline, the Group requires significant amounts of funds, expenses and investment, involving both domestic and foreign customers and creditors, with situations in which transactions are denominated in certain currencies (transactions per currency). Movements in the non-functional exchange rate against other currencies strongly affect the consolidated financial statements.

The policy currently applied in connection with exchange rate risk is natural hedging, as follows:

- Group entered cross currency swap (CCS) transaction to minimize the possible risk of weakening value of the functional currency.
- The Group takes advantage of opportunities in the market prices of other currencies (multi currency) to cover possible risk of weakening value of the functional currency, and vice versa; thus, in a natural way, the risks of non-functional currency exchange rate movements will be mutually eliminated/ reduced. Currency transactions are always done with consideration to the exchange rate favorable to the Group.
- The Group helps manage the risk by matching receipt and payment in each individual currency.

Details of monetary assets and liabilities exposed to foreign exchange risk are set forth in Note 52.

Following is the sensitivity to a 100 basis point change in exchange rate of functional currency of U.S. Dollar against significant outstanding non-functional currency as of March 31, 2015, 2014, December 31, 2014 and 2013, with other variables held constant, of the Group's profit after tax. The 100 basis point is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 100 basis point change in foreign currency rates.

	Changes in currency rate	Effect on profit after tax			
		2015	2014	2014	2013
		(Three months) (Unaudited)	(Three months) (Unaudited)	(One year)	(One year)
		USD	USD	USD	USD
Other functional currency rates					
Strengthening (weakening)					
Rupiah	100 bp	(1,038,359)	(2,328,188)	3,247,885	2,109,550
Yen	100 bp	96,790	75,978	(97,227)	(95,067)
AUD	100 bp	23,941	210,828	(186,654)	(165,325)

(iii) Interest rate risk

Interest rate risk is defined as decline in value of assets/revenue or increase in value of liabilities/expenditures caused by changes in interest rates.

Risk exposure and strategy

The Group earnings are affected by changes in interest rate, such as changes on interest of short-term and long-term borrowings, including interest payments for aircraft leasing.

The interest rate references used are floating, i.e. LIBOR for USD loans and the average interest of government banks for loans in Rupiah. Interest rate movements strongly affect the total amount of interest expense that must be paid by the Group.

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The Group's policy regarding interest rate risk is to manage exposure in loans with floating interest rates through an interest rate hedging strategy. As of December 31, 2014, the Company uses interest rate swap in several transaction.

The Group's financial liabilities that are exposed to interest rate risk are included in the liquidity table in section iv below.

The sensitivity analysis below had been determined based on the exposure of the financial liabilities to floating interest rates as of March 31, 2015 and 2014, December 31, 2014 and 2013. The analysis is prepared assuming the amount of the liability outstanding at the end of the reporting period was outstanding for the whole period, with other variables held constant, of the Group's profit after tax.

	Changes in currency rate	Effect on profit after tax			
		2015	2014	2014	2013
		(Three months) (Unaudited) USD	(Three months) (Unaudited) USD	(One year) USD	(One year) USD
Interest rate					
Strengthening (weakening)					
LIBOR	1%	195,540	458,440	604,118	423,821
SBI	0,5%	59,947	1,091	30,608	9,220

(iv) Liquidity risk

Liquidity risk is defined as the Group's inability to fulfill its financial liabilities, which in turn makes the Group unable to take advantage of investment opportunities or unable to meet its short-term financial liabilities, ultimately leading to default, excessive borrowing, or unfavorable interest rates.

To manage liquidity risk, the Group monitors and maintains a level of cash and cash equivalents that is considered adequate to finance the Group's operations and to overcome the impact of cash flow fluctuations.

The Group also routinely evaluates the projected and actual cash flow, including scheduled maturity of long-term debts, and continually reviews conditions in the financial markets to take initiatives to seek funds for working capital. This activity may include obtaining bank loans.

The following table represents the liquidity analysis of financial instruments as of March 31, 2015, December 31, 2014 and 2013 based on exposure on due date on undiscounted contractual maturities for all non-derivative financial assets and liabilities. The contractual maturity is based on the earliest date on which the Group may be required to pay:

	Weighted average effective interest rate %	March 31, 2015			
		Within one year	Over one year but longer than five years	Over than five years	Total
		USD	USD	USD	USD
<b>Financial Assets</b>					
Non-interest bearing					
Cash and cash equivalents	-	2,545,536	-	-	2,545,536
Account receivables	-	139,987,748	-	-	139,987,748
Others receivables	-	8,060,806	-	-	8,060,806
Maintenance reserved fund and security deposits	-	194,731,728	346,846,846	306,305,918	847,884,492
Variable interest rate					
Cash and cash equivalents	0,1% - 11%	194,731	-	-	194,731
Others receivables	0,1% - 11%	2,589,117	-	-	2,589,117
Restricted cash	0,51% - 4,25%	4,464,656	-	-	4,464,656
Fixed interest rate					
Cash and cash equivalents	0,1% - 11%	123,787,592	-	-	123,787,592
Total		476,361,914	346,846,846	306,305,918	1,129,514,678

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<b>March 31, 2015</b>					
	Weighted average effective interest rate %	Within one year USD	Over one year but longer than five years USD	Over than five years USD	Total USD
<b>Financial Liabilities</b>					
Non-interest bearing					
Trade payables	-	183,464,553	-	-	183,464,553
Other payables	-	33,101,637	-	-	33,101,637
Accrued expenses	-	206,542,281	-	-	206,542,281
Variable interest rate					
Long-term loans	4,93%-14,25%	599,676,801	236,502,476	34,158,170	870,337,447
Lease liabilities	1,13% - 11,15%	5,862,205	21,405,999	20,037,550	47,305,754
Loans from banks and financial institution	14,25%	60,369,261	-	-	60,369,261
Fixed interest rate					
Long-term loans	10%-15,98%	26,031,159	25,165,391	-	51,196,550
Lease liabilities	1,15% - 11,15%	11,247,545	44,734,684	31,957,492	87,939,721
Loans from banks and financial institution	1,15% - 11,15%	15,173,108	-	-	15,173,108
Bonds	9,25%	13,913,717	18,476,957	-	20,139,674
<b>Total</b>		<u>129,194,267</u>	<u>515,285,507</u>	<u>86,153,212</u>	<u>1,893,385,986</u>

<b>December 31, 2014</b>					
	Weighted average effective interest rate %	Within one year USD	Over one year but longer than five years USD	Over than five years USD	Total USD
<b>Financial Assets</b>					
Non-interest bearing					
Cash and cash equivalents	-	2,642,730	-	-	2,642,730
Account receivables	-	120,623,827	-	-	120,623,827
Others receivables	-	5,429,520	-	-	5,429,520
Maintenance reserved fund and security deposits		194,731,728	336,296,616	255,904,973	786,933,317
Variable interest rate					
Cash and cash equivalents	0,1% - 11%	256,110,887	-	-	256,110,887
Others receivables	0,1% - 11%	999,979	-	-	999,979
Restricted cash	0,51% - 4,25%	3,864,421	-	-	3,864,421
Fixed interest rate					
Cash and cash equivalents	0,1% - 11%	18,528,169	-	-	18,528,169
<b>Total</b>		<u>771,931,261</u>	<u>336,296,616</u>	<u>255,904,973</u>	<u>1,364,132,850</u>

<b>Financial Liabilities</b>					
Non-interest bearing					
Trade payables	-	215,589,431	-	-	215,589,431
Other payables	-	24,196,608	-	-	24,196,608
Accrued expenses	-	224,597,949	-	-	224,597,949
Variable interest rate					
Long-term loans	6% - 12,5%	319,640,647	446,380,969	36,227,532	802,249,148
Lease liabilities	1,13% - 8%	5,180,151	20,710,228	21,324,167	47,214,546
Fixed interest rate					
Long-term loans	7,4% - 15,83%	91,680,506	29,308,924	-	120,989,430
Lease liabilities	1,15% - 11,15%	11,111,402	44,445,609	34,735,342	90,292,353
Loans from banks and financial institution	1,15% - 11,15%	71,734,055	-	-	71,734,055
Bonds	9,25%	14,871,383	201,668,006	-	216,539,389
<b>Total</b>		<u>978,602,132</u>	<u>742,513,736</u>	<u>92,287,041</u>	<u>1,813,402,909</u>

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	<b>December 31, 2013</b>				Total USD
	Weighted average effective interest rate %	Within one year USD	Over one year but longer than five years USD	Over than five years USD	
<b>Financial Assets</b>					
Non-interest bearing					
Cash and cash equivalents	-	2,190,404	-	-	2,190,404
Account receivables	-	145,556,829	-	-	145,556,829
Others receivables	-	9,158,363	-	-	9,158,363
Maintenance reserved fund and security deposits	-	225,007,400	228,469,390	202,157,359	655,634,149
Variable interest rate					
Cash and cash equivalents	0,1% - 1%	249,818,439	-	-	249,818,439
Others receivables	0,1% - 1%	919,904	-	-	919,904
Restricted cash	0,51% - 4,25%	6,274,896	62,513	-	6,337,409
Fixed interest rate					
Cash and cash equivalents	0,1% - 1%	241,098,593	-	-	241,098,593
<b>Total</b>		<b>880,024,828</b>	<b>228,531,903</b>	<b>202,157,359</b>	<b>1,310,714,090</b>
<b>Financial Liabilities</b>					
Non-interest bearing					
Trade payables	-	206,951,374	-	-	206,951,374
Other payables	-	20,988,151	-	-	20,988,151
Accrued expenses	-	169,670,785	-	-	169,670,785
Variable interest rate					
Long-term loans	1,15% - 11,15%	308,507,800	252,332,921	5,193,217	566,033,938
Lease liabilities	1,13% - 8%	42,311,559	414,315,76	-	83,743,135
Fixed interest rate					
Long-term loans	1,15% - 11,15%	6,237,669	77,326,358	255,369,571	338,933,598
Lease liabilities	1,13% - 8%	10,957,121	43,632,984	53,417,704	108,007,809
Loans from banks and financial institution	1,15% - 11,15%	41,774,848	-	-	41,774,848
<b>Total</b>		<b>807,399,307</b>	<b>414,723,839</b>	<b>313,980,492</b>	<b>1,536,103,638</b>

### Financing facilities

The Group obtained financing facilities from banks and other financial institution for the Group's operational and working capital activities as described in Notes 19, 24 and 25.

Below is the Group's composition of financing facilities as follows:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
<b>Unsecured financing facilities:</b>			
- Amount used	62,434,287	991,196,371	526,527,409
- Amount unused	4,536,386	118,510,217	152,438,281
<b>Total</b>	<b>66,970,673</b>	<b>1,109,706,588</b>	<b>678,965,690</b>
<b>Secured bank facilities with various maturity dated through 2015 and which maybe extended:</b>			
- Amount used	1,137,101,326	60,531,973	49,431,837
- Amount unused	38,851,660	59,428,808	53,581,864
<b>Total</b>	<b>1,175,952,986</b>	<b>119,960,781</b>	<b>103,013,701</b>



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(v) Credit risk

The credit risk faced by the Group is the risk of inability of debtors to fulfill their financial obligations in accordance with the terms of the agreement.

This exposure derives mainly from:

- risk of customers failing to fulfill their obligations,
- risk that funds or financial instruments are not transferred by counterparties.

In most cases, sales of passenger ticket and cargo are handled by agents under the influence and auspices of IATA. These agents are connected with a clearing system for every country for settlement of passage or cargo sales. Individual agents are audited by certain clearing houses.

The credit risk from sales agents is relatively low; except when the contract that serves as the basis for payment stipulates otherwise, claims and liabilities incurred between airlines are normally settled bilaterally or through the IATA Clearing House. Settlement is mainly done by periodically offsetting payables and receivables, which significantly reduces the risk of failure to pay.

Transaction counterpart credit risk from investments and derivative financial instruments, arising from failure to make payments as per the contract, is relatively low because such transactions are only conducted with parties with a high credit rating.

The Group enters into business relationships only with credible third parties. All transaction counterparts must be approved in advance by the management before an agreement is made. Restrictions on transaction counterparts (amounts and periods of loans) must be stipulated for each transaction counterpart and are reviewed annually by the management. In addition, the outstanding receivables are continually monitored to reduce exposure to bad debts.

The carrying amount of financial assets recorded in the consolidated financial statements, net any of allowance for losses represents the maximum credit risk exposure at the reporting date as follows:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Cash and cash equivalents	464,898,910	434,327,498	480,429,053
Trade receivable	139,987,748	120,623,827	145,556,829
Other receivable	10,645,811	8,349,932	9,158,363
Maintenance reserve fund and security deposits	847,884,492	786,933,317	617,623,057
Other assets	4,464,656	3,845,411	33,164,537
Total	<u>1,467,881,617</u>	<u>1,354,079,985</u>	<u>1,285,931,839</u>

The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by credit-rating agencies.

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D. Fair Value Estimation of Financial Instruments

Fair value of financial instruments that are not measured at fair value on a recurring basis (but fair value disclosures are required)

Except as detailed in the table below, management considers that the carrying amount of financial assets and liabilities recorded in consolidated financial statements approximately agreed the fair value.

	March 31, 2015 (Unaudited)		December 31, 2014		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
	USD	USD	USD	USD	USD	USD
Maintenance reserve fund and security deposit	847,884,492	791,217,397	786,933,317	734,339,803	617,623,057	601,450,216
Long-term loans	480,708,215	872,244,653	815,644,530	809,565,102	607,115,706	603,975,951
Lease liabilities	115,914,328	112,888,134	118,898,357	112,778,571	191,750,944	184,361,683
Bonds payable	15,190,275	14,788,585	15,758,003	15,763,628	16,850,383	139,452,393

	Fair value hierarchy as of March 31, 2015		
	Level 1	Level 2	Level 3
Maintenance reserve fund and security deposits	-	✓	-
Long-term loans	-	✓	-
Lease liabilities	-	✓	-
Bonds payable	-	✓	-

Valuation techniques and assumptions applied for the purposes of measuring fair value

The fair values of financial assets and financial liabilities are determined as follows:

- The fair values of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices.
- The fair values of derivative instruments are calculated using quoted prices. Where such prices are not available, a discounted cash flow analysis is performed using the applicable yield curve for the duration of the instruments for non-optional derivatives, and option pricing models for optional derivatives. Foreign currency forward contracts are measured using quoted forward exchange rates and yield curves derived from quoted interest rates matching maturities of the contracts. Interest rate swaps are measured at the present value of future cash flows estimated and discounted based on the applicable yield curves derived from quoted interest rates.
- The fair values of other financial assets and financial liabilities (excluding those described above) are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions and dealer quotes for similar instruments.

Specifically, significant assumptions used in determining the fair value of the following financial liabilities are set out below:

Maintenance Reserve Fund and Securities Deposit

The fair value of maintenance reserve of fund and securities deposit as of March 31, 2015, December 31, 2014 and 2013 are estimated to be USD 791,217,397, USD 734,339,803 and USD 601,450,216, respectively, using market rate estimated at 0.15% - 2.52% by Reuters.

Long-term loan

The fair value of long-term loan as at March 31, 2015, December 31, 2014 and 2013 are estimated to be USD 872,244,653, USD 809,565,102 and USD 603,975,951, respectively, using the discount rate in 2014 are estimated at 2.890% - 4.587% in USD and 7.05% - 11.160% in Rupiah.

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Lease liabilities

The fair value of lease liabilities as at March 31, 2015, December 31, 2014 and 2013 are estimated to be USD 112.888.134, USD 112.778.571 and USD 184,361,683, respectively, using 3.19% - 4.15% discount rates and interest Libor 3 months.

Bonds payable

The fair value of bonds payable as at March 31, 2015, December 31, 2014 dan 2013 is estimated to be USD 142,788,585, USD 150,763,628 and USD 139,452,393, respectively, using the market interest rate of 11.5% by Indonesian Government Bond Yield Curve.

48. DERIVATIVE FINANCIAL INSTRUMENTS

	Notional Amount	Period		March 31, 2015
		Start	End	(Unaudited) (Payables) Receivables
Bank Negara Indonesia Cross Currency Swap	Rp 500,000,000,000	May 9, 2014	May 9, 2017	(5,313,395)
	Rp 250,000,000,000	January 13, 2015	July 5, 2018	(1,344,154)
Standard Chartered Bank Cross Currency Swap	Rp 250,000,000,000	January 13, 2015	July 5, 2018	(1,344,154)
CIMB Niaga Cross Currency Swap	Rp 500,000,000,000	January 13, 2015	July 5, 2018	(2,293,646)
Comodity call option Fuel Hedge	USD 30,050,000	December 15, 2014	July 31, 2015	2,123,635
	USD 44,071,000	February 10, 2015	September 30, 2015	(2,317,608)
Foreign Exchange Call Forward FX Hedge	USD 1,500,000	March 26, 2015	June 26, 2015	14,477
Total				<u>(5,161,450)</u>

Bank Negara Indonesia – Cross Currency Swap

In 2014, the Company signed a cross currency swap contract with Bank Negara Indonesia. The CCS is designated as cash flow hedge that mitigates the variability in functional currency equivalent cash flows associated with Indonesia Eximbank loans denominated in Rupiah currency due to changes in forward rates.

Based on this agreement which is effective starting from May 9, 2014 until May 9, 2017, the terms are such that each principal and interest payment date, the Company will receive fixed interest rate of 9.5% per annum on a notional of Rp 500 billion and pay fixed interest rate of 2.58% per annum on notional of USD 43,241,373.

As of March 31, 2015 and December 31, 2014, the Company recorded the unrealised gain (loss) on cash flow hedge transaction in other comprehensive income of USD (267,928) and USD (29,770).

In 2015, the Company signed a cross currency swap contract with Bank Negara Indonesia. The CCS is designated as cash flow hedge that mitigates the variability in functional currency equivalent cash flows associated with bond denominated in Rupiah currency due to changes in forward rates.

Based on this agreement which is effective starting from January 13, 2015 until July 5, 2018, the terms are such that each principal and interest payment date, the Company will receive fixed interest rate of 9.25% per annum on a notional of Rp 250 billion and pay fixed interest rate of 3.2% per annum on notional of USD 19,828,680.20.

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As of March 31, 2015, the Company recorded the unrealized loss on cash flow hedge transaction in other comprehensive income of USD 622,780.37.

Standard Chartered – Cross Currency Swap

In 2015, the Company signed a cross currency swap contract with Standard Chartered Indonesia. The CCS is designated as cash flow hedge that mitigates the variability in functional currency equivalent cash flows associated with bond denominated in Rupiah currency due to changes in forward rates.

Based on this agreement which is effective starting from January 13, 2015 until July 5, 2018, the terms are such that each principal and interest payment date, the Company will receive fixed interest rate of 9.25% per annum on a notional of Rp 250 billion and pay fixed interest rate of 3.2% per annum on notional of USD 19,828,680.

As of March 31, 2015, the Company recorded the unrealized loss on cash flow hedge transaction in other comprehensive income of USD 622,780.37.

CIMB Niaga – Cross Currency Swap

In 2015, the Company signed a cross currency swap contract with CIMB Niaga. The CCS is designated as cash flow hedge that mitigates the variability in functional currency equivalent cash flows associated with bond denominated in Rupiah currency due to changes in forward rates.

Based on this agreement which is effective starting from Jan 13, 2015 until July 5, 2018, the terms are such that each principal and interest payment date, the Company will receive fixed interest rate of 9.25% per annum on a notional of Rp 500 billion and pay fixed interest rate of 2.89% per annum on notional of USD 39,657,360.

As of March 31, 2015, the Company recorded the unrealized loss on cash flow hedge transaction in other comprehensive income of USD 850,898.79.

Commodity Call Option – Fuel Hedge

The Company also entered into fuel hedge derivative transaction to manage impact of aircraft fuel price increment. The type of hedge relationship is cash flow hedge with the nature of risk being hedge is for regular flight and hajj fuel price, by setting fuel price at USD 63-75 for regular flight in 2015 and USD 117 for regular flight and at USD 117-118 for hajj flight in 2014 and 2013. The hedge items are regular flight for the period January to September 2015 and July to December 2014 and hajj flight costs for the period September to October 2014. Hedge instrument used by the Company is Platts Jet/Kero Sing-Asian Close.

As of March 31, 2015, December 31, 2014 and 2013, the Company incurred loss on derivative related to commodity call option amounting USD 69,303, USD 2,671,127 and USD 6,528,600, respectively, representing premium paid on the derivative transaction.

Foreign Exchange Call Forward

The Company also entered into foreign exchange hedge transaction to manage the impact of variability of foreign exchange rate between IDR and USD. The type of hedge relationship is cash flow hedge with the nature of risk being hedge is for aircraft lease payment, by setting the exchange rate at USD/IDR 13,078-13,196. The hedged item are lease payment of three aircraft for the period April to June 2015.

As of March 31, 2015 the Company recorded unrealized gain amounted USD 14,477.

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49. OPERATING LEASE AGREEMENTS

The Group entered into the following operating lease agreements:

1. Aircraft

Lessors	Leased Assets	Year of Maturity
<u>Airline</u>		
GECAS (FRANCE) SARL	1 1 Boeing 737-800	2016
	3 3 Boeing 737-800	2022
	4 4 Boeing 737-800	2023
	3 3 Boeing 737-800	2025
	3 3 Boeing 737-800	2026
AABS Aviation 1 France S.A.R.L	2 2 Boeing 737-800	2016
GY Aviation Lease (France) SARL	2 2 Boeing 737-800	2022
Int'l Lease Finance Corporation (ILFC)	2 2 Airbus 330-200	2016
	1 1 Boeing 737-800	2021
	1 1 Boeing 737-800	2026
Nice Location SARL	1 1 Airbus 330-200	2016
Paris Location SARL	1 1 Boeing 737-300	2015
SARL MASC FRANCE	1 1 Boeing 737-800	2016
MSN 30151 Leasing France SARL	1 1 Boeing 737-800	2021
MSN 30155 Leasing France SARL	1 1 Boeing 737-800	2021
MSN 30156 Leasing France SARL	1 1 Boeing 737-800	2021
MSN 30157 Leasing France SARL	1 1 Boeing 737-800	2021
MSN 30140 Leasing France SARL	1 1 Boeing 737-800	2021
MSN 30141 Leasing France SARL	1 1 Boeing 737-800	2022
MSN 30142 Leasing France SARL	1 1 Boeing 737-800	2022
MSN 30143 Leasing France SARL	1 1 Boeing 737-800	2022
Biarritz Location S.A.R.L	1 1 Airbus 330-200	2016
BANK OF UTAH	2 2 Boeing 737-800	2020
BBAM Aircraft Holding 121 SARL	1 1 Boeing 737-800	2020
BBAM Aircraft Holding 122 SARL	1 1 Boeing 737-800	2020
CIT Aerospace International (France) SARL	1 1 Boeing 737-800	2022
Trojan Aircraft Leasing (France) SARL	2 2 Boeing 737-800	2017
La Victoire 3 Holding SARL	1 1 Boeing 737-800	2017
Centennial Aviation (France) 2, SARL	1 1 Airbus 330-200	2020
	1 1 Airbus 330-200	2021
MITSUBISHI France S.A.S	1 1 Boeing 737-800	2022
FLY 30144 LEASING SARL	1 1 Boeing 737-800	2022
FLY 30145 LEASING SARL	1 1 Boeing 737-800	2022
PEMBROKE LEASE FRANCE SAS	1 1 Boeing 737-800	2023
	2 2 Boeing 737-800	2022
	4 4 Boeing 737-800	2020
	1 1 Boeing 737-800	2021
Fuyo Aviation France I SARL	1 1 Boeing 737-800	2022
Chishima Real Estate Co. Ltd.	1 1 Boeing 737-800	2019
	1 1 Boeing 737-800	2025
ICIL Paris (A Limited Liability Company)	1 1 Boeing 737-800	2018
BBAM Aircraft Holding 129 SARL	1 1 Boeing 737-800	2022
BBAM Aircraft Holding 130 SARL	1 1 Boeing 737-800	2022
AWAS 1214 S.A.R.L.	1 1 Airbus 330-200	2021
AWAS 29928 SARL	1 1 Boeing 737-800	2017
AWAS 29929 SARL	1 1 Boeing 737-800	2017
AWAS (France) Two SARL	2 2 Boeing 737-800	2023

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Lessors	Leased Assets	Year of Maturity
<u>Airline</u>		
ALC A332 1288, LCC	1 1 Airbus 330-200	2024
Java Aircraft Leasing (France) SARL	1 1 Airbus 330-200	2024
NAC Aviation France 1 SAS	2 2 Bombardier CRJ-1000	2024
	5 5 Bombardier CRJ-1000	2025
	2 2 Bombardier CRJ-1000	2026
NAC Aviation France 2 SAS	2 2 ATR 72-600	2025
	6 6 ATR 72-600	2026
SMBC Aviation Capital Paris Leasing 1 SARL	1 1 Boeing 737-800	2025
	2 2 Boeing 737-800	2026
	2 2 Boeing 737-800	2027
ACG Acquisition 38884 LLC	1 1 Boeing 737-800	2025
ACG Acquisition 38885 LLC	1 1 Boeing 737-800	2025
ACG ACQUISITION 39891 LLC	1 1 Boeing 737-800	2026
ACG ACQUISITION 40547 LLC	1 1 Boeing 737-800	2026
Salwa Aircraft Leasing (One) Limited	2 2 Boeing 777-300	2025
Bintan Aircraft Leasing (France) SARL	1 1 Airbus 330-300	2025
Sailles 4, LLC	1 1 Boeing 777-300	2025
Sailles 4-2, LLC	1 1 Boeing 777-300	2025
ALC B738 41310, LLC	1 1 Boeing 737-800	2025
ALC B738 41312, LLC	1 1 Boeing 737-800	2025
Sumatra Aircraft Leasing (France) SARL	1 1 Airbus 330-200	2025
Avolon Aerospace France 7 SAS	1 1 Boeing 737-800	2022
Bali Aircraft Leasing (France) SARL	1 1 Airbus 330-200	2025
Sky High Aviation	2 2 Boeing 777-300	2026
GRENOBLE LOCATION S.A.R.L.	1 1 Boeing 737-800	2026
Avolon Aerospace AOE 86 Limited	1 1 Airbus 330-300	2026
Calais Location S.A.R.L.	1 1 Boeing 737-800	2026
Avolon Aerospace AOE 87 Limited	1 1 Airbus 330-300	2026
ALC B738 41322, LLC	1 1 Boeing 737-800	2026
Nancy Location S.A.R.L.	1 1 Boeing 737-800	2026
JSA Aircraft 1577, LLC	1 1 Airbus 330-300	2026
Avolon Aerospace AOE 89 Limited	1 1 Airbus 330-300	2026
Strasbourg Location S.A.R.L.	1 1 Boeing 737-800	2016
Mulhouse Location S.A.R.L.	1 1 Boeing 737-800	2016
Aercap	1 1 Boeing 737-800	2027
ALS FRANCE SARL	3 3 Airbus 320-200	2016
WELLS FARGO BANK NORTHWEST	1 1 Airbus 320-200	2018
ACG ACQUISITION XX LLC	1 1 Airbus 320-200	2018
ILFC FRANCE SARL	2 2 Airbus 320-200	2018
BOC AVIATION (FRANCE) SARL	1 1 Airbus 320-200	2018
WHITNEY FRANCE LEASING SARL	1 1 Airbus 320-200	2019

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Lessors	Leased Assets	Year of Maturity
<u>Airline</u>		
CENTENNIAL AVIATION (FRANCE) 2 SARL	3 Airbus 320-200	2024
AVOLON AEROSPACE FRANCE 10 SAS	1 Airbus 320-200	2025
AVOLON CAPITAL PARTNERS FRANCE 2 SARL	1 Airbus 320-200	2025
SMBC AVIATION	2 Airbus 320-200	2024
SMBC AVIATION	4 Airbus 320-200	2025
GECAS FRANCE	4 Airbus 320-200	2025
SKYHIGH XXXI LEASING COMPANY LIMITED (ICBC)	6 Airbus 320-200	2026
ACG ACQUISITION XX LLC	2 Airbus 320-200	2026
KYOWAKISEN CO., LIMITED	1 Airbus 320-200	2027
M&T AVIATION FINANCE (IRELAND) LIMITED	1 Airbus 320-200	2027

In 2014, the Company has early terminated two Aircraft type A330-200 with registration number PK-GPH and PK-GPI.

2. Engine

Lessors	Leased Assets	Year of Maturity
Engine Lease Finance Corp.	1 Engine Boeing B737-800	2017
	1 Engine Boeing B737-800	2027
GECAS (France) S.A.R.L	2 Engine Boeing B737-800	2021
	1 Engine Boeing B737-800	2022
	1 Engine Boeing B777-300	2020
	1 Engine Bombardier CRJ1000	2015
	1 Engine Boeing B747-400	2015
Willis Lease Finance	1 Engine Boeing B747-400	2015
IHI CORPORATION	1 Engine A320	2015

Operating Rental Payments

Total rental commitments are as follows:

	Future lease payments		
	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Within one year	807,578,097	787,482,861	581,065,537
Over one year but not longer than five years	2,900,232,826	2,838,682,545	2,108,428,274
Over five years	3,220,346,760	3,234,071,362	2,333,773,641
Total	<u>6,928,157,682</u>	<u>6,860,236,768</u>	<u>5,023,267,452</u>

Security Deposits

The Group is required to pay security deposits that will serve as guarantee for the payment of the Company's obligations. As of March 31, 2015, December 31, 2014 and 2013, the balance of the security deposits amounted to USD 176,033,857, USD 180,234,967, and USD 144,443,468, respectively (Note 12).

Maintenance Reserve Funds

Based on operating lease arrangements for aircrafts, the Company is required to pay maintenance and repair reserve funds for the leased aircraft to the lessors.

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Maintenance reserve funds are based on the use of the aircraft during the lease term consisting of reserves funds for airframe structure maintenance, engine performance restoration maintenance, engine life limited parts maintenance, landing gear maintenance and Auxiliary Power Unit (APU) maintenance.

During the lease term, the Company is obliged to maintain and repair the airframes, engines, APU and all the parts in accordance with agreed standard. The maintenance and repair work on the airframes, engines and other part, or engines will be regularly performed by authorized maintenance repair and overhaul companies (MRO). Based on the lease agreement, the Company will be entitled to its reimbursement of applicable maintenance and repair reserve funds after the work is completed and the workshop company releases the airframe, engine, landing gear or APU, by submitting invoices and proper documentation within certain days after the completion of the work.

Up to the termination date, the Company shall have the obligation to pay contribution into the reserve funds, and any outstanding reimbursable expenses shall be reviewed and disbursed, provided no default occurred. Depending on the specific agreements, the lessor may or may not retain the remaining balance of the maintenance reserve funds.

As of March 31, 2015, December 31, 2014, and 2013, aircraft maintenance reserve funds amounted to USD 671,850,634, USD 606,698,350, and USD 473,179,589, respectively.

#### Sale and leaseback

The Company recognized deferred income from sale and leaseback of aircrafts. As of March 31, 2015, December 31, 2014 and 2013, the outstanding deferred income net of the related amortization amounted to USD 35,167,152, USD 33,798,787, and USD 22,720,707, respectively.

### 3. Non Aircraft Operating Lease

- a. On January 25, 2008, GMFAA entered into Land Utilization and Business Concession Agreements with PT Angkasa Pura II (Persero) in relation to land utilization measuring approximately 900,000 square meters used for aircraft maintenance business activities in Soekarno-Hatta Airport, Cengkareng, Tangerang. The term of this agreement is for 5 years effective until from January 1, 2012 until December 31, 2016, wherein compensation and concession based on agreed tariffs. GMFAA is obliged to provide bank guarantee issued by general bank to secure the payment of such compensation. The term of such guarantee is 1 year and renewable annually until the expiration of the agreement.
- b. GMFAA also entered into operating lease agreements of operational equipment, internet connection, and others with several parties.
- c. The Company entered into an agreement for utilization of 6,246 square meters of land at the Soekarno-Hatta Airport with PT Angkasa Pura II (Persero), for 30-year period until September 30, 2021. The land is used for the purpose of cargo office building. The compensation for the use of the land is Rp 800 per square meter per month or a total of Rp 1,798,848,000, which is subject for review every 5 years. A deposit of 10% or Rp 179,884,800 was also paid. Payment of Rp 53,965,440 is made annually.

At the expiration of the agreement, the Company will return the land and all the facilities to PT Angkasa Pura II.

The Company also entered into an agreement with PT Angkasa Pura II (Persero) for the use of another parcel of land with an area of 164,742 square meters at the Soekarno-Hatta Airport, for a period of 20 years until December 31, 2011. The Company constructed on such land the office building. In 2014, the terms of lease period has been amended for 5-year period until December 31, 2016. The compensation for the use of the land is Rp 1,500 per square meter per month or a total of Rp 247,113,000, which is subject for review every 2 years.



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The operating lease agreements contain option to renew the lease term. The Company does not have an option to purchase the lease asset at the expiry of the lease term. The lease agreements include certain conditions that may cause the leases to be terminated prior to the expiry of the lease terms.

Total of other lease commitments is as follows:

	March 31, 2015 (Unaudited) USD	December 31, 2014 USD	December 31, 2013 USD
Within one year	4,535,985	5,004,378	1,940,614
Longer than one year not longer than five years	6,777,396	7,189,129	4,997,221
Over five year	10,306,289	10,306,289	7,583,167
Total	<u>21,619,670</u>	<u>22,499,796</u>	<u>14,521,002</u>

50. COMMITMENTS

a. Purchase of Aircrafts

(i). Boeing 777-300ER Aircraft

Based on Purchase Agreement No. 1938 dated June 4, 1996, which had been amended several times, most recently by Supplemental Agreement No. 4 dated December 29, 2005, the Company entered into a contract to purchase 6 Boeing 777-200ER with basic price of USD 198,192,610. The price of the aircrafts will be determined at the time of delivery by calculating the price adjustments in accordance with the agreement. Delivery was scheduled within the period of June 2010 up to August 2011.

However, based on confirmation from The Boeing Company No. 6-1176-DJH-1049R-1, dated March 30, 2007, the purchase of 6 Boeing 777-200ER was replaced with purchase of 10 Boeing 787 and will be delivered from April 2014 up to July 2015. The confirmation is preceded by the Boeing's offering to renew the Purchase Agreement No. 1938 into purchase of ten B 777-200ER/300ER/200LR aircrafts.

In response to the offer, the Company plans to increase the number of units purchased from 6 B777-200 aircrafts into 10 B777-300ER aircrafts by submitting Supplemental Agreement No. 5 to Purchase Agreement No. 1938. Through Supplemental Agreement No. 9 to Purchase Agreement No. 1938, the schedule for aircraft delivery was revised from an original date starting August 2012 and was changed to May 2013 until January 2016.

In relation with the addition of additional rows in First Class seat on B777 aircrafts which caused a change in delivery schedule of the first B777 aircraft from May 2013 to June 2013, on April 23, 2012, the Company signed Supplemental Agreement No. 10 to Purchase Agreement No. 1938 with The Boeing Company.

On May 23, 2012, the Company and The Boeing Company executed Supplemental Agreement No. 11 to Purchase Agreement No. 1938 with regard to the finalization of B777 aircraft configuration.

On July 6, 2012, the Company and The Boeing Company executed Supplemental Agreement No. 12 (SA 12) to Purchase Agreement No. 1938 with regard to the acceleration of the delivery of B777 aircraft from January 2014 to October 2013, revision of the pricing table and the change of calculation formula. The Company entered into a sale and leaseback with Alafco and Gugenheim for 4 aircrafts. The selling price is determined at the time of arrival of aircraft.

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In 2014, 2 of Boeing 777-300ER aircraft under sale and leaseback agreement has been delivered, with 12 years lease period and classified as operating lease.

As stipulated in SA 12, in 2014 the Company obtained approval from Boeing to transfer its advance payment for Boeing 777-300ER to Boeing 737-800 MAX of USD 9,695,040. At March 31, 2015, December 31, 2014, 2013 and January 1, 2013/December 31, 2012, the amount of advance for purchase of aircrafts amounted to USD 117,018,067, USD 116,987,900, USD 219,297,500 and USD 279,424,180, respectively.

(ii). Boeing 737-800 NG Aircraft

The Company entered into Purchase Agreement No. 2158 dated June 19, 1998 for the purchase of 18 Boeing 737-800, which had been amended several times, most recently by Supplemental Agreement No. 12 (SA 12) dated September 12, 2014, whereby the Company amended the SA 08 dated January 18, 2010 in relation to purchase of 25 Aircraft Type B 737-800NG with delivery schedule up to February 2016 and convert with the SA 12. In SA 12, the Company and Boeing agreed that for 4 Aircraft type B 737-800 NG which delivery on August and December 2015 and also in January and February 2016 will be cancel in order to convert those aircraft into 737-800 MAX series. The Company order aircraft 737-800 MAX for 50 with schedule delivery from December 2017 up to May 2023.

In relation to these deliveries, the Company entered into a sale and leaseback with Dubai Aerospace Enterprise (DAE) for 8 aircrafts and MCAP for 3 aircrafts and Pembroke Lease Finance SAS for 9 aircrafts. The selling price is determined at the time of arrival of aircraft.

In 2012, 4 of Boeing 737-800 aircraft under sale and leaseback agreement has been delivered, with 10 years lease period and classified as operating lease.

In 2013, 1 aircraft of Boeing 737-800 aircraft under sale and leaseback agreement has been delivered, with 10 years lease period and classified as operating lease.

Advance payments for the purchase of aircrafts were made in stages starting from the signing of a memorandum of understanding until signing of the agreement, ie. 30 or 24 months up to 6 months prior to aircraft delivery. In, 2014, advance payment made to Boeing 737-800 NG was transferred as advance payment of Boeing 737-800 MAX in accordance with SA 12 which amounted to USD 11,772,386. At March 31, 2015, December 31, 2014 and 2013, the amount of advance for purchase of aircrafts amounted to nil, nil, and USD 9,664,720, respectively.

(iii). Boeing 737-800 MAX Aircraft

On September 12, 2014, the Company signed Supplemental Agreement 12 (SA 12) as amendment of Purchase Agreement No. 2158 dated June 19, 1998 regarding the purchase of Boeing 737-800 NG aircrafts. Based on SA 12, the scheduled delivery of 4 Boeing 737-800 NG aircrafts arriving in 2015 and 2016 will be cancelled and replaced with 50 units of Boeing 737-800 MAX that will arrive in 2017 until 2023. The balance of advances for purchase of aircraft for Boeing 737-800 NG as of December 31, 2014 which amounted to USD 11,772,386 was transferred to Boeing 737-800 MAX.

SA 12 also contemplated the reallocation of certain surplus advance payments made on Boeing 777-300ER aircraft as advance for purchase of aircraft for Boeing 737-800 MAX amounting USD 21,467,426 as of December 31, 2014.

(iv). Airbus A-330-300 Aircraft

On November 4, 1989, the Company entered into a Purchase Agreement with Airbus for the purchase and delivery of 9 Airbus A-330-300 aircrafts. The Company has received 6 of the aircrafts but has sought rolling extension for the delivery of the final 3 aircrafts, in which based on a Side Letter dated December 21, 1995, the final delivery of 3 aircrafts was scheduled in July 1998, August 1998 and January 1999.

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These deliveries have not taken place because the Company has not reached any subsequent formal agreement with Airbus in relation to its obligation under the Purchase Agreement for the delivery of the remaining 3 Airbus A-330-300 aircrafts. Based on Side Letter dated November 9, 2009, delivery of the remaining 3 Airbus A-330-300 was replaced with 6 Airbus A-330-200 with delivery schedule starting in October 2012 until October 2014.

In July 2011, the Company and Airbus signed Amendment No. 3 related to purchase agreement. Under this agreement, the Company replaced 3 of remaining 6 Airbus A330-200 into A330-300 model and purchased additional 4 Airbus A330-300.

On December 19, 2011, the Company and Airbus signed Amendment No. 4, 5 and 6 and amendment No. 7 and No. 8 on October 2012 and July 2013 to the Purchase Agreement. Under those agreement the Company purchase 11 (eleven) Airbus aircraft type A330-300 and 3 (three) aircraft type A330-200F.

The Company entered into a sale and leaseback with Aircastle for 4 aircrafts. The selling price is determined at the time of arrival of aircraft.

In 2013, 2 Airbus A330-200 aircraft and 1 Airbus A 330-300 aircraft has been delivered which is under sale and leaseback agreements, with a lease term of 12 years and are classified as operating leases.

In 2014, 4 Airbus A330-300 aircraft have been delivered which is under sale and leaseback agreements, with a lease term of 12 years and are classified as operating leases.

Advance payment for purchase of aircrafts were made in stages starting from the signing of the memorandum of understanding until the signing of the agreement, ie. 30 or 24 months up to 6 months prior to aircraft delivery. At March 31, 2015, December 31, 2014 and 2013, the amount of advance for purchase of aircrafts that has been paid amounted to USD 161,457,353, USD 159,333,216 and USD 189,873,807, respectively.

(v). Purchase of Airbus A320-200 Aircrafts

On August 2, 2011, the Company and Airbus signed an Agreement for the purchase of 25 Airbus Aircraft type A320-200. Delivery schedule begins in 2014 until 2018. The base price of each aircraft is USD 83,041,000. Related to this aircraft purchase, the Company also signed an agreement with CFM International for the procurement of engine type CFM56-5B4 for 15 (fifteen) A320-200 aircrafts and engine type Leap-X1A26 for 10 (ten) A320 NEO aircrafts.

In July 2012, the Company and Airbus SAS signed Amendment No. 1 to the Purchase Agreement of A320 with regards to exercise of an option to increase the number of aircrafts purchased to 25 aircrafts.

In, 2014, 2 aircraft Airbus A-320-200 has been delivered which is under sale and leaseback agreements, with a lease term of 12 years and are classified as operating leases.

Advance payment for the purchase of aircrafts were made in stages starting from the signing of the memorandum of understanding until the signing of the agreement, ie. 30 or 24 months up to 6 months prior to aircraft delivery. At March 31, 2015, December 31, 2014 and 2013, the amount of advance for purchase of aircrafts that has been paid amounted to USD 57,547,883, USD 83,742,958 and USD 73,273,288, respectively.

(vi). Purchase of Bombardier CRJ1000 NextGen Series Aircraft

On December 18, 2011, the Company and Bombardier Aerospace signed a proposal for a firm commitment to purchase 6 (six) aircrafts and option to purchase 18 (eighteen) CRJ1000 NextGen Series.

On February 13, 2012, the Company and Nordic Aviation Capital A/S signed "Letter of Intent" regarding lease of 12 (twelve) CRJ1000 NextGen aircrafts.

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Aircraft Lease Agreement as a basis of the implementation of such 12 (twelve) Bombardier CRJ1000 NextGen aircrafts lease was signed between the Company and Nordic Aviation Capital A/S on June 19 and June 25, 2012.

Advance for purchase of aircraft were made in stages starting from the signing of the memorandum of understanding, i.e. 30 or 24 months up to 6 months prior to aircraft delivery. In 2013, the amount of advance for purchase of aircrafts that has been paid amounted to USD 4,467,371.

(vii). Purchase of ATR 72-600 Aircrafts

On February 7, 2013, PT Citilink Indonesia (CI) and Avions De Transport Regional G.I.E (“ATR”) signed Letter of Intent (“LOI”) regarding the purchase of 25 (twenty five) New ATR 72-600 aircrafts and option to purchase up to 25 (twenty five) New ATR 72-600 aircrafts. Delivery schedule will begin in September 2013 until December 2015 for purchased aircrafts, and February 2016 until August 2018 for option aircrafts. The base price of each aircraft is USD 19,180,000. On February 15, 2013, CI has paid USD 2,418,000 as pre-delivery payment.

On September 6, 2013, the ownership of the aircraft purchase agreement has been transferred to PT Garuda Indonesia.

(viii) Purchase of flight simulator ATR 72-600

On April 25, 2014, the Company and CAE Inc. entered into ATR 72-600 full flight simulators with visual system agreement. The total purchase price amounting to USD 8,223,000 and will be paid based on the pre delivery payment (PDP) schedule.

On March 16, 2015, the ATR72-600 simulator is planned to delivery for installation process and will be certified in May 2015 and is expected to be ready for training.

b. Component Pooling Agreement with SR Technics Switzerland (“SR Technics”)

The Company entered into a component pooling agreement for A-330 with SR Technics. As a participant to the A-330 pool, the Company is allowed to use A-330 components which are available in the main storage at Zurich. The Company also has the right to ask SR Technics to provide temporary services, field assistance team or other special services, as well as technical and administrative training in the Company's maintenance facility in Jakarta or in any other line stations of SR Technics.

This agreement has been extended several times with the latest amendment, relating to each party may cancel the agreement by giving to the other party 6 months notice. The corresponding pooling expense is determined according to the tariff applied to the components used.

The Company also entered into a critical spare component agreement for Boeing 737-800 aircraft component with SR Technics with memorandum of Understanding dated February 25, 2011.

The Company also has the right to ask SR Technics to perform test repair, overhaul and modification of the component.

c. Service Agreement for Passenger Service Systems

On April 20, 2012, the Company and Amadeus IT Group, S.A, signed Service Agreement for Passenger Service Systems, for “Amadeus Altéa” Passenger Services Systems (PSS). This system is a platform system which is used by airlines which are members of “Sky Team” global alliance, so that Garuda system shall be connected with other Sky Team members.

d. Agreements with Rolls Royce.

In July 2012, the Company and Rolls Royce executed the following agreements:

- (i). Product Agreement relating to Trent 772B and Trent 772C engines DEG 6159.
- (ii). Supplementary Financial Assistance Agreement relating to Trent 772B and Trent 772C engines DEG 6734.
- (iii). Total Care Service Agreement relating to Trent 772B engines DEG 6584.
- (iv). Thrust Upgrade Offer agreement with regards to Airbus offer on thrust upgrade.

The above-mentioned agreements are related to engine maintenance with prognostic maintenance concept for TRENT 700 engine type (engine Airbus A330), where the engine treatment method is performed in its entirety from start of monitoring engine during operation (on-wing Health Monitoring) to engine overhaul planning and execution overhaul.

e. Agreement for installing galley in A330-200

The Company entered into an agreement with BE Aerospace with regards to galley installation on Airbus 330-200 aircraft. The Company also entered into General Terms Agreement For The Purchase Of Aircraft Galley Installation For 3 X A330 BFE Program with Driessen Aircraft Interiors Systems (Europe) BV regarding the purchase of aircraft galley for 3 (three) Airbus 330 aircrafts with a value of EUR 938,050 per aircraft. Installation period of galley for A330-200 is up to before on dock date as specified by Airbus in 2013.

f. Agreement with General Electric (GE).

In June 2012, the Company executed General Terms Agreement with GE related to spare part, tooling, publication, training regarding engine model GE90-115B and CF34-8C.

g. The Sub-distribution Agreement with Abacus International Pte., Ltd

ADSI, a subsidiary, entered into the sub-distribution agreement with Abacus International Pte., Ltd (formerly Abacus Distribution Systems Pte., Ltd), Singapore (AIPL) effective since April 11, 1995. Under this agreement, AIPL grants ADSI an exclusive sub-license to operate its own marketing and distribution of computer reservation systems (Abacus Systems) in Indonesia territory. This system incorporate a software package which performs various function, including real-time airline seat reservation, schedules/booking for a variety of air, car and hotel service, automated ticketing and fare display. The agreement shall remain valid, except for early termination as stipulated in the agreements.

In return for each net booking made by a subscriber through the Abacus Systems for any travel product offered in the system, AIPL shall pay a certain fee to ADSI as stipulated in the agreement.

Effective from February 1, 2009, such fee is at 25% of the 2009 basic rates payable by airline per net segment for air bookings made by subscribers after deducting certain expenses as stipulated in the agreement.

h. GMFAA entered into a long-term contract for maintenance and repair of aircrafts

GMFAA entered into a long-term contract for maintenance and repair of aircraft with PT Sriwijaya Air, Hellenic Imperial Airways, Yemen Airways, International Air Parts Pty Ltd, Gatwick Aviation Service, and Southern Air. GMFAA earns revenue for these services according to rates agreed in the contract.

i. GMFAA entered into an agreement with PT Bank Syariah Mandiri

On December 16, 2013, GMFAA entered into an agreement with PT Bank Syariah Mandiri regarding Ijarah Muntahia Bit - Tamlik facility with terms of 8 years. This facility is used for the rental of test cell equipment for maintenance and overhaul of Industrial Gas Turbine Engine (IGTE) Oil Company. GMFAA obtained a facility with maximum credit of USD 9,562,955.

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j. Agreement with Dubai Islamic Bank PJSC (DIB) and National Bank of Abu Dhabi PJSC (NBAD)

On March 11, 2015, the Company signed a Commercial Terms Agreement with DIB and NBAD regarding the granting of loan facility amounting USD 400,000,000 (four hundred million United States Dollar). The purpose of the facility is for refinancing of existing financial indebtedness of the Company maturing in 2015 and for general corporate purposes, including but not limited to predelivery financing.

51. CONTINGENCIES

- a. On December 17, 2007, the Company has received a Notice to Furnish Information and Produce Document from Australian Competition and Commerce Commission ("ACCC") related to allegation of price fixing cartel on Cargo Fuel Surcharge with other international carriers.

The legal proceeding of this case in the Federal Court of New South Wales, Australia, commenced from October 22, 2012 until May 15, 2013 with various agenda including revision of the claim from ACCC, defense from the Company, collection of evidence and witnesses. Final hearing was held on May 15, 2013 with delivery of conclusion from each party as the agenda.

In the final hearing, the Company has submitted a defense based on terms in the Aviation Laws, International Treaty Law through the Air Service Agreement (ASA) and International Competition Law related to the relevant market.

On October 31, 2014, Federal Court of Australia, New South Wales District issued a decision that the lawsuit from ACCC against the Company is rejected. On this matter, ACCC submitted a statement of appeal to Full Court of Australia on December 16, 2014. Currently, the case is still under examined by Full Court of Australia. The first hearing of appeal will be held on August 17, 2015 in Full Court of Australia.

- b. On August 4, 2010, Hutomo Mandala Putera ("Tommy Suharto") submitted a claim against several defendants, including the Company, in relation to the article published by in-flight magazine, Majalah Garuda, December 2009 edition.

Tommy Suharto submitted a claim to the South Jakarta District Court and demanded payment for material and immaterial damages, as well as an apology from the Defendants, published in Majalah Garuda and several other national media. The Company has filed an objection to High Court of DKI Jakarta on June 1, 2011. The Company has also filed an objection memory to South Jakarta District Court on August 19, 2011.

On March 11, 2013, the Company received a notice of DKI Jakarta High Court dated October 24, 2012 which upheld the verdict from South Jakarta District Court which was in favor of Tommy Suharto over the Company.

On March 22, 2013, the Company has declared an appeal to the Supreme Court of the Republic of Indonesia through the South Jakarta District Court and has also submitted cassation on April 3, 2013. On March 16, 2015, the Company received decision from the Supreme Court of the Republic of Indonesia which was in favor to the Company. This decision is final and binding.

- c. On January 2012, Al-Azhar Hotel submitted an amended statement of claim against the Company which had been filed on June 14, 2009 at Jeddah District Court, Saudi Arabia in relation to the allegation of breaching the contract on hajj pilgrims accommodation in the event of irregular flight. Al-Azhar Hotel claimed the payment of its invoice together with the loss against the Company in the amount of SAR 750,040 plus the legal cost in the amount of SAR 100,000.

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In its amended statement of claim, Al-Azhar Hotel amended the amount of the claim to SAR 10,905,355 plus the legal cost in the amount of SAR 100,000. On March 15, 2015, the Company received a decision from Jeddah District Court to settle the claim plus the legal cost to Al-Azhar Hotel amounted to SAR 2,679,303. This decision was rejected by both parties and both parties submitted an appeal to High Court of Saudi Arabia. Currently, the case is still examined by High Court of Saudi Arabia.

- d. On July 14, 2014, PT Aero Systems Indonesia (“Asyst”) and HP Schweiz signed the Master Service Agreement for Passenger Service Systems with its amendments, for 5 years in period of agreement (“PSS Service Agreement”).

Asyst terminated the PSS Service Agreement on February 28, 2015. Due to dispute concerning the cost of termination, Asyst has submitted the application to BANI Arbitration Center (BANI) on December 27, 2014. Currently, the case is still under on examination by BANI.

52. MONETARY ASSETS AND LIABILITIES IN FOREIGN CURRENCY

At March 31, 2015, December 31, 2014 and December 31, 2013, the Group had monetary assets and liabilities denominated in foreign currencies (currencies other than USD are stated at the equivalent USD) as follows:

	March 31, 2015 (Unaudited)		December 31, 2014		December 31, 2013	
	Foreign currency	Equivalent in USD	Foreign currency	Equivalent in USD	Foreign currency	Equivalent in USD
<b>ASSETS</b>						
<b>Cash and cash equivalent</b>						
IDR	1,268,364,765,060	95,261,437	1,924,045,507,744	154,666,038	3,248,663,779,750	266,524,225
CNY	229,990,933	37,444,366	194,924,061	31,855,512	128,573,615	21,088,383
AUD	23,262,691	17,785,252	21,451,829	17,620,548	21,100,810	18,827,232
JPY	10,18,763,124	8,482,979	1,559,464,066	13,068,509	1,326,743,389	12,644,695
EUR	4,966,784	5,377,049	4,839,208	5,886,899	5,133,972	7,085,143
SGD	4,257,610	3,093,972	4,672,175	3,538,724	3,884,317	3,068,188
SAR	16,125,660	4,299,062	12,057,322	3,213,102	9,404,318	2,507,521
GBP	1,707,959	2,526,730	1,539,649	2,397,388	1,497,997	2,469,824
KRW	4,352,891,144	3,925,720	2,432,348,789	2,228,024	5,111,715,025	4,841,640
HKD	14,833,869	1,912,769	12,865,900	1,658,579	20,285,981	2,616,116
Other foreign currencies *)	5,288,770	5,288,770	5,515,733	5,515,733	5,002,413	5,002,413
<b>Trade account receivable</b>						
IDR	733,200,874,729	55,640,889	728,423,043,080	58,554,907	707,009,829,636	58,003,924
JPY	54,1759,012	4,478,156	779,531,983	6,532,578	925,097,787	8,816,761
KRW	4,991,064,308	4,501,280	3,826,055,265	3,504,654	2,822,687,339	2,673,552
EUR	3,759,505	4,070,047	2,708,552	3,294,955	3,012,629	4,157,581
AUD	5,302,687	4,053,904	3,618,714	2,972,414	4,552,682	4,062,138
SAR	16,564,722	4,416,080	9,424,549	2,511,506	6,560,341	1,749,217
CNY	16,498,756	2,686,117	14,750,895	2,410,669	12,422,966	2,037,590
MYR	9,831,549	2,647,876	6,429,160	1,840,851	4,285,423	1,303,584
SGD	1,658,086	1,204,969	932,584	706,343	961,650	759,599
Other foreign currencies *)	6,925,479	6,925,479	6,862,151	6,862,151	6,320,772	6,320,772
<b>Other receivables</b>						
IDR	43,613,543,638	3,333,349	65,503,974,556	5,265,593	45,659,482,062	3,745,958
Other foreign currencies *)	146,848	146,848	156,139	156,139	141,585	141,585
<b>Prepaid taxes</b>						
IDR	264,980,853,985	20,252,282	337,791,011,154	27,153,618	242,977,195,893	19,934,137
<b>Other Assets</b>						
IDR	46,279,846,375	3,537,133	344,720,582,907	27,710,658	519,352,220,303	4,260,827
AUD	1,597,251	1,221,101	1,617,113	1,328,298	1,590,814	1,419,406
EUR	376,894	408,026	366,471	445,812	7,963,654	10,990,248
SGD	259,515	188,587	264,415	200,269	243,585	192,406
Other foreign currencies *)	1,316,795	1,316,795	1,926,365	1,926,365	1,963,439	1,963,439
<b>Total Assets</b>		<b>306,427,024</b>		<b>395,026,836</b>		<b>479,208,074</b>

\*) Assets and liabilities denominated in other currencies are presented into its USD equivalent using the exchange rate prevailing at end of reporting date.

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	March 31, 2015 (Unaudited)		December 31, 2014		December 31, 2013	
	Foreign currency	Equivalent in USD	Foreign currency	Equivalent in USD	Foreign currency	Equivalent in USD
<b>LIABILITIES</b>						
Bank loan						
IDR	(1,002,960,258,697)	(76,655,477)	(220,582,273,260)	(17,542,764)	(7,368,847,761)	(604,549)
Trade Accounts Payable						
IDR	(1,231,465,790,819)	(94,119,978)	(902,416,188,769)	(127,708,608)	(1,334,831,163,570)	(109,511,130)
JPY	(209,936,643)	(1,748,089)	(376,428,779)	(3,166,251)	(361,400,291)	(3,444,371)
SAR	(5,131,754)	(1,368,085)	(11,270,524)	(3,003,224)	(4,001,341)	(1,066,898)
SGD	(3,727,288)	(2,708,590)	(3,799,711)	(2,877,754)	(3,605,295)	(2,847,791)
AUD	(1,027,653)	(785,642)	(1,586,031)	(1,318,053)	(999,640)	(891,930)
EUR	(902,263)	(976,791)	(967,161)	(1,181,468)	(746,712)	(1,030,500)
KRW	(4,370,455)	(3,942)	(610,765,679)	(559,459)	(574,049,639)	(543,720)
Other foreign currency *)	(3,965,097)	(3,965,097)	(5,524,233)	(5,524,233)	(8,124,002)	(8,124,002)
Other Accounts Payable						
IDR	(58,596,419,876)	(4,478,484)	(57,888,142,102)	(5,677,650)	(63,337,578,810)	(5,196,290)
EUR	(653,816)	(707,822)	(213,953)	(260,630)	(2,278,469)	(3,144,403)
Other foreign currency *)	(273,055)	(273,055)	70,318	70,318	(9,890,367)	(9,890,367)
Accrued Expenses						
IDR	(1,378,855,686,503)	(105,384,874)	(1,490,158,438,897)	(101,385,324)	(729,088,584,802)	(59,815,291)
JPY	(323,642,924)	(2,694,893)	(566,490,600)	(3,902,218)	(598,981,329)	(5,708,667)
AUD	(5,730,746)	(4,381,165)	(6,436,247)	(3,443,127)	(4,221,017)	(3,766,210)
EUR	(1,079,884)	(1,169,084)	(1,072,172)	(3,136,557)	(1,067,748)	(1,473,547)
MYR	(907,856)	(244,508)	(1,226,255)	(851,684)	(763,927)	(232,374)
SGD	(533,436)	(387,644)	(428,520)	(324,842)	(645,040)	(509,512)
Other foreign currency *)	(13,642,727)	(13,642,727)	(43,985,298)	(43,985,298)	(10,035,319)	(10,035,319)
Long term loans						
IDR	(1,550,111,020,990)	(118,473,786)	(1,709,486,633,992)	(137,418,540)	(1,354,497,201,118)	(111,124,555)
AUD	(1,300,000)	(993,852)	(10,911,239,938)	(1,067,821)	-	-
Bond Payable						
IDR	(1,999,746,105,892)	(151,902,750)	(1,987,389,557,320)	(159,758,003)	(1,984,983,313,024)	(162,850,383)
Employee benefits obligation						
IDR	(2,499,643,914,484)	(191,045,851)	(2,367,670,119,200)	(190,327,180)	(2,234,698,654,425)	(193,337,325)
Other non current liabilities						
CNY	(5,330,000)	(867,767)	(2,020,050,293)	(993,625)	(7,380,000)	(1,210,453)
IDR	(5,230,526,775)	(399,765)	(3,748,239,549)	(301,305)	(5,415,250,341)	(1,264,685)
SGD	(10,000)	(7,267)	(1,284,540,543)	(136,333)	(170,000)	(134,281)
Other foreign currency *)	(935,430)	(935,430)	(66,314)	(66,314)	(62,062)	(62,062)
<b>Total Liabilities</b>		<b>(780,322,414)</b>		<b>(815,847,948)</b>		<b>(697,820,615)</b>
<b>Liabilities - net</b>		<b>(473,895,391)</b>		<b>(420,821,112)</b>		<b>(218,612,541)</b>

\*) Assets and liabilities denominated in other currencies are presented into its USD equivalent using the exchange rate prevailing at end of reporting date.

The conversion rates used by the Group on March 31, 2015, December 31, 2014, December 31, 2013, December 31, 2012, were as follows:

	March 31, 2015 (Unaudited)	December 31, 2014	December 31, 2013	January 1, 2013/ December 31, 2012
Currencies	USD	USD	USD	USD
IDR 1	0.0001	0.0001	0.0001	0.0001
EURO 1	1.0748	1.2165	1.3801	1.3247
YEN 100	0.8302	0.8380	0.9531	1.1579
SGD 1	0.7235	0.7574	0.7899	0.8177
AUD 1	0.7720	0.8214	0.8923	1.0368
GBP 1	1.4873	1.5571	1.6488	1.6111

### 53. OPERATING SEGMENT

The Group's reportable segments under PSAK 5 (revised 2009) are based on their operating divisions namely flight operations and aircraft maintenance services. Flight operations segment provides domestic and international flight services. Aircraft maintenance segment provides aircraft maintenance services of both for the Company aircraft and others. Business segments that individually do not exceed 10% of the Company's operating revenues are presented as others.



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Income and expenses include the inter segment transaction.

	March 31, 2015 (Unaudited)					Total
	Flight operation	Aircraft maintenance services	Other operations	Total before elimination	Elimination	
	USD	USD	USD	USD	USD	
<b>Segment result</b>						
External revenue	867,324,174	18,207,291	41,794,597	927,326,063	-	927,326,063
Intersegment revenue	181,340	47,752,730	126,337,893	175,901,964	(175,901,964)	-
Net revenue	869,135,514	65,960,022	168,132,491	1,103,228,027	(175,901,964)	927,326,063
External expense	687,538,161	56,553,135	152,537,639	896,628,934	-	896,628,934
Intersegment expense	1,027,343	2,342,497	12,532,124	175,901,964	(175,901,964)	-
Net expense	848,565,504	58,895,632	165,069,762	1,072,530,898	(175,901,964)	896,628,934
Segment result	20,570,010	7,064,390	3,062,728	30,697,129	-	30,697,129
<b>Unallocated income (expenses)</b>						
Equity in net income of associates						(236,504)
Finance income						1640,810
Finance cost						(16,668,372)
Income before tax						15,433,063
Tax benefits						(3,017,058)
Net income for the year						12,416,005
Total other comprehensive income						(17,654,167)
Total comprehensive income						(5,238,162)
<b>FINANCIAL POSITION</b>						
Segment assets	3,066,796,048	257,628,508	400,324,183	3,724,748,739	(552,544,304)	3,172,204,435
Segment liabilities	2,202,550,908	163,790,244	235,529,207	2,601,870,359	(303,895,353)	2,297,975,006
Segment depreciation and amortization	38,918,925	2,083,990	3,933,534	44,936,449	-	44,936,449

	December 31, 2014 (As restated - Note 5)					Total
	Flight operation	Aircraft maintenance services	Other operations	Total before elimination	Elimination	
	USD	USD	USD	USD	USD	
<b>Segment result</b>						
External revenue	3,660,948,731	70,989,413	20,159,218	3,933,530,272	-	3,933,530,272
Intersegment revenue	8,536,229	196,298,273	347,796,486	552,630,988	(552,630,988)	-
Net revenue	3,669,484,960	267,287,686	549,388,614	4,486,162,660	(552,630,988)	3,933,530,272
External expense	3,618,923,290	228,363,386	48,147,177	4,328,758,393	-	4,328,758,393
Intersegment expense	485,415,300	13,721,839	53,493,848	552,630,988	(552,630,988)	-
Net expense	4,104,338,590	242,085,225	534,965,565	4,881,389,381	(552,630,988)	4,328,758,393
Segment result	(434,853,630)	25,202,461	14,423,049	(395,228,121)	-	(395,228,121)
<b>Unallocated income (expenses)</b>						
Equity in net income of associates						4,183
Finance income						12,091,904
Finance cost						(73,321,080)
Loss before tax						(456,453,104)
Tax benefits						87,541,825
Net loss for the year						(368,911,279)
Total other comprehensive loss						29,340,122
Total comprehensive income						(339,571,157)
<b>FINANCIAL POSITION</b>						
Segment assets	2,997,066,939	254,002,027	317,806,678	3,568,875,644	(455,796,329)	3,113,079,315
Segment liabilities	2,173,105,188	163,903,384	180,160,132	2,467,168,704	(233,556,980)	2,233,611,724
Segment depreciation and amortization	166,536,329	6,513,150	10,629,426	183,678,905	-	183,678,905

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	December 31, 2013 (As restated - Note 5)					
	Flight operation	Aircraft maintenance services	Other operations	Total before elimination	Elimination	Total
	USD	USD	USD	USD	USD	USD
<b>Segment result</b>						
External revenue	3,460,362,683	67,835,959	231,251,595	3,759,450,237	-	3,759,450,237
Intersegment revenue	4,169,819	162,458,184	262,325,332	428,953,334	(428,953,334)	-
Jumlah pendapatan/ Net revenue	3,464,532,502	230,294,143	493,576,927	4,188,403,571	(428,953,334)	3,759,450,237
External expense	3,080,832,844	106,035,070	416,375,752	3,683,243,665	-	3,683,243,665
Intersegment expense	356,437,413	12,582,189	59,933,732	428,953,334	(428,953,334)	-
Net expense	3,437,270,257	118,617,259	476,309,484	4,112,196,999	(428,953,334)	3,683,243,665
Segment result	27,262,245	316,76,884	17,267,443	76,206,572	-	76,206,572
<b>Unallocated income (expenses)</b>						
Equity in net income of association						26,546
Finance income						10,553,426
Finance cost						(59,868,324)
Income before tax						26,918,220
Tax expense						(3,386,833)
Income for the year						23,531,387
Total other comprehensive income						(4,975,612)
Total comprehensive Income						18,555,775
<b>FINANCIAL POSITION</b>						
Segment assets	2,886,539,850	196,993,418	301,688,900	3,385,222,167	(387,583,611)	2,997,638,556
Segment liabilities	1,828,594,826	12,193,620	132,844,860	2,083,379,306	(179,874,344)	1,903,504,962
Segment depreciation and amortization	140,787,926	5,113,537	15,383,571	161,285,034	-	161,285,034

In September 2013, the Company made adjustments to its organizational structure mainly the division of domestic and international region, in order for "Region" or "Area" to be more focused to manage and increase sales in the future.

Changes to "Organizational Structure of Parent Company" established four (4) domestic regions and five (5) international regions.

The following is the total operating revenue of each region based on its Central Region:

	2015	2014	2014	2013
	(Three months)	(Three months)	(One year)	(One year)
	(Unaudited)	(Unaudited)	(Unaudited)	(Unaudited)
	USD	USD	USD	USD
Total revenue based on geographical segment				
Domestic				
Jakarta	585,215,339	477,305,575	2,260,986,623	2,146,874,196
Surabaya	74,688,764	69,976,332	375,558,920	359,680,317
Makassar	61,794,298	45,898,851	258,107,880	244,148,350
Medan	34,336,743	31,084,949	218,529,975	212,353,570
International				
Tokyo	81,301,358	101,677,624	397,235,843	383,075,384
Sydney	28,476,460	30,082,547	147,984,644	163,148,281
Amsterdam	25,565,650	22,187,747	115,781,558	95,429,002
Shanghai	21,797,576	22,745,556	87,798,189	80,227,194
Singapore	14,149,875	16,450,964	71,546,640	74,513,943
Total	927,326,063	817,410,145	3,933,530,272	3,759,450,237

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54. QUASI-REORGANIZATION

As a result of adverse economic condition in Indonesia since in the middle of 1997 and other negative factors, the Company has accumulated deficit totaling to USD 1,385,459,977 as of January 1, 2012. The Company stockholders' had approved to carry out a quasi-reorganization in order to eliminate the accumulated losses as of January 1, 2012, in accordance with PSAK No. 51 (revised 2003). Moreover, the Company proposed a reduction of par value per share from 500 to 459, without reducing the number of shares; thereby creating additional paid-in capital of USD 459,852 as of January 1, 2012.

In accordance with regulation, both the quasi-reorganization and reduction of par value of shares of the Company should be approved by the Company's stockholders and Minister of Justice and Human Rights before they became effective. Based on the Shareholders' Extraordinary General Meeting Deed No. 1 dated June 28, 2012 of Aulia Taufani, S.H., the stockholders' approved the quasi-reorganization as of January 1, 2012 and the reduction of par value per share to effect the quasi-reorganization. This deed was approved by the Ministry of Justice and Human Rights in his decision letter No. AHU-66159.AH.01.02. Tahun 2012 dated December 27, 2012. Further, the Company had obtained approval from the President of the Republic of Indonesia as stated in the Indonesia Government Regulation No. 114 Year 2012 dated December 27, 2012, which is published in State Gazette of the Republic of Indonesia No, 287 in 2012.

Accordingly, the Group revalued its opening consolidated statement of financial position at January 1, 2012, to fair value which was determined by an independent appraiser. The fair value adjustment resulted in USD 44,963,385 revaluation increase of assets. The assets principally affected by the fair value adjustments and the amount of such adjustments are as follows:

	Appraisal	Revaluation increase USD
Inventories	KJJP Doli Siregar & Rekan	7,315,622
Maintenance reserve funds and securities deposits	KJJP Doli Siregar & Rekan	11,923,653
Investment in associates	KJJP Doli Siregar & Rekan	522,676
Other financial assets	KJJP Doli Siregar & Rekan	1,141,984
Property and equipment	KJJP Doli Siregar & Rekan	23,989,249
Other assets - net	KJJP Doli Siregar & Rekan	70,201
Total		<u>44,963,385</u>

No adjustment was made to the value of liabilities as of January 1, 2012, because the carrying amount prior to quasi-reorganization has already reflected their fair value.

Through the quasi-reorganization, the Company eliminated the balance of its accumulated losses as of January 1, 2012 of USD 1,385,459,977, against the following equity components:

	USD
Accumulated losses	(1,385,459,977)
Difference on revaluation assets and liabilities	44,963,385
Share option	2,278,677
Other component of equity revaluation surplus	83,793,914
Additional paid-in capital (Note 31)	108,518,998
Issued and paid-up capital (Note 30)	<u>1,145,905,003</u>
Total	<u>-</u>

The above quasi-reorganization is the first of a series of steps which the Company will take in its effort to sustain its ability to continue as a going concern while also achieving sustainable long-term growth. The management and shareholders of the Company believed and continue to believe that the Company has good future business prospects, as outlined in the long-term business plan of the Company.

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55. NON CASH TRANSACTIONS

For the three months March 31, 2015 and 2014 and for the years ended December 31, 2014 and 2013, the Group have investment and financing transactions that did not affect cash and cash equivalents and hence not included in the consolidated statements of cash flows with details as follows:

	2015 (Three months) (Unaudited) USD	2014 (Three months) USD	2014 (One year) USD	2013 (One year) USD
<b>NONCASH INVESTING AND FINANCING ACTIVITIES</b>				
Increase in fixed asset through estimated liabilities for aircraft return and maintenance cost (Note 25)	1,512,433	20,908,783	36,772,292	33,946,760
Increase (decrease) of property and equipment through revaluation surplus (Note 14)	-	-	8,416,868	9,047,138
Increase (decrease) in property and equipment due to translation adjustment (Note 14)	(5,227,058)	10,368,121	(5,890,093)	(128,973,338)
Increase in property and equipment through trade account payable	48,561	-	54,514,716	100,492,860
Increase in property and equipment through lease liabilities	-	-	21,834,061	1,374,707
Increase in property and equipment through advance payment for purchase aircrafts	-	-	-	28,466,000

56. EVENTS AFTER THE REPORTING PERIOD

The Group obtained and settled the credit facilities from lenders are as follows:

- PT Bank Permata Tbk.

On April 1, 2015, the Company obtained an Omnibus revolving loan, PIF/LC/Usance/Sight/UPAS/UFAM facilities from Permata (the "Permata Facility") with a maximum credit amount of USD 70,000,000 with maturity date at March 31, 2016. The loan is unsecured and is used for the general purposes of the Group.

- Bank Negara Indonesia

On April 18, 2015, the Company fully paid the outstanding loan Surat Kredit Berdokumen Dalam Negeri –SKBDN from Bank Negara Indonesia.

- BCA Club Deal - Syndicated Loan

On April 2, 2015, the Company fully paid the outstanding loan from BCA Club Deal - Syndicated Loan.

- Cross Currency Swap

On April 2, 2015, the Company entered into the second phase of Cross Currency Swap transaction for the remaining amount of IDR sustainable bond with total principal of Rp 1,000,000,000,000 (equivalent to USD 76,923,076.92). The participating banks are BII, PT Bank Mega, Standard Chartered Bank and ANZ Bank with principal amounting to Rp 400 billion, Rp 300 billion, Rp 150 billion and Rp 150 billion, respectively.

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57. MANAGEMENT RESPONSIBILITY AND APPROVAL OF CONSOLIDATED FINANCIAL STATEMENTS

The preparation and fair presentation of the consolidated financial statements on pages 4 to 125 were the responsibilities of the management, were approved by the Directors and authorized for issuance on April 29, 2015.

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