

Fuad Rizal
Direktur Keuangan & Manajemen Risiko
Director of Finance & Risk Management

To
Sukukholders
Garuda Indonesia Global Sukuk Limited
\$500,000,000.00 Trust Certificate due 2020
(ISIN:XS1238157181)

Jakarta
Nomor Kami/Our Number
Perihal/Subject

May, 19th 2020
GARUDA/JKTDF/20274/ 2020
Announcement

PT Garuda Indonesia (Persero) Tbk

Dear Sir/Madam,

Kantor Pusat / Registered Office
Garuda Indonesia Building
Jalan Kebon Sirih No. 46A
Jakarta 10110
Indonesia

Holders of the Sukuk shall be referred to as the "Sukukholders"; and PT Garuda Indonesia (Persero) Tbk. shall be referred to as the "Company".

Kantor Manajemen/Management Office
Management Building, Garuda City
Soekarno-Hatta International Airport,
Tangerang 15111 - Indonesia
P.O. BOX 1004 TNG BUSH

- **Garuda is pleased to launch today a consent solicitation exercise in relation to the Sukuk**
- **The key terms of the Proposal include a 3-year maturity extension and a cumulative consent fee of up to 125bps for votes in favour received prior to 1 June 2020**
- **A Committee representing 28% of the Sukukholders has indicated their intention to vote in favour of the Proposal**
- **The Company is in active and advanced discussions to secure government support in the form of financing to ensure it remains a going concern**

Phone +62-21-25601306
SITA Code JKTDF
Website garuda-indonesia.com

The COVID-19 pandemic has created an extremely challenging business environment for airlines globally, with the World Health Organization declaring the outbreak a pandemic on 12 March 2020. There have been border controls, lockdowns and travel restrictions imposed by various countries, including Indonesia, as a result of the COVID-19 pandemic. On 24 April 2020, the Government of Indonesia announced the suspension of all domestic passenger flights with effect from 25 April 2020, as a measure to curb the spread of COVID-19. The COVID-19 pandemic and the resulting restrictions on travel and imposition of lockdown measures have resulted in protracted volatility in domestic and international markets and may result in a global recession, with the airline industry being significantly affected. Compliance with these measures and the corresponding decrease in passengers and demand for air travel have resulted in a significant reduction in the number of flights operated by the Company, which in turn has adversely impacted the Company's operations, revenues, cash flows and profitability. The Company has had to reduce 83% of its flight frequency during April 2020 as compared with April 2019.

In addition, lower demand in the market has forced the Company to reduce its available seat kilometres ("ASKs") by 40% from 1 January 2020 to 30 April 2020, as compared with the same period in Fiscal 2019, with the number of passengers having decreased by 45% and the seat load factor by 15% during the same period. ASKs were reduced by 79% from 1.4 billion to 289 million in the Company's domestic operations on account of a decline in domestic passenger volume of approximately 95% in April 2020 as compared with April 2019. The Company also reduced its average fares significantly in response to weakening passenger demand.

Various/...

Various travel restrictions have led to a 95% decline in passenger traffic in the Company's international operations, in April 2020 as compared with April 2019. This significant decline in international passenger traffic has led to the Company decreasing ASKs for international operations by 89% in April 2020 as compared with April 2019. Lower ASKs have also reduced the capacity of cargo volumes by 70% in the Company's international operations in April 2020 as compared with April 2019.

The operational condition of the Company has in turn impacted the Company's financial condition, with operating revenue decreasing by 89% in April 2020 compared with April 2019. The pandemic has also led to negative cash flows due to the increase in the Company's trade payables arrears by 47% or by US\$236 million, during the first quarter of Fiscal 2020 as compared with the last quarter of Fiscal 2019. In addition, the application of PSAK 73 (*Leases*) (effective for financial reporting periods beginning on or after 1 January 2020), means that the Company's operating leases will be treated the same as finance leases; with an asset being recorded on the balance sheet along with a corresponding liability from 1 January 2020. It is expected that as a result of PSAK73 (*Leases*) (i) the Company's financial liabilities would have increased by approximately US\$3.2 billion, which will directly impact the Company's debt profile; and (ii) the Company's interest expense will increase by approximately US\$124 million, during the four-month period ended 30 April 2020.

In response to this situation, the Company has been taking measures to ensure the well-being of its staff and customers while managing liquidity proactively in the face of the uncertainty that the airline industry is currently facing. Amongst other measures, the Company has implemented pay cuts ranging from 10 to 50% for all employees. To date, this cost reduction programme has saved approximately US\$6 million and enabled the Company to reduce weekly cash costs, required to maintain its operations, to approximately US\$46 million. As of 30 April 2020, the Company's cash balance was approximately US\$150 million, most of which is restricted (margin deposits etc.) and cannot be freely used.

The Government of Indonesia has indicated in its public statements that it continues to support the Company's efforts to remain as a going concern during this time. In addition, the Company is in active and advanced discussions to secure government support in the form of financing to ensure it remains a going concern.

On 29 April 2020, the Company announced it would assess all its options to remain a going concern, in particular in relation to its outstanding US\$500,000,000 Sukuk due on 3 June 2020 (the "Sukuk"). The Company retained PJT Partners as its financial adviser and Allen & Overy as its legal adviser to assist with this process, and asked for Sukukholders to organize and form a committee to facilitate discussions with its advisers.

An ad-hoc committee of Sukukholders (the "Committee") has formed, holding in aggregate approximately 28% of the Sukuk, and is being advised by Clifford Chance. Following discussions with the Committee, the Company is pleased to launch today a consent solicitation exercise in relation to the Sukuk (the "Proposal").

The Committee has indicated to the Company that (subject to client and other approvals) each member of the Committee intends to vote in favour of the Proposal in respect of their respective holdings of the Sukuk.

A meeting of Sukukholders will be held on 10 June 2020 to vote on the Proposal – 10 June 2020 being the last date subsequent to which the Sukuk will be in default.

The/...

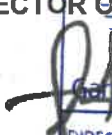
The key terms of the Proposal include a 3-year maturity extension and a covenant holiday until operations return to a level similar to a pre-COVID situation. While the structure and details of government support are still under discussion, the Proposal provides for the fact that if this support were to come in the form of debt, that debt would not mature prior to the new Sukuk maturity in June 2023.

In particular, the Proposal includes a cumulative consent fee of up to 125bps for votes cast electronically and in favour of the Proposal, including an early consent fee of 75bps payable to eligible Sukukholders that vote electronically in favour of the Proposal on or before 1 June 2020, in addition to a consent fee of 50bps payable to such eligible Sukukholders. Votes cast by eligible Sukukholders electronically and in favour of the Proposal after 1 June 2020 but on or prior to 8 June 2020 will only receive a consent fee of 50bps. Any consent fees will be paid only upon successful completion of the consent solicitation (and subject to the settlement conditions set out in the Consent Solicitation Memorandum).

In addition, the Company intends that the periodic distribution amount in respect of the Sukuk which would have been payable on 3 June 2020 will be paid upon the successful completion of the consent solicitation.

The Board of the Company would like to thank the Committee for their assistance and support and recommends that other Sukukholders vote in favour with early acceptance.

Sincerely Yours,
PT GARUDA INDONESIA (PERSERO) Tbk
DIRECTOR OF FINANCE & RISK MANAGEMENT



FUAD RIZAL
DIRECTOR OF FINANCE &
RISK MANAGEMENT

2000953