

PROPOSED MERGER OF CITILINK AND PELITA AIRLINES

September 27, 2023

At the end of August 2023, the Indonesian Minister of State-Owned Enterprises (SOE), Erick Thohir announced a plan to merge PT Citilink Indonesia (“**Citilink**”), a low cost subsidiary of PT Garuda Indonesia (Persero) Tbk (“**Garuda**”) with another state-owned airline, PT Pelita Air Service (“**Pelita**”), a subsidiary of PT Pertamina (Persero) (“**Pertamina**”), an SOE in the oil and gas sector. The merged companies will become part of the Garuda group of airlines.

The proposed merger is part of recent Government of Indonesia efforts to encourage efficiency in state-owned companies and is intended to reduce logistics costs for SOEs.

As to the proposed merger scheme, based on media reports, Minister Erick Thohir emphasized that the merger would not merge the three airlines into one entity. He explained that Garuda would remain as one entity, while Citilink and Pelita will be merged. Pelita is expected to merge with Citilink in the *Low-Cost Carrier (LCC)* segment and Garuda remains in the *premium/full-service* segment. The airlines would continue to operate in accordance with their respective target markets.

Some media reports have suggested that Pelita’s shareholder, Pertamina, may eventually own shares in Citilink. However, the details of the merger scheme are still being discussed and will depend on a review of the financial accounts of each entity. Minister Erick Thohir said he expects that the proposed merger to be completed by the end of 2023 or early 2024.

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