Rules 4.1, 4.3

Appendix 4B (not equity accounted)

Half Yearly Report

Name of entity

PNG Air Limited (formerly Airlines of Papua New Guinea Limited)

Company No:	Half Yearly	Preliminary Final	Half year/Financial year ended
1-24926	✓		30-Jun-17

For Announcement to the market

Extracts for this report for announcement to market (see note 1) **K'000**

Sales (or equivalent operating) revenue (item1.01)	up/(down)	27%	to	120,835
Abnormal items after tax attributable to shareholders (item 2.5)	gain (loss) of	-	to	(642)
Operating profit (loss) after tax (before amortisation of goodwill)	up/(down)	68%	to	(13,924)
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up/(down)	68%	to	(13,924)
Extraordinary items after tax attributable to shareholders (item 1.13)	gain (loss) of	-	to	-
Operating profit (loss) and extraordinary items after tax	up/down	68%	to	(13,924)

Dividends (distributions)	**Amount per security**
Final Dividend (Preliminary final report only - item 15.4)	n/a
Interim Dividend (Half yearly report only - item 15.6)	Nil
Previous corresponding period (Preliminary report - item	Nil

Record date for determining entitlements to the dividend, (in the case of a trust, distribution) (see item 15.2)	n/a

Brief explanation of omission of directional and percentage changes to profit in accordance with Note 1 and short details

n/a

Consolidated profit and loss account
(the figures are not equity accounted)

		Current period K'000	Previous corresponding period K'000
1.01	Sales (or equivalent operating) revenue	120,835	95,458
1.02	Other revenue	3,643	3,784
1.03	Total revenue	124,478	99,242
1.04	Operating profit (loss) before abnormal items	(12,827)	(26,011)
1.05	Abnormal items before tax (detail in item 2.4)	(918)	(20,664)
1.06	Operating profit (loss) before tax (items 1.4 + 1.5)	(13,745)	(46,675)
1.07	Less tax	(179)	2,976
1.08	Operating profit (loss) after tax but before outside	(13,924)	(43,699)
1.09	Less outside equity interests	-	-
1.10	Operating profit (loss) after tax attributable to	(13,924)	(43,699)
1.11	Extraordinary items after tax (detail in item 2.6)	-	-
1.12	Less outside equity interests	-	-
1.13	Extraordinary items after tax attibutable to	-	-
1.14	Total operating profit (loss) and extraordinary	(13,924)	(43,699)
1.15	Operating profit (loss) and extraordinary items after	-	-
1.16	Operating profit (loss) and extraordinary items	(13,924)	(43,699)
1.17	Retained profits (accumulated losses) at beginning	(130,308)	(58,529)
1.18	If change in accounting policy as set out in clause	nil	nil
1.19	Aggregate of amounts transferred from reserves	113	(23)

1.20	Total available for appropriation (carried forward)	(144,119)	(102,251)

Consolidated profit and loss account continued

1.20	Total available for appropriation (brought forward)	(144,119)	(102,251)
1.21	Dividends provided for or paid	-	-
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	Retained profits (accummulated losses) at end of	(144,119)	(102,251)

Profit restated to exclude		Current period - K'000 Jun 2017	Previous corresponding
1.24	Operating profit (loss) after tax before outside	(13,924)	(43,699)
1.25	Less (plus) outside equity interests	-	-
1.26	Operating profit (loss) after tax (before	(13,924)	(43,699)

Intangible, abnormal and extraordinary		Consolidated - current period			
		Before tax	Related tax	Related outside	Amount(after
2.1	Amortisation of goodwill	-	-	-	-
2.2	Amortisation of other	-	-	-	-
2.3	Total amortisation of	-	-	-	-
2.4	Abnormal items	- 918	275	-	- 642
2.5	Total abnormal items	- 918	275	-	- 642
2.6	Extraordinary items	-	-	-	-
2.7	Total extraordinary items	-	-	-	-

Comparison of half year profits		Current year - K'000	Previous year - K'000
3.1	Consolidated operating profit(loss) after tax	(13,924)	(43,699)
3.2	Consolidated operating profit(loss) after tax	n/a	n/a

Consolidated balance sheet
(see note 5)

	Current assets	At end of current	As shown in last	As in last half
4.1	Cash	421	653	655
4.2	Receivables	21,694	22,348	12,896
4.3	Investments	-	-	-
4.4	Inventories	12,481	12,635	12,067
4.5	Other (provide details if material)	37,109	23,818	26,183
	Assets classified as held for sale	6,563	5,079	3,420
	Lease incentive assets	3,767	483	483
	Prepayments	26,779	18,256	22,280
4.6	**Total current assets**	71,703	59,454	51,801
	Non-current assets			
4.7	Receivables	-	-	-
4.8	Investments	-	-	-
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure	n/a	n/a	n/a
4.11	Development properties (mining entities)	n/a	n/a	n/a
4.12	Other property, plant and equipment (net)	136,750	133,883	141,396
4.13	Intangibles (net)	-	-	
4.14	Other(provide details if material)	53,005	51,523	46,350
	Deferred tax Assets	34,876	33,914	35,166
	Aircraft lease deposits	18,129	17,610	11,184
4.15	**Total non current assets**	189,756	185,406	187,746
4.16	**Total assets**	261,459	244,860	239,547

	Current Liabilities			
4.17	Accounts payable	72,289	87,082	96,308
4.18	Borrowings	38,547	36,441	40,941
4.19	Provisions	19,300	12,582	20,160
4.20	Other(provide details if material)	26,806	19,297	11,117
	Unavailed Revenue	15,436	13,875	7,887
	Liabilities associated with assets held for sale	6,274	3,912	2,200
	Early cancellation fee of lease payable	3,257	-	-
	Lease (ATR) incentive liability	1,839	1,510	1,030
4.21	**Total current liabilities**	156,942	155,402	168,526

Consolidated balance sheet continued

	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	25,804	28,962	6,422
4.24	Provisions	6,747	6,532	5,720
4.25	Other (provide details if material)	70,261	69,486	46,415
	Deferred Income Tax	34,979	33,913	35,197
	Early cancellation fee of lease payable	16,612	19,837	-
	Lease (ATR) incentive liability	18,669	15,736	11,218
4.26	**Total non-current liabilities**	102,812	104,980	58,557
4.27	**Total liabilities**	259,753	260,382	227,083
4.28	**Net assets**	1,706	(15,522)	12,464
	Equity			
4.29	Capital	143,835	112,271	105,271
4.30	Reserves	1,991	2,515	9,444
4.31	Retained profits (accummulated losses) (Re-stated)	(144,119)	(130,308)	(102,251)
4.32	Equity attributable to shareholders of the	1,706	(15,522)	12,464
4.33	Outside equity interest in controlled	-	-	-
4.34	**Total Equity**	1,706	(15,522)	12,464
4.35	Preference capital included as part of 4.32	-	-	-
		0	(0)	0

Consolidated statement of cash flows

		Current period - K'000	Previous corresponding
	Cash flows related to operating activities		
7.1	Receipts from customers	122,573	102,185
7.2	Payments to suppliers and employees	(143,337)	(89,830)
7.3	Dividends received	-	-
7.4	Interests and other items of similar nature received	-	-
7.5	Interests and other costs of finance paid	(1,814)	(1,984)
7.6	income taxes paid	-	-
7.7	Other (provide details if material)	-	-
7.8	**Net operating cash flows**	(22,578)	10,371
	Cash flows related to Investing activities		
7.9	Payment for purchases of property, plant and	(7,619)	(18,036)
7.10	Proceeds from sale of property, plant and	18	1,275
7.11	Payment for purchases of equity investments	-	-
7.12	Proceeds from sale of equity investments	-	-
7.13	Loans to other entities	-	-

7.14	Loans repaid by other entities	-	-
7.15	Other (provide details if material)		-
7.16	**Net investing cash flows**	(7,601)	(16,761)
	Cash flows related to Financing activities		
7.17	Proceeds from issues of securities (share,	26,000	3,000
7.18	Proceeds from borrowings	5,000	1,500
7.19	Repayments of borrowings	(2,592)	(2,446)
7.20	Dividends paid	-	-
7.21	Other (provide details if material)	-	-
7.22	**Net financing cash flows**	28,408	2,054
7.23	Net increase (decrease) in cash held	(1,771)	(4,336)
7.24	Cash at beginning of period (see reconciliation of cash)	(25,962)	(17,641)
7.25	Exchange rate adjustments to item 7.24	-	-
7.26	Cash at end of period	(27,733)	(21,977)

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but

Reconciliation of cash

		Current period - K'000	Previous corresponding
8.1	Cash on hand and at bank	422	655
8.2	Deposits at call	-	-
8.3	Bank overdraft	(28,155)	(22,632)
8.4	Other (provide details)	-	-
8.5	**Total cash at end of period (item 7.25)**	(27,733)	(21,977)

Ratios		Current period	Previous corresponding
	Profit before abnormals and tax/sales		
9.1	Consolidated operating profit (loss) before	-10.62%	-27.25%
	Profit tax/equity interests		
9.2	Consolidated operating profit (loss) after tax	-816.13%	-350.60%

Earnings per security (EPS)		Current period	Previous corresponding
10.1	Calculation of the following in accordance with		
(a)	Basic EPS	t (4.6)	t (14.42)
(b)	Diluted EPS (If materiality different from(a))	t (4.6)	t (14.42)
(C)	Weighted average number of ordinary shares	303,000,000	303,000,000

Note:

NTA Backing		Current period	Previous corresponding
11.1	Net tangible asset backing per ordinary security	PGK 0.01	PGK 0.04

Details of specific receipts/outlays, revenues/ expenses

		Current period	Previous corresponding
12.1	Interest revenue included in determining item 1.4	-	-
12.2	Interest revenue included in item 12.1 but not yet	-	-
12.3	Interest expense included in item 1.4 (include all	(2,590)	(2,759)
12.4	Interest costs excluded from item 12.3 and	-	-
12.5	Outlays(except those arising from the acquisition	-	-

12.6	Depreciation and amortisation (excluding	(3,079)	(6,582)

Control gained over entities having material effect

13.1	Name of entity (or group of entities)	n/a
13.2	Consolidated operating profit (loss) and extraordinary items after	n/a
13.3	Date from which such profit has been calculated	n/a
13.4	Operating profit (loss) and extraordinary items after tax of the	n/a

Loss of control of entities having material effect

14.1	Name of entity (or group of entities)	n/a
14.2	Consolidated operating profit (loss) and extraordinary items after	n/a
14.3	Date to which the profit (loss) in item 14.2 has been calculated	n/a
14.4	Consolidated operating profit (loss) and extraordinary items after	n/a
14.5	Contribution to consolidated operating profit (loss) and	n/a

Reports for industry and geographical segments
See IFRS 8 : Operating Segments

Dividends (in the case of a trust, distributions)

15.1	Date the dividend (distribution) is payable	n/a
15.2	Record date to determine entitlements to the dividend (distribution)	n/a
15.3	If it is a final dividend, has it been declared?	n/a

Amount per security

			Amount per security
	(Preliminary final report only)		
15.4	Final Dividend:	Current year	n/a
15.5		Previous Year	Nil
	(Half yearly and preliminary final reports)		
15.6	Interim dividend:	Current year	Nil
15.7		Previous Year	Nil

Total dividend (distribution) per security (interim plus final)

		Current year	Previous year
15.8	Ordinary securities	Nil	Nil
15.9	Preference securities	n/a	n/a

Half yearly report - interim dividend (distribution) on all securities or

		Current year	Previous corresponding
15.10	Ordinary shares	303,000,000	303,000,000
15.11	Preference Securities	n/a	n/a
15.12	Total	303,000,000	303,000,000

The dividend or disribution plans shown below are in operation

n/a

The last date(s) for receipt of election notices for the n/a

Any other disclosures in relation to dividends (distributions)

n/a

Equity accounted associated entities and other material interests

Investments in associated entities

		Current period	Previous corresponding
16.1	Statutory carrying value of investments in	n/a	n/a
16.2	Share of associated entities retained profits	n/a	n/a
	Retained profits	n/a	n/a
	Reserves	n/a	n/a
16.3	Equity carrying value of investments	n/a	n/a

Material Interests in entities which are not controlled entities

The economic entity has an interest (that is material to it) in the following entities

Name of entity		Percentage of ownership interest held		Contribution to operating profit(loss)	
17.1	Equity accounted	Current period	Previous	Current period -	Previous
		n/a	n/a	Equity accounted	
				n/a	n/a
17.2	Other material	n/a	n/a	Not equity accounted	
				n/a	n/a

Issued and quoted securities at end of current period

Description includes rates of interest and any redemption or conversion rights together with prices and dates

Category of securities		Number issued	Number quoted	Amount paid per share	
18.1	**Preference securities**	n/a	n/a	n/a	
18.2	Issued during current period	n/a	n/a	n/a	
18.3	**Ordinary securities**	303,000,000	303,000,000	25.50	
18.4	Issued during current period	n/a	n/a	n/a	
18.5	**Convertible debt securities**	n/a	n/a	n/a	
18.6	Issued during current period	n/a	n/a	n/a	
18.7	Options (descriptions and	n/a	n/a	Exercise	Expiry
18.8	Issued during current period	n/a	n/a	n/a	n/a
18.9	Exercised during current period	n/a	n/a	n/a	n/a
18.10	Expired during current period	n/a	n/a	n/a	n/a
18.11	Debentures (totals only)	n/a	n/a	n/a	n/a
18.12	Unsecured notes (totals only)	n/a	n/a	n/a	n/a

Comments by directors

Comments on the following matters are required by POMSox or, in relation to the half yearly report, by IAS 34: Interim Financial Reporting.The comments do not take the

Basis of accounts preparation

If this report is a half yearly report, it is a general purpose financial report prepared in accordance with the listing rules and IAS 34: Interim Financial Reporting. It should

Material factors affecting the revenues and expenses of the economic entity for the current period

A.	After the rapid induction of 5 brand new ATR 72-600 aircraft over a period of 13 months to the end of 2016, the first 6 months of 2017 was a period of consolidation for PNG Air with the 6th ATR inducted in late June. The main focus during this period for the Airline was to work on improving the quality of the service delivery;
B.	RPT revenue grew by nearly 27% compared to the corresponding period in 2016. While the Airline had 2 more ATR aircraft available to it in achieving this result, its overall capacity remained the same as in the corresponding period because of the exit of some Dash 8 aircraft during this period. The growth in RPT, despite the soft prevailing economic conditions, justifies the Airline's strategy to bring in brand new ATRs to provide a competitive alternative to the travelling public of Papua New Guinea;
C.	The capacity upgrade by PNG Air and its ability to provide tailor made solutions for charter services was also recognised when Newcrest Mining awarded PNG Air a contract to supply all its aviation services in PNG for the next 3 years. Services under the contract commenced from mid-August and involve a mix of dedicated charter and RPT services to maximise efficiencies and customer benefit;
D.	As a result of the growth in RPT revenue during the first 6 months of 2017 the Airline was able to reduce its operating losses before abnormal items and tax by more than 50% compared to the same period last year (K12.83 million in 2017 compared to K26.01 million in 2016). This improved performance is mainly attributable to the growth in revenue and improved efficiencies resulting in cost reductions. However, despite the improved performance the Airline was unable to deliver a profit and the major factors that affected the performance for this period were: • The first half of the year being generally weaker compared to the second half. • Continued softening of the PNG economy mainly due to the global downturn in resource sector prices, which resulted in very limited resource sector investment and activity during the year; • No new operations providing charter opportunities and limited opportunities from existing operators; • Movement in foreign exchange rates and issues obtaining foreign exchange; • Loss of expected revenue when the PNG Games were not held; • Interruption to services from civil unrest at some airports connected with the general elections; and • Extended infrastructure work at various domestic airports restricting flight services which are having an adverse impact on RPT revenue.
E.	Abnormal items for the current period totaling K918,000 related to ATR induction costs. These are one-off costs, and were budgeted for. The much larger total of abnormal items for the corresponding period in 2016 included the immediate recognition of deferred costs from the early return of leased Dash 8s as well as much larger ATR induction costs;
F.	The Airline continues its strong focus on implementing its strategy to develop its RPT operation and the quality of its services. That strategy will see the Airline: • introduce its 7th brand new ATR aircraft into service prior to the peak holiday season in December, allowing the travelling public even more choice; • open airport terminal lounges at a number of key ports, with Lae and Mt Hagen expected to be operational this year; • improve its distribution network and the booking process for customers; • discussions on launching a mobile payment facility to complement the existing mobile booking facility are ongoing; • invest in staff training and ground service equipment; and • improve internal systems and procedures with the ultimate objective to provide customers with a seamless travel experience;
G.	Continued growth in RPT revenue will allow PNG Air to offer competitive rates for both passenger fares and charter contracts. With the return of the government providing stability, the economy is expected to grow and decisions supporting investments in resource sectors are also likely to be made. PNG Air with its youngest in country fleet and increased capacity is in the right position to benefit from such opportunities;
H.	With successful implementation of the re-fleeting and re-branding strategies, year on year growth in RPT revenue, winning of the Newcrest charter contract, signs of improvement in the economy and continued support from its major shareholders, the Directors are confident in the Airline's ability to generate sustainable operating profits in the near future.

n/a

n/a

Changes in accounting policies since the last annual report are disclosed as follows.

Disclose changes in the preliminary final report in accordance with IAS 8: Accounting Policies, Changes in Accounting Estimates and Errors.

The accounting policies adopted are consistent with the accounting policies in 31 December 2016 annual financial report.

Additional disclosure for trusts

19.1	Number of units held by management	n/a
19.2	A statement fo the fees and comissions payable	n/a

Annual Meeting
(Preliminary final report only)

The annual meeing will be hels as follows:

Place	n/a
Date	n/a
Time	n/a
Approximate date the annual report will be available	n/a

Compliance statement

1 This report has been prepared under accounting policies which comply with accounting standards approved by the Accounting Standards

Identify other standards: n/a

2 This report, and the financial statements prepared under the Companies Act 1997 (if separate), use the same accounting policies.

3 This report does give a true and fair view of the matters disclosed (see note 2).

4 This report, is based on financial statements of which one of the folowing applies

	The financial statements have been audited.		The financial statements have been subject to
✓	The financial statements are in the process of being audited or subject to review.		The financial statements have not yet been audited or reviewed.

5 If the audit report or review by the auditor is not attached, details of any qualifications are attached.

6 The entity has a formally constituted audit committee.

Sign here: _____ Date: 13 SEPTEMBER 2017

~~Director~~ / Company secretary

Print name: JOHN BIDDLE