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Rules 4.1, 4.3

Appendix 4B (not equity accounted)

Half Yearly Report

Name of entity

PNG Air Limited

Company No:	Half Yearly	Preliminary Final	Half year/Financial year ended (current period)
1-24926	✓		30-Jun-19

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)	-1%	to	148,863
Abnormal items after tax attributable to shareholders (item 2.5)	gain (loss) of	-	to	
Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders (item 1.26)	up/(down)	-76%	to	(6,245)
Operating profit (loss) after tax attributable to shareholders (item 1.10)	up/(down)	-76%	to	(6,245)
Extraordinary items after tax attributable to shareholders (item 1.13)	gain (loss) of	-	to	-
Operating profit (loss) and extraordinary items after tax attributable to shareholders (item 1.16)	up/down	-76%	to	(6,245)

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 15.5; half yearly report - item 15.7)	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 of any bonus or cash issue or other item(s) of importance not previously released to the market:

n/a

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

		Current period K'000 Jun 2019	Previous corresponding period K'000 Jun 2018
1.01	Sales (or equivalent operating) revenue	148,863	149,676
1.02	Other revenue	3,194	6,269
1.03	Total revenue	152,057	155,945
1.04	Operating profit (loss) before abnormal items and tax	(6,691)	(3,555)
1.05	Abnormal items before tax (detail in item 2.4)	-	0
1.06	Operating profit (loss) before tax (items 1.4 + 1.5)	(6,691)	(3,555)
1.07	Less tax	446	0

1.08	Operating profit (loss) after tax but before outside equity interests	(6,245)	(3,555)
1.09	Less outside equity interests	-	-
1.10	Operating profit (loss) after tax attributable to shareholders	(6,245)	(3,555)
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 Shareholders	-	-
1.14	Total operating profit (loss) and extraordinary items after tax (items 1.8 + 1.11)	(6,245)	(3,555)
1.15	Operating profit (loss) and extraordinary items after tax attributable to outside equity interests (items 1.9 + 1.12)	-	-
1.16	Operating profit (loss) and extraordinary items after tax attributable to shareholders (items 1.10 + 1.13)	(6,245)	(3,555)
1.17	Retained profits (accumulated losses) at beginning of financial period	(143,136)	(142,943)
1.18	If change in accounting policy as set out in clause 11 of AASB 1018 Profit and Loss Accounts, adjustments as required by that clause (include brief description)	nil	nil
1.19	Aggregate of amounts transferred from reserves	90	162
1.20	Total available for appropriation (carried forward)	(149,291)	(146,336)

Consolidated profit and loss account continued

1.20	Total profit available for appropriation (brought forward)	(149,291)	(146,336)
1.21	Dividends provided for or paid	-	-
1.22	Aggregate of amounts transferred to reserves	-	-
1.23	Retained profits (accummulated losses) at end of financial period	(149,291)	(146,336)

Profit restated to exclude amortisation and goodwill		Current period - K'000 Jun 2019	Previous corresponding period - K'000
1.24	Operating profit (loss) after tax before outside equity interests (item1.8) and amortisation of goodwill	(6,245)	(3,555)
1.25	Less (plus) outside equity interests	-	-
1.26	Operating profit (loss) after tax (before amortisation of goodwill) attributable to shareholders	(6,245)	(3,555)

Intangible, abnormal and extraordinary items		Consolidated - current period			
		Before tax K'000	Related tax K'000	Related outside equity interests K'000	Amount(after tax) attributable to shareholders K'000
2.1	Amortisation of goodwill	-	-	-	-
2.2	Amortisation of other Intangibles	-	-	-	-

2.3	Total amortisation of Intangibles	-	-	-	-
2.4	Abnormal items	-	-	-	-
2.5	Total abnormal items	-	-	-	-
2.6	Extraordinary items	-	-	-	-
2.7	Total extraordinary items	-	-	-	-

Comparison of half year profits (Preliminary final report only)		Current year - K'000	Previous year - K'000
3.1	Consolidated operating profit(loss) after tax attributable to shareholders reported for the 1st half year(item1.10 in the half yearly report)	(6,245)	(3,555)
3.2	Consolidated operating profit(loss) after tax attributable to shareholders for the 2nd half year	n/a	n/a

Consolidated balance sheet
(see note 5)

		At end of current period K'000	As shown in last annual report K'000	As in last half yearly report K'000
	Current assets			
4.1	Cash	1,191	702	2,915
4.2	Receivables	21,037	17,844	23,311
4.3	Investments	-	-	-
4.4	Inventories	15,450	14,042	14,694
4.5	Other (provide details if material)	68,961	58,050	49,544
	Assets classified as held for sale	4,040	4,040	5,079
	Lease incentive assets	-	-	
	Prepayments	64,920	54,010	44,465
4.6	**Total current assets**	106,639	90,638	90,464
	Non-current assets			
4.7	Receivables	-	-	-
4.8	Investments	-	-	-
4.9	Inventories	-	-	-
4.10	Exploration and evaluation expenditure capitalised (IFRS 6)	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)	443,570	145,974	136,827
4.13	Intangibles (net)	-	-	
4.14	Other(provide details if material)	66,912	65,564	62,176
	Deferred tax assets	39,729	38,522	36,049
	Aircraft lease deposits	27,183	27,042	26,127
4.15	**Total non current assets**	510,482	211,538	199,003
4.16	**Total assets**	617,120	302,176	289,467
	Current Liabilities			

4.17	Accounts payable	64,211	57,634	64,914
4.18	Borrowings	28,877	21,811	26,360
4.19	Provisions	56,543	46,371	37,173
4.20	Other(provide details if material)	62,933	52,576	39,959
	Unavailed revenue	29,364	30,125	25,436
	Lease liability (IFRS16 application)	17,597	0	0
	Early cancellation fee of lease payable	0	0	10,481
	Other financial liabilities	15,972	22,451	4,042
4.21	**Total current liabilities**	212,564	178,392	168,406

Consolidated balance sheet continued

	Non-current liabilities			
4.22	Accounts payable	-	-	-
4.23	Borrowings	38,922	41,775	44,444
4.24	Provisions	7,734	7,709	7,488
4.25	Other (provide details if material)	352,218	62,025	66,876
	Deferred Income Tax	39,688	38,489	36,049
	Lease liability (IFRS16 application)	312,530	0	0
	Early cancellation fee of lease payable	0		6,519
	Other financial liabilities	0	23,536	24,308
4.26	**Total non-current liabilities**	398,874	111,509	118,808
4.27	**Total liabilities**	611,438	289,901	287,214
4.28	**Net assets**	5,682	12,275	2,253
	Equity			
4.29	Capital	147,834	147,834	147,834
4.30	Reserves	7,139	7,577	755
4.31	Retained profits (accummulated losses)	(149,291)	(143,136)	(146,336)
4.32	Equity attributable to shareholders of the parent entity	5,682	12,275	2,253
4.33	Outside equity interest in controlled entities	-	-	-
4.34	**Total Equity**	5,682	12,275	2,253
4.35	Preference capital included as part of 4.32	-	-	-
		-	0	-

Consolidated statement of cash flows
(see note 6)

		Current period - K'000	Previous corresponding period - K'000
	Cash flows related to operating activities		
7.1	Receipts from customers	147,990	158,753
7.2	Payments to suppliers and employees	(143,547)	(155,053)
7.3	Dividends received	-	-

7.4	Interests and other items of similar nature received	-	-
7.5	Interests and other costs of finance paid	(2,049)	(2,290)
7.6	income taxes paid	-	-
7.7	Other (provide details if material)	-	-
7.8	**Net operating cash flows**	2,394	1,410
	Cash flows related to Investing activities		
7.9	Payment for purchases of property, plant and equipment	(6,124)	(6,273)
7.10	Proceeds from sale of property, plant and equipment	6	459
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**	(6,118)	(5,814)
	Cash flows related to Financing activities		
7.17	Proceeds from issues of securities (share, options, etc)	-	
7.18	Proceeds from borrowings	-	4,420
7.19	Repayments of borrowings	(2,078)	(893)
7.20	Dividends paid	-	-
7.21	Other (provide details if material)	-	-
7.22	**Net financing cash flows**	(2,078)	3,527
7.23	Net increase (decrease) in cash held	(5,802)	(877)
7.24	Cash at beginning of period (see reconciliation of cash)	(5,452)	(7,905)
7.25	Exchange rate adjustments to item 7.24	-	-
7.26	Cash at end of period (see reconciliation of cash)	(11,254)	(8,782)

Non-cash financing and investing activities

Details of financing and investing transactions which have had a material effect on consolidated assets and liabilities but did not involve cash flows are as follows. If an amount is quantified, show comparative amount.

Reconciliation of cash

		Current period - K'000	Previous corresponding period - K'000
8.1	Cash on hand and at bank	1,191	2,915
8.2	Deposits at call	-	-
8.3	Bank overdraft	(12,445)	(11,697)

8.4	Other (provide details)	-	-
8.5	**Total cash at end of period (item 7.25)**	(11,254)	(8,782)

Ratios		Current period	Previous corresponding period
	Profit before abnormals and tax/sales		
9.1	Consolidated operating profit (loss) before abnormal items and tax (item1.04) as a percentage of sales revenue (item 1.01)	-4.49%	-2.38%
	Profit tax/equity interests		
9.2	Consolidated operating profit (loss) after tax attributable to shareholders (item 1.10) as a percentage of equity (similarly attributable) at the end of the period (item 4.32)	-109.90%	-157.78%

Earnings per security (EPS)		Current period	Previous corresponding period
10.1	Calculation of the following in accordance with IAS 33: Earnings per share		
(a)	Basic EPS	t (2.03)	t (1.15)
(b)	Diluted EPS (If materiality different from(a))	t (2.03)	t (1.15)
(C)	Weighted average number of ordinary shares outstanding during the period used in the calculation of the basic EPS	308,282,080	308,044,580

Note:

NTA Backing (see note 7)		Current period	Previous corresponding period
11.1	Net tangible asset backing per ordinary security	PGK 0.02	PGK 0.01

Details of specific receipts/outlays, revenues/ expenses

		Current period K'000	Previous corresponding period K'000
12.1	Interest revenue included in determining item 1.4	-	-
12.2	Interest revenue included in item 12.1 but not yet received (if material)	-	-
12.3	Interest expense included in item 1.4 (include all forms of interest, lease finance charges, etc)	(23,027)	(3,174)
12.4	Interest costs excluded from item 12.3 and capitalised in asset values (if material)	-	-
12.5	Outlays(except those arising from the acquisition of an existing business) capitalised in intagibles (if material)	-	-
12.6	Depreciation and amortisation (excluding amortisation of intangibles)	(21,605)	(2,597)

Control gained over entities having material effect
(See note 8)

13.1	Name of entity (or group of entities)	n/a
13.2	Consolidated operating profit (loss) and extraordinary items after tax of the entity (or group of entities) since the date in the current period on which control was acquired	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 entity (or group of entities) for the whole of the previous corresponding period	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 tax of the entity (or group of entities) for the current period to the date of loss of control	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 tax of the entity (or group of entities) while controlled during the whole of the previous corresponding period	n/a
14.5	Contribution to consolidated operating profit (loss) and extraodinary items from sale of interest leading to loss of control	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) (i.e, on the basis of registrate transfers received up to 5.00pm)	n/a
15.3	If it is a final dividend, has it been declared? (Preliminary final report only)	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)
(Preliminary final report only)

		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
Preliminary final report - final dividend (distribution) on all securities

		Current year K'000	Previous corresponding period - K'000
15.10	Ordinary shares	308,282,080	308,044,580
15.11	Preference Securities	n/a	n/a
15.12	Total	308,282,080	308,044,580

The dividend or disribution plans shown below are in operation

n/a

The last date(s) for receipt of election notices for the dividend or distribution plans	n/a

Any other disclosures in relation to dividends (distributions)

n/a

Equity accounted associated entities and other material interests

Equity accounting information attributable to the economic entity's share of investments in associated entities must be disclosed in a separate note. See IAS 26: Investments in Associates

Investments in associated entities		Current period K'000	Previous corresponding period - K'000
16.1	Statutory carrying value of investments in associated entities (SCV)	n/a	n/a
16.2	Share of associated entities retained profits and	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 at end of period or date of disposal		Contribution to operating profit(loss) and extraordinary items after tax (item 1.14)	
		Current period	Previous corresponding Period	Current period - K'000	Previous corresponding Period - K'000
17.1	Equity accounted associated entities	n/a	n/a	Equity accounted	
				n/a	n/a
17.2	Other material interests	n/a	n/a	Not equity accounted (ie part of item 1.14)	
				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 (toea)	
18.1	**Preference securities (*description*)**	n/a	n/a	n/a	
18.2	Issued during current period	n/a	n/a	n/a	
18.3	**Ordinary securities**	308,282,080	308,282,080	25.07	
18.4	Issued during current period	n/a	n/a	n/a	
18.5	**Convertible debt securities** *(description and conversion factor)*	n/a	n/a	n/a	
18.6	Issued during current period	n/a	n/a	n/a	
18.7	Options (descriptions and conversion factor)	n/a	n/a	Exercise price	Expiry date (if any)
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 place of the director's report (as required by the Companies Act 1997)

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 be read in conjunction with the last annual report and any announcements to the market made by the entity during the period.

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

A. Total direct revenue growth

Total direct revenue decreased by nearly 1% in the first 6 months of 2019 compared to the same period in 2018.

B. Regular Passenger Transport (RPT) revenue decreased by 5%

RPT revenue decreased by 5% during the period compared to the same period in 2018 as a result of the downturn in the retail economy.

C. Freight revenue grew by 20%

Despite RPT revenue being down, freight revenue grew by nearly 20% during the period compared to the same period in 2018. The Dash 8 that was converted to a freighter has contributed significantly to this revenue growth.

D. Charter revenue grew by more than 11%

Charter revenue grew by more than 11% compared to the same period last year, mostly due to the short-term Adagold adhoc charter contract and other ad hoc charters. The Airline is working through the retention of the St Barbara contract for the Simberi mines and is well positioned to win more charter contracts as they are tendered for future projects.

E. Operating profit reported

Despite decline in RPT revenue, Charter and freight revenue growth and overall cost reductions helped the Airline record an operating profit before impact of K8 million from adjustments required under International Financial Reporting Standard 16 -Leases effective 01 January 2019 and tax of K1.36 million compared to an operting loss K3.55 million in 2018.

Cost reductions contributed to this improvement and were mainly achieved through improved efficiencies.

F. The challenges

Despite the significantly improved performance the Airline is faced with following challenges:

* Continued softening of the PNG economy mainly from the global downturn in resource sector prices, resulting in very limited resource sector activity during the period;
* Lack of current new projects or operations providing additional charter opportunities and limited opportunities from existing operators;
* Overall decline in the retail travel market from the prevailing economic situation;
* Unfavourable movement in foreign exchange rates;

G. Our strategy

The Airline continues its strong focus on growing its RPT operation and improving the quality of its services. That strategy led to the opening and continued operation of terminal lounges at Lae and Mt Hagen since last year. Other key initiatives being taken are:

* Opening more airport terminal lounges at other key ports as space becomes available;
* Increasing the distribution network and the access to booking options for customers;
* Launch of a mobile payment facility to complement the existing mobile booking facility;
* Introducing a Frequent Flyer Program;
* Continued investment in staff training and ground service equipment;
* Code share arrangement with a major international operator to provide customers with a seamless travel experience; and
* improving internal systems and procedures to improve service delivery.

H. The future

Projected growth in RPT revenue will allow PNG Air to offer competitive rates for both passenger fares and charter contracts. With new projects confirmed, PNG Air with its experience, network structure, brand new fleet and increased capacity is in a strong position to benefit from such opportunities. The Airline remains committed to providing safe, competitive aviation services to support the development of PNG and its people.

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 2018 annual financial report.

Additional disclosure for trusts

19.1	Number of units held by management company or a related party of it	n/a
19.2	A statement fo the fees and comissions payable to the management company. Identify * Initial service charges * management fees * other fees	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 Board pursuant to the Companies Act 1997 or other standards acceptable to POMSoX (see note 12).

Identify other standards used: 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 following applies

☐	The financial statements have been audited.	☐	The financial statements have been subject to review.
☑	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: 17 September 2019

Director / Company secretary

Print name: WATT KIDDIE