CEO ADDRESS – PNG Air Annual Meeting

Brian Fraser, Chief Executive Officer
Port Moresby | 31 July 2025

Chairman of the Board, Directors, Shareholders, Employees, Partners, and Esteemed Stakeholders,

Good morning.

It is both a privilege and a responsibility to address you today at a pivotal moment in PNG Air's history. As we present the consolidated audited financial accounts for the years 2019 through 2023, I do so with a deep sense of accountability and transparency, acknowledging the challenges we have overcome and the progress we continue to make in rebuilding the airline for the future.

2019–2023: Resilience, Recovery, Reinvention

2019: A Strong Position
In 2019, PNG Air posted a profit before tax of PGK 10.5 million—a testament to the airline's firm standing in the domestic Regular Public Transport (RPT) market at the time.

2020–2023: The Pandemic and an Unprecedented Crisis
The onset of COVID-19 in 2020 brought the aviation sector to a near standstill. Globally, passenger volumes declined by 66%, and annual airline revenues dropped by nearly 69% to a global quantum of USD 189 billion—resulting in record industry losses of USD 126 billion.

PNG Air was no exception. Passenger demand evaporated, border closures crippled operations, and cash flow deteriorated almost overnight.

To safeguard the airline's future, we implemented a series of difficult but necessary measures:

- Immediate cost restructuring;
- Suspension of non-essential audits;
- Sub-leasing of two ATR 72-600 aircraft to Air Moana;
- And most critically, initiating Papua New Guinea's first-ever **Creditors Scheme of Arrangement**, which was approved approved on 15 December 2023.

This historic achievement, underpinned by **PGK 55 million in rescue capital from MRDC**—alongside USD-denominated lease guarantees—was instrumental in avoiding liquidation. Without MRDC's intervention, the airline's collapse would have been inevitable. We remain deeply grateful for their strategic and timely support.

I also wish to acknowledge the instrumental roles played by Tim Robertson (PwC Melbourne), James Bradley (Morgan Lewis, Singapore), and Michael Sullivan (LLLS Lawyers, PNG), whose leadership and counsel were crucial in navigating a process of this scale and complexity.

PNG Air's successful restructuring was internationally recognized, earning us the **"Restructuring Airline of the Year"** award at the Singapore Airline Economics Conference in November 2024.

2024: Operational Headwinds, Measured Progress

The year 2024 was not without further challenges:

- Port Moresby experienced Civil unrest in January which led to a seven-day revenue disruption;
- Nationwide fuel shortages, limited payload capacity and Dash 8 fleet reliability challenges;
- Global supply chain bottlenecks delayed aircraft parts, affecting fleet availability, creating increased costs, and;
- An internal cultural reset which required deliberate and disciplined execution.

Despite these headwinds, we delivered on key priorities:

- Honoured all Scheme of Arrangement commitments—with some creditors now repaid in full;
- Acquired a competitively priced ATR 72-600 on lease in April 2024 to strengthen operational resilience;
- Secured a three-year renewal of our Maintenance Organization Certificate in September;
- Extended our Simberi mining contract and maintained high KPI performance under the Newmont contract;
- Retained BARS Gold Standard accreditation for safety and risk management;
- Restored customer confidence with a steady return to pre-pandemic patronage levels.
- Furthermore, under the guidance of our Chief Financial Officer, the finance team successfully completed audited financial statements for the years 2019 to 2023 within just 10 months. This was achieved under tight timelines and limited resources, and it reflects the team's strong commitment to transparency, compliance, and sound financial governance.

2025 and Beyond: A Strategy for Rebuilding and Growth

At the start of 2025, we launched a **three-year strategic plan** focused on five key pillars:

1. Fleet Simplification and Renewal

We are at this time executing a phased retirement of the ageing Dash 8-100 fleet. Four units have been parted out, two grounded, and the remainder are under active divestment discussions. The strategic shift to an **all-ATR 600 series fleet** will reduce complexity, lower operating costs, and improve training and maintenance standardization across the network.

2. Restoring Capacity

To regain lost lift and better serve remote and underserved regions, PNG Air is actively negotiating the acquisition of **seven additional ATR aircraft** over the next 12 to 15 months. This will allow us to rebuild our domestic network and reaffirm PNG Air's place as **Papua New Guinea's preferred airline**.

3. Investing in Our People

Our in-house flight training school has secured **Part 141 accreditation**, enabling the development of local aviation professionals, reducing external training reliance, and supporting long-term skills retention in the sector.

4. Elevating Operational Performance

On-Time Performance and cancellation rates are among the most critical measures of an airline's operational success and customer satisfaction.

In 2024, leading airlines like Qantas achieved an On-Time Performance (OTP) of 76.1%, while Singapore Airlines consistently exceeded 78%.

Over the past two years, we have elevated our OTP from a modest 50% to an impressive 75%—a transformational 25-point increase that demonstrates our unwavering dedication to reliability. Simultaneously, our cancellation rate has dramatically dropped from a concerning 30% down to just 4%, underscoring the significant improvements in our operational stability and customer experience. Flight frequency has also improved with more seats on market through improved systems and initiatives driven through our Maintenance Repair Organisation.

PNGAir has changed and made remarkable improvements right across its business.

Our commitment is clear: we aim not only to meet but to exceed the standards set by our regional peers. This drive is backed by focused strategies including:

- Comprehensive maintenance and engineering upgrades to enhance aircraft availability and safety;
- Rigorous Quality Management System (QMS) and Safety Management System (SMS) reforms to strengthen operational integrity;

- Targeted staff retraining programs designed to elevate skills and service excellence;
- The implementation of modernized scheduling and operational systems to optimize resource utilization and minimize delays.

Through these efforts, **PNGAir is firmly on the path to becoming the most reliable and trusted airline in Papua New Guinea.**

5. Growth and Network Expansion

With over 120,000 passengers flown in 2024, we anticipate strong upward momentum in 2025. Additional aircraft will allow us to **reopen previously suspended routes**, increase flight frequency, and expand service into growth corridors.

Reinforcing Core Strategic Pillars

PNG Air's long-term roadmap is anchored by three overarching priorities:

1. Fleet Modernization

We recently signed a six-year lease agreement with ACIA for **three ATR 72-600s**, to be delivered in October 2025 and January 2026. These additions are vital enablers of our growth and modernization trajectory.

Transitioning to an all-ATR fleet for; standardization, improved fuel economy, lower emissions, operational flexibility and modern cabin environment providing enhanced passenger comfort.

2. Financial Discipline

Achieving positive cash flow, diversifying revenue, strengthening the capital base, and upholding best practices in financial reporting.

3. Service Excellence

Delivering safe, reliable, on-time, and customer-focused services that enhance public trust and strengthen our brand reputation.

Closing Remarks

Today, PNG Air is leaner, stronger, and more focused than ever. The road ahead won't be easy—it will be demanding, competitive, and complex. Yet, seeing the dedication, professionalism, and resolve in our teams gives me unwavering confidence that we will succeed.

Our purpose remains steadfast:

To deliver safe, reliable, and timely air travel—with pride in our cultural heritage, respect for our environment, and value for our employees, customers, and shareholders.

To our employees—your resilience anchors this turnaround.
To our shareholders—your trust fuels our momentum.
To our customers and communities—your faith drives our purpose.
To the Board—your stewardship guides our future.

Together, we are rebuilding, reconnecting, and rising—soaring toward a future where PNG Air is not just an airline, but Papua New Guinea's national pride in the sky.

Thank you.