

KCH RELEASES 2018 and Q1 2019

FINANCIAL PERFORMANCE RESULTS

The results of state-owned enterprises (SOEs), the shareholding of which are held in the General Business Trust (GBT) managed by Kumul Consolidated Holdings (KCH), are listed below for the Year to Date period to the end of the first quarter of 2019 and the years ending 2018 and 2017.

The results for 2018 are dominated by the three larger SOEs – Air Niugini (ANL), Kumul Telikom Holdings (KTH) and PNG Power (PPL). ANL was impacted by lower than expected yields associated with a reduced operating schedule and increased competition on domestic and international sectors. This combined with increased costs associated with crewing and international aircraft fleet leases and the losses of two aircraft, made for a challenging year. KTH operations continue to suffer mounting costs and poor reliability associated with its ageing infrastructure, with all three enterprises failing to achieve budget expectation. The new 4G communications network has yet to fully contribute to the group's incremental revenue growth and the optimised benefits of the merger have not been realised. PPL have been unable to consistently deliver reliable, affordable power; contracted to expensive independent power provider (IPP) agreements used in place of least cost hydro options. 90% of PPLs operating expenses are associated with fuel, IPPs and personnel costs.

The results of the first quarter of 2019 demonstrate a significant turnaround for ANL driven by a management restructure, cancellation of loss-making international sectors and a focus on operating efficiency and staff productivity. KTH's performance is still dominated by network reliability issues, poor productivity and escalating costs. A significant management restructure is required to build value and restore subscriber confidence, whilst consolidating its network to drive efficiency and security. Combined with a comprehensive business model reform program, PPL have a focus on reducing the reliance on expensive thermal power generation contracts and utilising rehabilitated hydro power and cheaper gas options, though still have significant challenges to build reliability across an ageing transmission network. PPL are concentrating on connecting households – its network growth supported by the multilateral funded PNG Electrification Program. The remaining SOEs are driving strategic outcomes from their Annual Operating Plans, supporting service delivery, efficiency and sustainability.

SOE investments in major projects and associated borrowings are at K5.8b, representing an increase of K116.6m on 2017.

Collectively, the SOEs revenues represent 4% of the country's gross domestic product (GDP). However, there is no doubt that the delivery of competent, viable, affordable services will stimulate and encourage an environment for sustained economic growth and social prosperity.

Despite the 2018 consolidated result, KCH have declared that it will present a dividend of **K80.0m** to the State.

SOE (PGK'm)	YTD Q1 2019		Q1 2018		YE 2018		YE 2017	
	Revenue	NPBT	Revenue	NPBT	Revenue	NPBT	Revenue	NPBT
Air Niugini	263.0	2.2	242.3	(35.9)	1,043.8	(61.1)	979.9	(115.3)
Kumul Telikom Holdings	127.8	(12.1)	107.8	(12.6)	480.7	(45.9)	433.0	(45.6)
PNG Power	231.4	(22.5)	214.6	(6.8)	908.7	(197.2)	865.0	(27.4)
PNG Ports Corporation	77.0	26.6	60.5	7.3	286.6	64.5	269.0	56.3
Water PNG/Eda Ranu	53.4	6.9	58.1	12.7	226.7	22.5	213.0	26.4
MVIL	22.0	3.9	21.3	7.3	86.5	81.4	85.0	54.6
National Devt. Bank	11.7	2.4	11.0	0.8	44.3	4.5	45.0	(12.6)
Kumul Agriculture	0.4	(2.3)	-	-	-	-	-	-
Post PNG	10.0	0.6	9.4	(0.5)	40.9	1.5	42.3	1.3
Sub total	796.7	5.9	725.0	(27.7)	3,118.1	(129.8)	2,932.2	(62.3)
KCH/GBT	18.9	13.0	24.9	8.2	144.3	142.1	117.6	1.5
Total	815.6	18.9	749.9	(19.6)	3,262.4	12.3	3,049.8	(60.8)

- KCH/GBT 2017 NPBT results include an asset value write down (fair valuation) from SOEs, including Bemobile of K230m
- KCH/GBT 2018 NPBT results includes a gain in the value of marketable securities
- PPL – 2018 NPBT includes K67.0m provision for understated expenses incurred during the 2017-2018 periods
- Kumul Agriculture results are formally published for comparison, from Jan 2019
- Kumul Telikom Holdings performance results for Bemobile, Telikom PNG and PNG DataCo as a consequence of the merger of the three state-owned telcos
- Water PNG/Eda Ranu results are consolidated as a consequence of the merger of the water businesses under the government's WaSH policy

Kumul Consolidated Holdings (KCH)

KCH is the entity which holds in trust, the Government's non-petroleum and non-mining assets. KCH (formerly known as IPBC) was established in July 2002 under the Independent Public Business Corporation of Papua New Guinea Act 2002 (the "IPBC Act"). KCH, is mandated to hold all Government-owned commercial assets in trust and to manage those assets to improve commercial performance and underpin economic development. As a trustee, KCH is the holding company for nine (9) State Owned Enterprises (SOEs) operating in agriculture, aviation, banking and financial services, insurance, maritime infrastructure, power, post and logistics, telecommunications, and water and sanitation. KCH also acts as the manager of infrastructure projects throughout PNG such as hydroelectric power facilities, metropolitan sewerage systems property and port developments.

KCH is the State's private equity and investment company with a clearly-defined mandate to build shareholder wealth and to improve the provision of services to the people of Papua New Guinea by:

- improving SOE performance through organic and external development;
- investing in strategically important sectors – currently technology innovation, communications, power, agriculture, manufacturing, fishing and property;
- investing in profitable and turnaround growth opportunities in non-oil and gas and mining industries that provide strategic and financial benefit to the State;
- ensuring appropriate national content inclusion by SOEs in resource construction and development projects;
- leading corporate and sectoral restructuring initiatives; and,
- optimising funding opportunities for KCH and its investee.