

PAKISTAN INTERNATIONAL AIRLINES  
HALF YEARLY REPORT 2018

CORPORATE OVERVIEW

Legal Status:

- Incorporated January 10, 1955
- Converted to public limited company April 2016
- Government of Pakistan holds 92% ownership

Leadership:

Board of Directors (as at November 21, 2019):

1. Mr. Shahrukh Nusrat - Secretary Aviation Division
2. Mr. Noor Ahmed - Secretary Economic Affairs Division
3. Air Marshal Arshad Malik - Chief Executive Officer

[Full list of 12 directors]

Executive Management:

1. Aijaz Mazhar - Chief Operating Officer
2. Khalilullah Shaikh - Chief Financial Officer
3. Amir Ali - Chief Technical Officer

[Full list of 13 executives]

FINANCIAL HIGHLIGHTS (Rs. in million)

Income Statement:

Revenue (net)	45,590	(+6% YoY)
Operating Expenses	(62,683)	(+8.5% YoY)
Operating Loss	(17,093)	(+16% YoY)

Exchange Loss        (5,839) (vs 15 loss in 2017)

Finance Cost        (8,808) (+23% YoY)

Loss Before Taxation (32,183) (+41% YoY)

#### Balance Sheet:

Total Assets        225,020

Total Liabilities    402,445 (incl. accumulated losses)

Current Ratio        0.15 (Current Assets/Current Liabilities)

#### OPERATIONAL PERFORMANCE

##### Fleet Status:

- 32 operational aircraft (avg age 14.2 years)

- 5 aircraft grounded for maintenance

- Fleet composition:

  - \* 5 Boeing 777

  - \* 12 Airbus A320

  - \* 8 ATR turboprops

##### Route Network:

- 25 international destinations

- 20 domestic destinations

- Load Factors:

  - \* International: 68% (down from 71%)

  - \* Domestic: 72% (up from 71%)

#### KEY CHALLENGES

##### Financial Pressures:

1. Fuel costs increased 27% to Rs. 19.49 billion
2. Rupee depreciation caused Rs. 5.84 billion exchange loss
3. Debt servicing costs rose to Rs. 8.81 billion

#### Operational Issues:

1. High staff-to-aircraft ratio (298 employees per aircraft)
2. On-time performance declined to 68%
3. Aging fleet maintenance requirements

#### Pending Liabilities:

1. Rs. 16.94 billion unpaid provident fund contributions
2. Rs. 41.59 billion in tax disputes
3. Rs. 17.92 billion owed to Civil Aviation Authority

#### GOVERNMENT SUPPORT

##### Current Support Measures:

1. Rs. 222.11 billion in government guarantees
2. Rs. 16.02 billion markup subsidy (5-year program)
3. Debt restructuring approvals

##### Future Commitments:

1. Equity injection under consideration
2. Proposed fleet modernization funding
3. Continued operational subsidies

#### TURNAROUND STRATEGY (2019-2023)

##### Key Initiatives:

1. Route Rationalization:

- Exit 7 loss-making routes
- Increase Middle East frequencies by 14 weekly flights

2. Cost Reduction:

- 15% reduction in administrative expenses
- Fuel efficiency improvements

3. Revenue Enhancement:

- Cargo capacity optimization
- Engineering services expansion

4. Human Resources:

- Voluntary separation scheme
- Productivity improvement program

Projected Timeline:

2020 - Reduce losses by 25%

2022 - Operational break-even

2023 - Return to profitability

AUDITOR'S REPORT HIGHLIGHTS

Qualified Opinion Basis:

1. Going concern dependent on government support
2. Rs. 16.94 billion provident fund default
3. Rs. 41.59 billion tax contingencies not provided for
4. Prior year inventory discrepancies unresolved

Emphasis of Matter:

- Sustainability dependent on:

- \* Continued government support
- \* Successful turnaround plan implementation
- \* Favorable resolution of tax cases

#### CONTACT INFORMATION

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