

Half Yearly Report 2011

Pakistan International Airlines Corporation (PIA)

Corporate Profile (As of September 24, 2011)

Board of Directors:

Ch. Ahmed Mukhtar (Minister for Defence and Chairman - PIA)

Malik Nazir Ahmed

Mr. Javed Akhtar

Lt. Gen. (Retd.) Syed Athar Ali (Federal Secretary Defence)

Syed Omar Sharif Bokhari

Dr. Waqar Masood Khan (Federal Secretary Finance)

Mr. Husain Lawai

Makhdum Syed Ahmad Mahmud

Khawaja Jalaluddin Roomi

Mr. Yousaf Waqar

Capt. Nadeem Khan Yousufzai (Managing Director – PIA)

Corporate Secretary: Mr. Muhammad Shuaib

Executive Management:

Capt. Nadeem Khan Yousufzai (Managing Director)

Mr. M. Salim Sayani (Deputy Managing Director)

Mr. Maqsood Ahmed (Director - Engineering & Maintenance)

Mr. Khalid Iftikhar (Director - Procurement & Logistics)

AVM Amin Ullah Khan (Director - Precision Engineering Complex)

Capt. M. Junaid Yunus (Director - Standards & Special Projects)

Mr. Irshad Ghani (Director - Corporate Planning)

Mr. Sher Muhammad Jamali (Director - Information Technology)

Capt. Naveed Ahmed Aziz (Director - Flight Operations)

Mr. Muzaffar Talpur (Director - Flight Services)

Mr. S. Aijaz Mazhar (Director - Airport Services)

Mr. Nayyar Hayat (Chief Financial Officer)

Mr. Saleem Ahmed (Officiating Director - Human Resource, Administration & Coordination)

Mr. Anjum Amin Mirza (Acting Director - Marketing)

External Auditors:

Messrs A. F. Ferguson & Co.

Messrs M. Yousuf Adil Saleem & Co.

Share Registrar:

Central Depository Company of Pakistan Ltd.

CDC House, 99-B, Block-B, Sindhi Muslim Cooperative Housing Society, Main Shahrah-e-Faisal, Karachi - 74400, Pakistan

Head Office:

PIA Building, Jinnah International Airport, Karachi – 72500, Pakistan

Website: www.piac.aero

Directors' Report to the Shareholders – June 2011

The Directors present the financial statements for the six months ended June 30, 2011. The delay in presentation was due to the non-availability of Board members during Ramadan.

Financial Highlights (PKR in Billion):

Category	Half Year Ended		Quarter Ended	
	Jun 30, 2011	Jun 30, 2010	Jun 30, 2011	Jun 30, 2010
Revenues				
Passenger	49.68	43.79	26.48	23.30
Cargo & Others	6.14	5.52	3.16	3.16
Total Turnover – net	55.82	49.31	29.64	26.46

Operating Costs & Expenses

Fuel Cost	29.56	19.47	16.45	10.10
Employee Costs	8.87	9.61	4.46	5.15
Finance Cost	4.93	4.65	2.53	2.36
Exchange (Gain) / Loss	0.10	1.51	0.83	1.83
Others	22.57	20.62	11.52	10.75
Loss Before Tax	10.12	5.99	6.15	3.73
Loss After Tax	10.74	6.50	6.50	4.12

Key Challenges:

Volatility in fuel prices (average oil price: \$110 per barrel, up 43% YoY).

Political turmoil in Gulf countries, natural disasters in Japan, and global recession.

Employee strikes (5-day operational paralysis).

Poor domestic economic conditions post-floods and security issues.

Operational Highlights:

Passenger growth: 5.9% (3.02 million vs. 2.85 million YoY).

Revenue per Available Seat Kilometer (RASK): PKR 5.25 (up from PKR 5.0).

Charter revenue surged to PKR 721 million (from PKR 94 million).

New routes launched: Zahedan, Colombo; expanded frequencies to Kuala Lumpur, Birmingham, Abu Dhabi, Dubai, Muscat.

Subsidiaries:

Pakistan Investments Limited: Net profit of USD 6.1 million.

Skyrooms (Pvt.) Limited: Net profit of PKR 7.46 million.

Future Risks: Rising fuel costs, exchange rate volatility, and deteriorating security.

Financial Statements (Unconsolidated & Consolidated)

Key Figures (PKR in '000):

Metric	Jun 30, 2011	Dec 31, 2010
Total Assets	129,008,562	126,860,357
Total Liabilities	194,617,609	183,277,211
Accumulated Losses	103,012,790	92,327,743
Current Liabilities > Current Assets	72,847,606	59,096,960

Auditors' Note: Material uncertainty exists regarding PIA's ability to continue as a going concern due to accumulated losses and liquidity issues.

Earnings Per Share (EPS):

'A' class: PKR 4.02 (basic loss).

'B' class: PKR 2.01 (basic loss).

Additional Notes

Fuel Hedging: Management plans to implement fuel hedging to mitigate price volatility.

Government Support: GoP provided PKR 1.55 billion as advance against equity and guarantees for loans.

Contingencies: PIA faces tax penalties (PKR 18.58 billion) and legal disputes (PKR 3.75 billion).

Conclusion:

PIA remains committed to overcoming challenges with GoP support, operational restructuring, and cost control.

Signed:

Ch. Ahmed Mukhtar (Chairman)

Husain Lawai (Director)

September 24, 2011