

Half Yearly Report June-2004

Pakistan International Airlines Corporation (PIA)

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Corporate Profile

Board of Directors:

Ahmad Saeed (Chairman & Chief Executive)

Nawid Ahsan (Secretary Finance)

Maj. Gen. (Retd) Muhammad Ashraf Chaudhry (Additional Secretary-I, Ministry of Defence)

Air Marshal (Retd) Pervez Akhtar Nawaz (Director General - Civil Aviation Authority Pakistan)

Asad Ali Khan

M. H. K. Khaishgi

Syed Mohammad Fazal Agha

Javed Saifullah Khan

Dr. Sughra Junejo

S. Ali Raza

Zakir Mahmood

Secretary: Ghazanfar Mashkooor

Audit Committee:

Asad Ali Khan (Chairman)

Air Marshal (Retd) Pervez Akhtar Nawaz

Javed Saifullah Khan

Dr. Sughra Junejo

S. Ali Raza

Registered Office:

PIA Building, Jinnah International Airport, Karachi - Pakistan

Website: www.piac.com.pk

Executive Management:

Ahmad Saeed (Chairman & Chief Executive)

Kaleem Malik (Dy. Managing Director Finance)

S. Farooq H. Shah (Dy. Managing Director Administration)

AVM (Retd) Niaz Husain (Dy. Managing Director Operations)

M. Rasheed Hasan (Director Corporate Planning)

Wasim Bari (Director Administration)

Umar Ghafoor (Director Flight Services)

Anwaar Rasul Khan (Director General Services)

S. Kamran Hasan (Director Marketing)

Capt. Javed Khan (Director Quality Assurance)

Capt. S. Asif Abbas Reza (Director Flight Operations)

Arif Majeed (Director Finance)

Col. (Retd) Mudasar Asghar (Director Works)

Col. (Retd) Ahsan Siddique (Director Airport Services)

Shahnawaz Rehman (Director Co-ordination)

Mukhtar A. Qazi (Director Engineering)

Nadeem Ikram (Director Information Technology)

AVM Javed Iqbal (Director Precision Engineering)

External Auditors:

Tasser Hadi Khalid & Co.

Ford Rhodes Sidat Hyder & Co.

Directors' Report to the Shareholders

PIA reported a post-tax profit of Rs. 1.4 billion for H1 2004, with a Q2 pre-tax loss of Rs. 789 million due to fuel price spikes (Rs. 1.2 billion additional cost).

Revenue grew 13.2% to Rs. 26.5 billion (vs. Rs. 23.4 billion YoY). Costs rose 18.3% to Rs. 25.9 billion.

Expanded network with 11 new destinations (e.g., Bombay, Milan, Houston). Passenger traffic grew 13.6%.

Cargo operations increased 4.7% with weekly freighter flights to Europe.

Fleet modernization: Added 9 aircraft (3 Boeing 777-200ERs, 6 A310-300s).

Paid 5% interim dividend after 8 years (investor confidence boost).

Signed:

Ahmad Saeed (Chairman)

August 26, 2004

Highlights (June 2004 vs. June 2003)

Metric	Jun-2004	Jun-2003	Change
Shareholders' funds (Rs. mn)	7,476	1,278	+485.0%
Total assets (Rs. mn)	74,104	48,860	+51.7%
Revenue (Rs. mn)	26,507	23,418	+13.2%
Profit after tax (Rs. mn)	1,399	608	+130.1%
Passenger seat factor (%)	67.6	68.3	-1.0%
Freight load factor (%)	51.6	57.7	-10.6%

Important Events:

Fleet Updates:

Inducted 3 Boeing 777-200ERs and 6 A310-300s.

Phased out 3 older aircraft (e.g., A300 AP-BBA declared total loss).

Financing:

Secured US\$ 332 million EXIM Bank loan for Boeing 777s.

Liquidation of US\$ 125 million bridge financing.

Operational:

Launched new cabin crew uniform and livery.

Completed Hajj 2004 (108,000 pilgrims transported).

PIA Engineering granted JAR 145 International Certification.

Auditors' Review Report

Key Observations:

Inventory Issues:

Unable to verify Rs. 4.076 billion (consumable stores) and Rs. 2.798 billion (capital spares) due to lack of documentation.

Slow-moving spares provision understated by Rs. 946 million.

PIAIL Loan Interest:

Unadjusted interest reduction on PIAIL loan overstated profit by Rs. 609 million.

CAA Dues Reconciliation: Pending settlement with Civil Aviation Authority.

Conclusion: Financial statements are fair except for noted discrepancies.

Signed:

Ford Rhodes Sidat Hyder & Co.

Taseer Hadi Khalid & Co.

August 26, 2004

Financial Statements (Abridged)

Balance Sheet (June 30, 2004)

Item Rs. '000 US\$ '000

Shareholders' Equity 7,476,324 128,680

Total Assets 74,103,964 1,275,455

Current Liabilities 17,841,118 307,076

Fixed Assets 49,173,034 846,352

Profit & Loss Account (H1 2004)

Item Rs. '000 US\$ '000

Revenue 26,506,861 456,228

Operating Profit/(Loss) 1,286,090 22,136

Profit After Tax 1,399,863 23,787

EPS (A Class) Rs. 1.22 \$0.02

Cash Flow Statement (H1 2004)

Activity Rs. '000 US\$ '000

Operating Cash Flow 1,886,012 32,461

Investing Cash Flow (20,254,642) (348,617)

Financing Cash Flow 16,694,573 287,342

Statement of Changes in Equity (H1 2004)

Item Rs. '000

Opening Balance (Jan 2004) 6,673,496

Profit for Period 1,399,863

Dividends Paid (575,741)

Closing Balance (Jun 2004) 7,476,324

Signed:

Ahmad Saeed (Chairman)

Asad Ali Khan (Director)