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## Corporate Profile

### Board of Directors

Tariq Kirmani

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

Kamal Afsar

Secretary

Ghazanfar Mashkooor

Audit Committee

Asad Ali Khan - Chairman

Maj. Gen. (Retd) Muhammad Ashraf Chaudhry

Javed Saifullah Khan

S. Ali Raza

Kamal Afsar

Shehrzad Aminullah- Secretary

Registered Office

PIA Building

Jinnah International Airport

Karachi - Pakistan

Web site: [www.piac.com.pk](http://www.piac.com.pk)

## Executive Management

Tariq Kirmani

Chairman & Chief Executive

S. Farooq H. Shah

Deputy Managing Director

M. Rasheed Hasan

Director Corporate Planning

Wasim Bari

Director Human Resources

& Administration

Umar Ghafoor

Director Flight Services

Anwaar Rasul Khan

Director Co-ordination

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 Financial Monitoring

& Appraisal

Saeed Akhtar

Director Engineering

Salman Javed

Director General Services

Nadeem Ikram

Director Information Technology

AVM Javed Iqbal

Director Precision Engineering

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## # First Quarter Directors' Report to the Shareholders

- The Directors of Pakistan International Airlines are pleased to present their report along with financial statements (un-audited) for the first quarter i.e. January – March of financial year 2005.

- Results for the quarter ended March 31, 2005 are summarized below:

	2005 (Rupees in million)	2004 (Rupees in million)
	---	---
Revenue	16,186	14,593
Cost & Expenditure	15,998	13,194
Profit before taxation	188	1,399
Profit after taxation	19	833

- Your Corporation has been successful in increasing its revenue by 11% or Rs. 1.6 billion over the same period last year. Major increase has been contributed by passenger traffic while cargo earnings have also gone up by 20% as compared to the corresponding quarter of last year. The cost and expenditure, however, has shown an increase of 21% over the corresponding quarter of last year. The average fuel price has risen by 40% from Rs. 58.55 per US gallon in first quarter of 2004 to Rs. 82.20 per US gallon in the quarter under review. This has resulted in an unprecedented increase in fuel bill by Rs. 1.7 billion in current quarter as compared to same quarter of last year. Had the fuel prices remained at last year level the profit before tax for the quarter would have been higher by Rs. 1.6 billion.

- Industry forecast for the remaining year of 2005 remains hazy due to prevailing uncertainty in fuel prices. High fuel prices continue to be a source of concern for the Corporation and will impact on the results for April – June 2005 quarter as well. Further, your Corporation is faced with severe competition internationally from foreign carriers and also experiencing a price war from the private domestic carriers.

- The challenge before the airline is to mitigate the impact of record fuel prices and take the competition head on. This requires an innovative strategy to improve market share while focusing on improving service and exploring avenues of cutting costs.

- The new management is fully aware of the situation and remedial measures have already been initiated to put the Corporation on the path of sustainable profitability and faster growth. The results will installable visible in the next few months.

For and on behalf of the Board

**\*\*Tariq Kirmani\*\***

Chairman

May 27, 2005

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Balance Sheet (Un-audited)

As at March 31, 2005

		MAR - 2005		DEC - 2004		MAR - 2005	
		---		---		---	
		Note		(Rupees in thousand)		(US\$ in thousand)	

**\*\*NON CURRENT ASSETS\*\***

Fixed assets

Property, plant & equipment 4 50,081,301 49,530,139 843,120

Intangibles 68,693 74,254 1,156

Long-term investments 335,509 334,295 5,648

Long-term advances and other receivable 7,250,447 7,196,914 122,061

Long-term deposits and prepayments 1,803,852 1,824,686 30,368  
59,539,802 58,960,288 1,002,354

**\*\*CURRENT ASSETS\*\***

Stores and spares 2,400,443 2,416,290 40,411  
Trade debts 4,968,320 4,314,618 83,642  
Advances 666,325 679,771 11,218  
Trade deposits and prepayments 170,136 162,762 2,864  
Taxation - advance tax net of provision 188,464 214,990 3,173  
Other receivables 780,435 648,510 13,139  
Short-term investments 419,100 440,446 7,056  
Cash and bank balances 5 5,362,745 10,838,898 90,282  
14,955,968 19,716,285 251,784  
74,495,770 78,676,573 1,254,138

**\*\*SHARE CAPITAL AND RESERVES\*\***

Share capital 16,529,926 16,529,926 278,282  
Reserves 4,280,712 4,280,712 72,066  
Unrealized gain on remeasurement of investments 2,954 18,863 50  
Accumulated loss (7,368,884) (7,388,309) (124,056)  
13,444,708 13,441,192 226,342

**\*\*NON CURRENT LIABILITIES\*\***

Advance against equity from GoP 6 357,112 - 6,012  
Long term financing 2,151,104 2,431,659 36,214  
Term finance certificates 14,382,274 14,760,910 242,126  
Liabilities against assets subject to finance lease 23,045,078 23,724,678 387,964  
Long term murabaha 1,415,904 1,600,608 23,837  
Long term deposits 267,648 205,260 4,506

Deferred liabilities 7 3,504,128 3,399,282 58,992  
Other liability - airport related charges 122,896 122,895 2,069  
45,246,144 46,245,292 761,720

**\*\*CURRENT LIABILITIES\*\***

Trade and other payables 8 10,373,159 13,654,457 174,632  
Accrued markup/ interest 9 252,154 540,570 4,245  
Current portion of:  
- Long term financing 1,621,110 1,621,110 27,291  
- Term finance certificates 757,273 378,635 12,749  
- Liabilities against assets subject to finance lease 1,999,526 1,960,217 33,662  
- Long term murabaha 801,696 835,100 13,497  
15,804,918 18,990,089 266,076

CONTINGENCIES AND COMMITMENTS 10 74,495,770 78,676,573 1,254,138

The annexed notes 1 to 19 form an integral part of these financial statements.

Tariq Kirmani  
Chairman

Asad Ali Khan  
Director

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# Profit and Loss Account (Un-audited)  
For the first quarter ended March 31, 2005



| Note | 2005 (Rupees in thousand) | 2004 (US\$ in thousand) | 2005 (US\$ in thousand) |

---|---|---|---

| TURNOVER - net | 11 | 16,186,459 | 14,593,213 | 272,499 |

| COST OF SERVICES | 12 | (13,837,619) | (11,180,226) | (232,957) |

| GROSS PROFIT | | 2,348,840 | 3,412,987 | 39,542 |

| OTHER OPERATING INCOME | | 147,128 | 171,990 | 2,477 |

| MARKETING AND DISTRIBUTION COSTS | | (907,599) | (787,577) | (15,279) |

| ADMINISTRATIVE EXPENSES | | (748,768) | (710,752) | (12,605) |

| | | (1,509,239) | (1,326,339) | (25,408) |

| PROFIT FROM OPERATIONS | | 839,601 | 2,086,648 | 14,134 |

| FINANCE COST | 13 | (631,342) | (563,821) | (10,629) |

| OTHER PROVISIONS AND ADJUSTMENTS | 14 | (20,000) | (123,736) | (337) |

| | | (651,342) | (687,557) | (10,965) |

| PROFIT BEFORE TAX | | 188,259 | 1,399,091 | 3,169 |

| TAXATION | | | | |

| - Current | | (80,932) | (72,966) | (1,362) |

| - Deferred | | (87,902) | (492,693) | (1,480) |

| | | (168,834) | (565,659) | (2,842) |

| PROFIT AFTER TAX | | 19,425 | 833,432 | 327 |

| EARNINGS PER SHARE | | | | |

| 'A' class ordinary shares of Rs.10 each (Rupees/US\$)| 0.01 | 0.72 | 0.00 |

| 'B' class ordinary shares of Rs. 5 each (Rupees/US\$)| 0.005 | 0.36 | 0.00 |

The annexed notes 1 to 19 form an integral part of these financial statements.

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**\*\*Tariq Kirmani\*\***

Chairman

**\*\*Asad Ali Khan\*\***

Director

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# Cash Flow Statement (Un-audited)

For the first quarter ended March 31, 2005

Note	2005 (Rupees in thousand)	2004 US\$ in thousand	2005	
---	---	---	---	
<b>**Cash flows from operating activities**</b>				
Cash generated from operations	15	(2,191,663)	757,213	(36,897)
Financial charges paid		(919,758)	(774,864)	(15,484)
Taxes paid		(54,406)	(19,125)	(916)
Dividend paid		(5,255)	-	(88)
Repayment of long-term deposits and other liability - net		62,390	-	1,050
Staff retirement benefits paid		(8,806)	-	(148)
Net cash from operating activities		(3,117,498)	(36,776)	(52,483)
Cash flows from investing activities				
Fixed capital expenditure		(1,624,098)	(16,917,160)	(27,342)
Advance against equity from GoP		357,112	366,577	6,012
Proceeds from investments		4,223	3,375	71
Proceeds from sale of fixed assets		-	172,260	-

Proceeds from long-term advances - net		7,762		1,259,940		131	
Received from associated undertaking		14,465		-		244	
Proceeds from/(payments of) long-term deposits		20,834		(1,184,406)		351	
Net cash used in investing activities		(1,219,702)		(16,299,414)		(20,534)	
Cash flows from financing activities							
Repayment of issuance of Term finance certificates							
Repayment of long-term / murahaba financing		(498,662)		(202,450)		(8,395)	
Payment of obligations under hire purchase		-		(211,533)		-	
(Payment of)/proceeds from obligations under finance lease		(640,291)		15,536,967		(10,779)	
Proceeds from long-term deposits and other liability		-		8,229		-	
Payment of short-term borrowings		-		(65,000)		-	
Net cash from financing activities		(1,138,953)		15,062,061		(19,174)	
Increase in cash and cash equivalents		(5,476,153)		(1,274,129)		(92,191)	
Cash and cash equivalents at beginning of the year							
Cash and cash equivalents at end of the quarter		10,838,898		10,089,716		182,473	
		5,362,745		8,815,587		90,282	

The annexed notes 1 to 19 form an integral part of these financial statements.

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Tariq Kirmani

Chairman

Asad Ali Khan

Director

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## Statement of Changes in Equity (Un-audited)

For the first quarter ended March 31, 2005

	Paid up capital	Capital reserves	Revenue reserves	Unrealized (loss)/gain on remeasurement of investments	Accumulated loss	Total
--	-----------------	------------------	------------------	--	------------------	-------

|--|--|--|--|--|--|--|

	(Rupees in thousand)					
--	----------------------	--	--	--	--	--

Balance as at January 01, 2004

Issue of share capital 'A' class ordinary shares

Un realized gain on re-measurement of investments

Tax effect on unrealized gain on re-measurement of investments

11,514,826	2,501,038	1,779,674	(2,876)	(9,119,166)	6,673,496
------------	-----------	-----------	---------	-------------	-----------

5,015,100	-	-	-	-	5,015,100
-----------	---	---	---	---	-----------

-	-	-	39,455	-	39,455
---	---	---	--------	---	--------

-	-	-	(17,716)	-	(17,716)
---	---	---	----------	---	----------

Profit for the year

Interim dividend

'A' class ordinary shares @

Re. 0.50 per share

'B' class ordinary shares @

Re. 0.25 per share

Balance as at December 31, 2004

16,529,926 2,501,038 1,779,674 18,863 (7,388,309) 13,441,192

16,529,926 2,501,038 1,779,674 18,863 (7,388,309) 13,441,192

Balance as at January 01, 2005

Un realized gain on re-measurement of investments

Profit after taxation

Balance as at March 31, 2005

- - - - (15,909) - - (15,909)

- - - - - 19,425 19,425

16,529,926 2,501,038 1,779,674 2,954 (7,368,884) 13,444,708

The annexed notes 1 to 19 form an integral part of these financial statements.

Tariq Kirmani

Chairman

Asad Ali Khan

Director

PIA

Pakistan International

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Notes to the Financial Statements (Un-audited)

For the first quarter ended March 31, 2005

## 1. CORPORATE INFORMATION

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act 1956) and its shares are quoted on all stock exchanges of Pakistan. The registered office of the Corporation is situated in Karachi. Principal activity of the Corporation is to provide air transport services. In addition, the Corporation is engaged in providing engineering and other allied services.

1.2 Government of Pakistan's (GoP) financial assistance is available to the Corporation and GoP has issued guarantees to secure certain long term debts of the Corporation and Term Finance Certificates (TFCs). The GoP has agreed to provide equity contribution to the Corporation equivalent to accumulated losses of the Corporation as at December 31, 2000 to cover interest payments on long term finances and TFCs. As part of the financial package, an amount of Rs. 3,979 million has been provided to the Corporation upto March 31, 2005 against which 397,935,878 number of ordinary shares of Rs. 10 each were issued to GoP up to that date.

1.3 GoP had approved a fleet replacement plan. Accordingly, the Corporation has entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP has provided funding of US\$ 150 million - Rs. 8,816 million (2003: US\$ 90 million- Rs. 5,250 million) in the form of equity, and guarantees for the finances raised for acquisition of the said aircraft up to March 31, 2005.

## 2. BASIS OF PREPARATION

These financial statements are unaudited and are being circulated to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

These financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standard (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual financial statements of the Corporation for the year ended December 31, 2004.

The accounting policies and methods of computations adopted in the preparation of these financial statements are the same as those applied in the preparation of financial statements of the Corporation for the year ended December 31, 2004.

### 3. CONSOLIDATION

The Corporation has been granted exemption by Securities and Exchange Commission of Pakistan (SECP) from the provisions of Section 237(1) of the Companies Ordinance 1984 relating to the preparation of consolidated annual financial statements for the year ended December 31, 2004. Accordingly these interim financial statements have also not been prepared on consolidated basis consistent with the requirement of IAS-34 'Interim Financial Reporting'.

### 4. PROPERTY, PLANT AND EQUIPMENT

	MAR - 2005	DEC - 2004
	---	---
	(Rupees in thousand)	
Operating fixed assets (note 4.1)	42,913,136	43,676,363
Capital work-in-progress (note 4.2)	7,168,165	5,853,776
	50,081,301	49,530,139

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#### 4.1 Operating fixed assets

Following assets were added/disposed off/adjusted during the quarter:

MARCH - 2005 (Rupees in thousand)	
--- ---	
Buildings on leasehold land	Additions (Deletions)
Renovation & improvements	6,359 - 1,924 - 71,220 - 2,929 - 84 - 2,938 - 2,475 - 633 - 6,516 - 156 - 214,473 (38,853)
Aircraft fleet	
Operating ground equipment catering communication & meteorological equipment	
Engineering equipment & tools Vehicles	
Furniture, fixtures & fittings Office equipment	
Computer & office automation Other equipment	
Capital spares	309,707 (38,853)

#### 4.2 Capital work-in-progress

MAR - 2005 (Rupees in thousand)	
--- ---	
Buildings - Civil works	11,533 29,332 14,098 7,112,508 694 7,168,165 6,730 19,134 11,235 5,815,983 694 5,853,776
Other projects / equipment Renovation & improvements	
Non refundable deposit against purchase of aircraft Advance against revenue accounting package	

#### 5. \*\*CASH AND BANK BALANCES\*\*

With banks

In current accounts

Collection (note 5.1)

Overdrawn bank balances



		1,955,697 (697,770)	1,257,927	4,017,885	15,220	71,713	5,362,745	3,476,988	(693,048)	2,783,940
7,962,043	15,088	77,827	10,838,898							

	---		---	
--	-----	--	-----	--

	In short-term deposit accounts In hand		
--	--	--	--

	In transit		
--	------------	--	--

5.1 Includes Rs. 9.899 million (Dec-2004: Rs. 10.295 million) held in Corporation's bank account with a Libyan bank which is not currently repatriable due to certain Foreign Government restrictions.

## 6. \*\*ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN (GoP)\*\*

This represents the amount received from GoP towards equity contribution under the terms of Financial Package as stated in note. 1.2.

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## 7. DEFERRED LIABILITIES

		MAR - 2005 (Rupees in thousands)		DEC - 2004	
--	--	----------------------------------	--	------------	--

	---		---		---	
--	-----	--	-----	--	-----	--

	Deferred taxation (note 7.1)		528,144		440,242	
--	------------------------------	--	---------	--	---------	--

	Deferred custom duties		573,040		573,040	
--	------------------------	--	---------	--	---------	--

	Obligations for compensated absences		1,467,500		1,461,000	
--	--------------------------------------	--	-----------	--	-----------	--

	Post retirement medical benefits		935,444		925,000	
--	----------------------------------	--	---------	--	---------	--

		3,504,128		3,399,282	
--	--	-----------	--	-----------	--

### 7.1 Deferred taxation

Deferred tax credits arising in respect of accelerated tax depreciation

Deferred tax credits arising in respect of un-realized gain on remeasurement of investments

Deferred tax debits arising in respect of temporary deductible differences due to:

Unused tax losses

Provisions for liabilities and to write down other assets

| | 9,169,611 | 9,069,346 |

|---|---|---|

| | 17,716 | 17,716 |

| | (6,249,512) | (6,250,080) |

| | (2,409,671) | (2,396,740) |

| | 528,144 | 440,242 |

#### 8. TRADE AND OTHER PAYABLES

| Trade creditors | | |

|---|---|---|

| Goods | 1,440,320 | 1,673,024 |

| Services | 1,130,974 | 1,146,691 |

| Airport related charges | 552,626 | 685,697 |

| | 3,123,920 | 3,505,412 |

| Accrued liabilities | 1,709,416 | 1,825,995 |

| Advances received | | |

| Advance against transportation | | |

| -Normal | 3,491,423 | 4,168,174 |

| -Haj | - | 2,087,728 |

| | 3,491,423 | 6,255,902 |

| Others | 299,671 | 378,912 |

| Payable to employee provident fund | 103,346 | 114,095 |

| Unclaimed dividend | | |

| Ordinary shares | - | 5,255 |

Preference shares	3,297	3,297	
	3,297	8,552	
Collection on behalf of others	678,054	582,148	
Short term deposits	116,657	111,735	
Custom and central excise duty	595,877	741,009	
Income tax deducted	52,630	49,482	
Stamp duties	13,346	13,310	
Capital value tax	14,641	33,505	
Liabilities acquired from subsidiaries	18,690	19,594	
Others	152,190	14,806	
	10,373,159	13,654,457	

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#### 9. ACCRUED MARK-UP / INTEREST

Long-term financing

Term finance certificates

Long term murabaha

Short-term borrowings-secured

MAR - 2005 DEC - 2004

(Rupees in thousand)

83,489 56,810

126,233 441,328

7,921 7,921

34,511 34,511

252,154 540,570

## 10. CONTINGENCIES AND COMMITMENTS

### 10.1 Contingencies

10.1.1 The Corporation is contesting several litigations mainly relating to suits filed against it for unlawful termination of contracts, breach of contractual rights and obligations, non performance of servicing stipulations due to negligence or otherwise, disputes over throughput charges on international deplaned cargo and claims for arrears of salaries and pension. The Corporation's management is of the view that these cases have no sound legal footing and it does not expect these contingencies to materialize. Accordingly no provision has been made in these financial statements against these claims amounting to Rs. 1,016 million (Dec-2004: Rs. 1,104 million).

10.1.2 Civil Aviation Authority, Pakistan (CAA) has claimed additional amounts aggregating to Rs. 3,110 million (Dec-2004: Rs. 3,110 million) in respect of rent and allied charges, landing and housing charges, aviation security and bay charges, interest/surcharge etc. The matter has been referred to Ministry of Defence through which a reconciliation and settlement exercise is currently in progress. The management considers that no additional liability of material amount is likely to arise as a result of such exercise. Accordingly, no provision in this respect has been made in these financial statements.

10.1.3 The Corporation is contesting litigations relating to suits filed against it on dispute over throughput charges aggregating to Rs. 92 million (Dec-2004: Rs. 92 million) against which it has filed appeals with the High Court and District Court which are pending. The management is of the view that ultimate outcome would be in favour of the Corporation. Accordingly, no provision in this respect has been made in these financial statements.

10.1.4 Various ex-employees of the Corporation have lodged claims against the Corporation for their dues specifically relating to their re-instatements. However, the liability that may arise in these cases can not be determined and consequently, no provision has been made in these financial statements.

10.1.5 The Collector Central Excise had raised demand of Rs. 1,059 million (2004: Rs. 1,059 million) in respect of duties levied on tickets provided by the Corporation to its staff either free of charge or at concessional rates, repair/replacement of re-imported aircraft engines, non-availability of invoices, import related to miscellaneous consignments, printed material sent at its various stations abroad for utilization, late/short payment of sales tax and central excise duty and excess baggage tickets. On protest by the Collector Central Excise, the Corporation has already paid an amount of Rs. 100 million which is considered fully recoverable by the management. The Corporation has filed appeals with the

Customs, Central Excise & Sales Tax Tribunal which are pending adjudication. Management is confident that the decision would be made in Corporation's favour. Consequently no provision has been made in these financial statements.

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10.16 Outstanding guarantees amounted to Rs. 146 million (Dec-2004: Rs. 184 million). The Corporation has given bank guarantees amounting to Rs. 21 million in respect of cases pending in respective courts.

10.2 The contingencies of the Corporation's subsidiaries as at March 31, 2005, taken over during the year 2004 are as follows:

### 10.2. PIA Holdings (Private) Limited

10.2.1.1 The company has filed appeals before the Commissioner of Income Tax (Appeals) [CIT(A)] against the order of the assessing officer.

10.2.1.2 Assessment years 1992-1993 and 1993-1994 aggregating liabilities of Rs. 3.8 million. The main ground in the above tax appeals relates to the disallowance of advances to PIA Hotels Limited written off against the provisions amounting to Rs. 29 million which had been added back in the total income in earlier years. Upon appeal the CIT(A) has set aside this and some other issues while maintaining some other disallowances.

10.2.1.3 Assessment years 1994-1995, 1995-1996, 1996-1997 and 1997-1998 aggregating liabilities of Rs. 2 million. The main grounds in the above appeals for four assessment years relates to taxing of financial income without allowing any expenditure against such income. Upon appeals for the above assessment years the CIT (A) has set aside the matter to be framed denovo in accordance with the law.

### 10.2.2 PIA Shaver Poultry Breeding Farms (Private) Limited

A case is pending in the Civil Court Lahore against the company filed by M/s. Anjum Agencies, Lahore. The said suit pertains to the recovery of Rs. 5.4 million (2004: Rs. 5.4 million) from the company. The management of the company anticipates favourable outcome of such appeal, hence no provision there against has been made in these financial statements.

### 10.3 Commitments

10.3.1 Outstanding commitments for the purchase of aircraft as at March 31, 2005 amount to Rs. 58,648 million (Dec-2004: Rs. 59,945 million).

10.3.2 Capital commitments for assets other than aircraft as at March 31, 2005 amounted to Rs. 12,687 million (Dec-2004: Rs. 13,340 million).

10.3.3 Outstanding letters of credit amounted to Rs. 281 million (Dec-2004: Rs. 309 million).

## 11. TURNOVER - net

	MAR - 2005 (Rupees in thousand)	MAR - 2004
1. <b>Operating Income</b>	1,00,000	1,00,000
2. <b>Operating Expenses</b>	80,000	80,000
3. <b>Operating Profit</b>	20,000	20,000
4. <b>Non-Operating Income</b>	10,000	10,000
5. <b>Non-Operating Expenses</b>	5,000	5,000
6. <b>Non-Operating Profit</b>	5,000	5,000
7. <b>Total Profit</b>	25,000	25,000
8. <b>Income Tax</b>	10,000	10,000
9. <b>Net Profit</b>	15,000	15,000
10. <b>Dividend</b>	10,000	10,000
11. <b>Retained Earnings</b>	5,000	5,000
12. <b>Shareholders' Equity</b>	15,000	15,000
13. <b>Debt</b>	10,000	10,000
14. <b>Total Assets</b>	25,000	25,000

— — — — —

Passenger	14,290,259	12,835,302
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Excess baggage	253,786	303,877	
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Freight	1,008,390	841,548	
---------	-----------	---------	--

Mail	88,691	47,022	
------	--------	--------	--

Charters	85,423	93,790	
----------	--------	--------	--

Others	459,910	471,674	
--------	---------	---------	--

		16,186,459		14,593,213	
--	--	------------	--	------------	--

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## 12. COST OF SERVICES

Salaries, wages and allowances  
Welfare & social security costs  
Provident fund  
Pension funds  
Post retirement medical benefits  
Provision for employees' compensated absences  
Legal and professional charges  
Aircraft fuel and oil  
Stores and spares consumed  
Maintenance and overhaul  
Flight equipment rental  
Landing and handling  
Passenger services  
Insurance  
Rent, rates and taxes  
Depreciation  
Others

MAR - 2005 (Rupees in thousand)

1,364,798 76,713 37,682 27,701 11,164 4,680 295 5,714,152 656,677 990,207 667,916 1,776,575  
543,475 311,630 47,927 999,989 606,038 13,837,619

MAR - 2004

(Russland)

1,348,212 62,726 38,332 32,785 3,909 18,000 21,133 3,989,010 923,558 621,481 544,960 1,510,009  
486,522 280,747 37,904 696,307 564,631 11,180,226

### 13. FINANCE COST

Arrangement, agency and commitment fee

Interest on long-term finance

Interest on short-term finance

Profit on term finance certificates

Mark-up on redeemable capital

Interest on obligation under finance leases

Bank charges, guarantee commission, and other related charges

Interest on obligation under hire purchase

Interest to Pension / Provident Funds

19,712 32,290 35 298,649 65,794 208,670 6,192 - - 631,342

22,754 32,189 782 301,966 59,760 64,885 6,466 6,719 68,300 563,821

### 14. OTHER PROVISIONS AND ADJUSTMENTS

Provision against stores and spares

Net provision for doubtful advances

Re-instatement of certain assets

Capital spares' scrappage

20,000 - - 20,000

175,517 702 (52,515) 32 123,736



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## 15. CASH GENERATED FROM OPERATIONS

	MAR - 2005	MAR - 2004
	---	---
	(Rupees in thousand)	
Profit before tax	188,259	1,399,091
Adjustments for:		
Depreciation	1,077,328	764,951
Capital spares scrappage	-	32
Amortization of intangible assets	1,169	-
Provision for staff retirement medical benefits	19,250	10,000
Provision for staff compensated absences - net	6,500	25,000
Write back of provision for doubtful advances	-	702
Provision against stores and spares	20,000	175,517
Finance cost	631,342	563,821
Interest income on advances to an associated company	(75,760)	(48,445)
(Gain)/loss on disposal of fixed assets	-	(109,946)
Re-instatement of certain assets	-	(52,515)
Operating profit before working capital changes	1,868,088	2,728,208

**\*\*Changes in operating assets and liabilities\*\***

Decrease/(increase) in stores and spares (4,153) 23,452

Increase in trade debts (653,702) (823,927)

Decrease/(increase) in advances 13,446 (93,398)

Decrease/(increase) in trade deposits and prepayments (7,374) (329,295)

Decrease/(increase) in other receivables (131,925) (187,881)

Increase/(decrease) in trade and other payables (3,276,043) (559,946)

Cash generated from operations (2,191,663) 757,213

## 16. GEOGRAPHICAL SEGMENTS

### 16.1 Revenue analysis

The analysis of material accounts of traffic revenue is as follows:

| USA/Canada | 1,139,109 | 1,042,728 |

| --- | --- | --- |

| Europe | 3,771,803 | 3,452,667 |

| Middle East/Africa | 2,157,946 | 2,016,772 |

| Asia (excluding Pakistan) | 889,712 | 523,181 |

| Pakistan | 8,227,889 | 7,557,865 |

| | 16,186,459 | 14,593,213 |

The analysis of turnover by origin is derived by allocating revenue to the area in which the sale was made.

Geographical analysis of net assets

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan.

Since the fleet of the Corporation is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

PIA

Pakistan International

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## 17. RELATED PARTY TRANSACTIONS

MAR - 2005    MAR - 2004

(Rupees in thousand)

The transactions with related parties, other than those relating to issuance of tickets at concessional rates to employees and directors according to terms of employment/regulations and those not mentioned elsewhere in these financial statements are as follows:

Catering services from Sky Rooms (Private) Limited    17,893    14,113

Advertising services from International Advertising (Private) Limited    -    8,999

Interest on advances to PIA Investments Limited    72,540    48,445

Interest on advance to pension fund    -    64,629

Interest on advance to provident fund    -    3,671

Charge/contribution to pension fund    89,960    65,766

Charge/contribution to provident fund    57,919    59,314

The Corporation's sales of transportation services to subsidiaries and associates are not determinable.

## 18. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors Meeting held on May 27, 2005.

## 19. GENERAL

19.1 The information as to the available capacity and utilization thereof during the period has been disclosed in the statistics annexed to the financial statements.

19.2 The US Dollars amounts in Balance Sheet, Profit and Loss Account and Cash Flow Statement have been translated into US Dollars at the rate of Rs. 59.40 = US\$ 1 solely for convenience purposes.

Tariq Kirmani

Chairman

Asad Ali Khan

Director

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# Quarterly Summary

| | 2005 | 2004 | 2003 |

|---|---|---|---|

| | 1st Quarter | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | 1st Quarter |

## Traffic Operations

### Available Seat Kilometers (million)

- International Domestic

- \*\*3,694\*\*

- \*\*3,460\*\*

- \*\*3,790\*\*
- \*\*4,362\*\*
- \*\*4,152\*\*
- \*\*2,911\*\*
- \*\*627\*\*
- \*\*679\*\*
- \*\*656\*\*
- \*\*689\*\*
- \*\*653\*\*
- \*\*650\*\*
- \*\*1,271\*\*
- \*\*1,294\*\*
- \*\*\_\*\*
- \*\*\_\*\*
- \*\*453\*\*
- \*\*1,428\*\*
- \*\*Total\*\*
- \*\*5,592\*\*
- \*\*5,432\*\*
- \*\*4,446\*\*
- \*\*5,051\*\*
- \*\*5,258\*\*
- \*\*4,989\*\*

### Revenue Passenger Kilometers (million)

- International Domestic

- \*\*2,731\*\*
- \*\*2,635\*\*
- \*\*2,521\*\*

- \*\*3,131\*\*  
- \*\*2,713\*\*  
- \*\*2,218\*\*  
- \*\*390\*\*  
- \*\*441\*\*  
- \*\*419\*\*  
- \*\*464\*\*  
- \*\*423\*\*  
- \*\*424\*\*  
- \*\*639\*\*  
- \*\*663\*\*  
- \*\*\_\*\*  
- \*\*\_\*\*  
- \*\*231\*\*  
- \*\*727\*\*  
- \*\*Total\*\*  
- \*\*3,759\*\*  
- \*\*3,739\*\*  
- \*\*2,940\*\*  
- \*\*3,595\*\*  
- \*\*3,367\*\*  
- \*\*3,369\*\*

### ### Seat Factor (%)

- International Domestic

- \*\*73.92\*\*  
- \*\*76.16\*\*  
- \*\*66.52\*\*  
- \*\*71.78\*\*

- \*\*65.35\*\*

- \*\*76.19\*\*

- \*\*62.14\*\*

- \*\*65.02\*\*

- \*\*63.87\*\*

- \*\*67.34\*\*

- \*\*64.76\*\*

- \*\*65.13\*\*

- \*\*Hajj\*\*

- \*\*50.26\*\*

- \*\*51.24\*\*

- \*\*\_\*\*

- \*\*\_\*\*

- \*\*50.98\*\*

- \*\*50.88\*\*

- \*\*Total\*\*

- \*\*67.22\*\*

- \*\*68.83\*\*

- \*\*66.13\*\*

- \*\*71.17\*\*

- \*\*64.04\*\*

- \*\*67.81\*\*

### ### Available Freight Tonne Kilometers (million)

- International Domestic

- \*\*138\*\*

- \*\*147\*\*

- \*\*155\*\*

- \*\*200\*\*

- \*\*185\*\*
- \*\*127\*\*
- \*\*22\*\*
- \*\*20\*\*
- \*\*22\*\*
- \*\*23\*\*
- \*\*23\*\*
- \*\*19\*\*
- \*\*Total\*\*
- \*\*160\*\*
- \*\*167\*\*
- \*\*177\*\*
- \*\*223\*\*
- \*\*208\*\*
- \*\*146\*\*

### ### Revenue Freight Tonne Kilometers (million)

- International Domestic

- \*\*83\*\*
- \*\*72\*\*
- \*\*87\*\*
- \*\*111\*\*
- \*\*96\*\*
- \*\*81\*\*
- \*\*9\*\*
- \*\*9\*\*
- \*\*11\*\*
- \*\*10\*\*
- \*\*9\*\*



- \*\*Total\*\*

- \*\*92\*\*

- \*\*81\*\*

- \*\*96\*\*

- \*\*122\*\*

- \*\*106\*\*

- \*\*90\*\*

### ### Load Factor (%)

- International Domestic

- \*\*60.09\*\*

- \*\*48.98\*\*

- \*\*56.13\*\*

- \*\*55.50\*\*

- \*\*52.02\*\*

- \*\*63.78\*\*

- \*\*40.00\*\*

- \*\*45.00\*\*

- \*\*40.91\*\*

- \*\*47.83\*\*

- \*\*41.88\*\*

- \*\*48.22\*\*

- \*\*Total\*\*

- \*\*57.33\*\*

- \*\*48.50\*\*

- \*\*54.24\*\*

- \*\*54.71\*\*

- \*\*50.90\*\*

- \*\*55.03\*\*

## ## Financial

### ### Operating Revenue

- \*\*16,186\*\*  
- \*\*14,593\*\*  
- \*\*11,914\*\*  
- \*\*14,556\*\*  
- \*\*16,725\*\*  
- \*\*13,055\*\*  
- \*\*15,998\*\*  
- \*\*13,194\*\*  
- \*\*15,382\*\*  
- \*\*15,251\*\*  
- \*\*15,799\*\*  
- \*\*11,552\*\*  
- \*\*188\*\*  
- \*\*1,399\*\*  
- \*\*(789)\*\*  
- (695)\*\*  
- \*\*926\*\*  
- \*\*1,503\*\*  
- \*\*19\*\*  
- \*\*833\*\*  
- \*\*566\*\*  
- (386)\*\*  
- \*\*1,294\*\*  
- \*\*1,113\*\*  
- \*\*50,150\*\*

- \*\*45,463\*\*  
- \*\*49,173\*\*  
- \*\*50,806\*\*  
- \*\*49,604\*\*  
- \*\*24,182\*\*  
- \*\*14,956\*\*  
- \*\*22,327\*\*  
- \*\*18,308\*\*  
- \*\*16,954\*\*  
- \*\*19,716\*\*  
- \*\*17,839\*\*  
- \*\*15,805\*\*  
- \*\*17,277\*\*  
- \*\*17,841\*\*  
- \*\*16,061\*\*  
- \*\*18,990\*\*  
- \*\*18,024\*\*  
- \*\*40,994\*\*  
- \*\*42,291\*\*  
- \*\*43,618\*\*  
- \*\*44,637\*\*  
- \*\*42,518\*\*  
- \*\*23,597\*\*  
- \*\*13,445\*\*  
- \*\*7,472\*\*  
- \*\*7,476\*\*  
- \*\*7,076\*\*  
- \*\*13,441\*\*  
- \*\*1,714\*\*

- \*\*82.20\*\*

- \*\*58.55\*\*

- \*\*64.29\*\*

- \*\*74.81\*\*

- \*\*88.61\*\*

- \*\*56.22\*\*

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Jet Fuel Prices (Rs. Per US Gallon)

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PIA

Pakistan International

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