

PAKISTAN INTERNATIONAL AIRLINES (PIA) - HALF YEARLY REPORT 2023

1. Corporate Overview

Legal Status:

Converted from statutory corporation to public limited company in 2016 under Pakistan International Airlines Company (Conversion) Act 2016

Currently governed under Companies Act 2017

Principal Activities:

Commercial air transportation services (passenger, cargo, postal)

Engineering and allied aviation services

Hotel operations through subsidiaries

Leadership Structure:

Board of Directors:

Chairman: Mr. Aslam R. Khan

CEO: AVM Muhammad Amir Hayat (Retired Air Vice Marshal)

Other members include representatives from Aviation Division, Finance Division, and Economic Affairs Division

Executive Management:

Chief Operating Officer: Amanullah Qureshi

Chief Financial Officer: Amos Nadeem

Chief Commercial Officer: Nausherwan Adil

Chief Technical Officer: Amir Ali

2. Financial Performance (Six Months Ended June 30, 2023)

Income Statement Highlights:

Total Revenue: PKR 120.278 billion (2022: PKR 71.196 billion) - 69% increase

Operating Expenses:

Fuel & Oil: PKR 48.349 billion (41% of operating costs)

Other Expenses: PKR 60.677 billion

Gross Profit: PKR 11.252 billion (2022: Gross Loss of PKR 4.342 billion)

Net Loss: PKR 60.715 billion (2022: PKR 41.319 billion) - 47% increase in losses

Key Financial Ratios:

Revenue Growth: +69% YoY

Gross Margin: 9.4% (2022: -6.1%)

Net Loss Margin: -50.5% (2022: -58.0%)

Revenue Breakdown:

Passenger: PKR 109.912 billion (91.4% of total)

Cargo: PKR 3.329 billion (2.8%)

Charter Services: PKR 2.102 billion (1.7%)

Others: PKR 4.935 billion (4.1%)

3. Financial Position

Assets:

Total Assets: PKR 160.384 billion

Property, Plant & Equipment: PKR 90.732 billion (56.6%)

Current Assets: PKR 53.690 billion (33.5%)

Liabilities:

Total Liabilities: PKR 809.290 billion

Long-term Financing: PKR 277.926 billion

Lease Liabilities: PKR 21.799 billion

Current Liabilities: PKR 447.394 billion

Equity:

Negative Equity: PKR (648.906) billion

Accumulated Losses: PKR 711.555 billion

4. Key Challenges

Financial Constraints:

Current liabilities exceed current assets by PKR 394.244 billion

Accumulated losses of PKR 711.555 billion

High finance costs of PKR 36.823 billion due to increased interest rates

Operational Challenges:

Aircraft fuel costs increased to 41% of operating expenses

PKR depreciation caused exchange losses of PKR 27.465 billion

Liquidity constraints affecting operations

5. Government Support and Restructuring

Government Interventions:

Letter of support from Ministry of Finance (April 2023) confirming continued backing

Markup support provided (PKR 3.422 billion in 2022-23)

Guarantees for financing facilities

Restructuring Plan:

Approved by Prime Minister on June 28, 2023

Steering committee formed to oversee restructuring

Focus areas:

Debt repayment

Operational efficiency

Financial sustainability

6. Auditor's Review

Key Observations:

Financial statements prepared on going concern basis

Emphasis on government support for continuity

Outstanding provident fund dues of PKR 9.194 billion with accrued markup

Tax contingencies not provided for in financial statements

7. Outlook and Future Prospects

Positive Factors:

Recovery in global air travel (47.2% YoY growth in passenger traffic)

Reopening of China's market benefiting Asian carriers

Revenue growth trend continuing

Risk Factors:

Continued PKR depreciation

High interest rate environment

Liquidity constraints

Dependence on government support

8. Commitments and Contingencies

Capital Commitments:

Aircraft purchase commitments: US\$1.528 billion (PKR 436.966 billion)

Other capital expenditures: PKR 10.841 million

Contingent Liabilities:

Claims from Civil Aviation Authority: PKR 59.060 billion

Tax and legal contingencies

9. Subsidiaries and Associates

Major Subsidiaries:

PIA Investments Limited (100% owned)

Manages Roosevelt Hotel, New York

Skyrooms (Private) Limited (100% owned)

Operates Airport Hotel, Karachi

Sabre Travel Network Pakistan (70% owned)

10. Conclusion

The airline showed significant revenue growth and returned to gross profitability in H1 2023, but net losses widened due to finance costs and exchange losses. The company's future remains dependent on successful restructuring and continued government support. While the aviation market recovery presents opportunities, macroeconomic challenges and legacy liabilities continue to pressure the airline's financial position.