

DIRECTOR'S REPORT - FOR THE PERIOD ENDED SEPTEMBER 30, 2015

Dear Shareholders

The Directors of Pakistan International Airlines Corporation hereby present the performance report along with the financial statements for the period of nine months ended September 30, 2015. The financial results for the period are summarized below;

	(Rs. in Billion)	
	2015	2014
Revenue (net)	69.249	75.909
Operating Costs & expenses:		
Fuel Cost	21.678	37.839
Other Cost of Services	43.101	40.023
Distribution & Admin Expenses	9.352	10.173
Exchange (Gain)/ Loss	2.005	(2.363)
Other Income & Adjustments	2.067	0.978
Operating Loss	8.954	10.741
Finance Costs	10.025	10.817
Loss Before Taxation	18.979	21.558
Loss After Taxation	20.552	22.299

The Corporation observed a decline of 8.7% in overall revenue as compared to the corresponding period of last year mainly due to reduced available capacity. Fuel prices dropped to the lowest levels and helped the Corporation to reduce its fuel bill by 43% as compared to prior period however the improvement in bottom line could not be improved significantly. An exchange loss of Rs 2.0 billion as compared to an exchange gain of Rs 2.36 billion during corresponding period negatively impacted the bottom line.

The reduced capacity issue has been addressed by the Management vigorously by pursuing modernisation and replacement of fleet with fuel efficient aircraft on dry lease basis. The capacity decline has been addressed by acquiring narrow body aircraft which will enhance customer facilitation by providing better frequency and efficient connectivity. Details are as below:

Aircraft Type		JAN	FEB	MAR	APR	MAY	JUN	JUL	AUG	SEP	TOTAL
ATR72 (Dry Lease)	Planned	2	2	1	-	-	-	-	-	-	5
	Actual	-	-	-	1	1	3	-	-	-	5
A320 (Dry Lease)	Planned	5	2	2	1	1	1	1	-	-	13
	Actual	3	-	-	-	3	2	1	-	1	10
A330 (Wet Lease)	Planned	-	-	-	-	-	-	-	2	-	2
	Actual	-	-	-	-	-	-	-	2	-	2

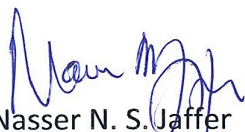
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During the quarter, certain strategies were adopted to mitigate the risks involved and for curtailment of expenditure at cost centres. Identification and participation in new avenues, closure of non profitable segments & collaboration with new business associates remained the focal point of activities during the quarter for broadening the sales base & to crop up the competitive advantage. Business class seats upgradation and IFE replacement projects have been initiated to improve the product for better passengers' experience and comfort.

PIA Investment Limited (a subsidiary) achieved a net profit of US\$ 7.63 million (2014: US\$ 12.16) whereas Skyrooms Limited (a subsidiary) recorded an increase of almost 97% in net profit during the period of nine months reported net profit of PKR 43.66 million (2014: Rs. 22.13).

The huge backlog of legacy losses and loans are making it very difficult for the Corporation to rise to its true potential, the Board is actively involved in discussion with the Government of Pakistan for an immediate restructuring which would result in creation of a lean and efficient organizational structure whereby the real operational performance and potential would be visible.

For and on behalf of the Board



Nasser N. S. Jaffer
Chairman

January 15, 2016

