



Investment Opportunity Teaser

17th April 2024

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PIA offers an attractive investment opportunity to grow a dominant full service carrier supported by strong pedigree and large captive demand base



PIA has over 60 years of experience as a full service network carrier with the largest fleet and most extensive network in Pakistan

1. Strong pedigree



PIA is the market leader with 23% market share in 2023 for the Pakistan aviation market; further investment will ensure this is maintained and extended to 30%+

2. Market leader



The demand in the under-served Pakistani aviation market with, its large population and extensive diaspora, is expected to continue to grow at a CAGR of c.5.5% (annual revenue growth 2024-28)

3. Growing market



The slots and landing rights that are assigned to PIA are very attractive, fleet structure is relatively simplified positioning PIA well for growth

4. Credible network operations



Restructuring will deliver a debt-lite PIA with better access to its own cashflows, EBITDAR positive, focussed on aviation and ready to exploit future value creation opportunities

5. Reshaped PIA



The GoP is committed to the holistic growth of the transport and tourism sector that will assist in the growth of the aviation sector

6. Private – public partnership



PIA is likely to thrive in the private sector with more focus on profitability and return on investment

7. Private sector mind-set



Historic tax losses will be available for the restructured PIA to shelter future profits

8. Tax benefits



PIA remains a market leader since its formation with significant opportunities ahead to grow as a prominent regional network carrier



An Overview of PIA

- ▶ Pakistan International Airlines Corporation Limited (PIACL or PIA), the national flag carrier for Pakistan, comes with a rich history stretching back to 1955
- ▶ PIA is predominantly owned by the Government of Pakistan (GoP), who have a 96% shareholding
- ▶ Headquartered at Jinnah International Airport in Karachi and bolstered by secondary hubs in Lahore and Islamabad
- ▶ PIA operates the largest fleet in Pakistan, with simplified aircraft types, strong engineering and ground handling support along with a dedicated training department
- ▶ In 2023 PIA has achieved break even at EBITDAR level which is expected to continue in 2024

2023



4.7m Passengers
with significant growth potential



34 Destinations
covering all key markets with ability to increase further



7.8K Employees
PIACL permanent employees with access to an additional 3K contractual employees



178 Slot pairs
covering key international destinations with access to more airports



260 Round trips
per week



34 Aircraft
largest fleet size in Pakistan

Shareholder supported restructuring provides a debt-lite PIA ready for privatisation

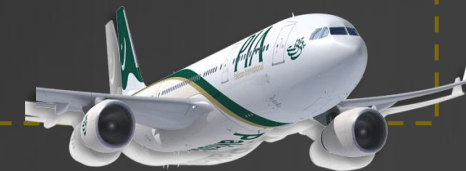
- ▶ With the support of the GoP, as a shareholder, PIA has initiated a fundamental reorganization of its business
- ▶ This will segregate its aviation related business from its non-core components
- ▶ The resulting aviation business will shift a considerable proportion of legacy debt along with some non-aviation assets away from PIA operating subsidiary.
- ▶ The restructured PIA is being offered to potential investors in its debt-lite new structure for a 51%+ stake

Proposed structure post segregation



Business Segments

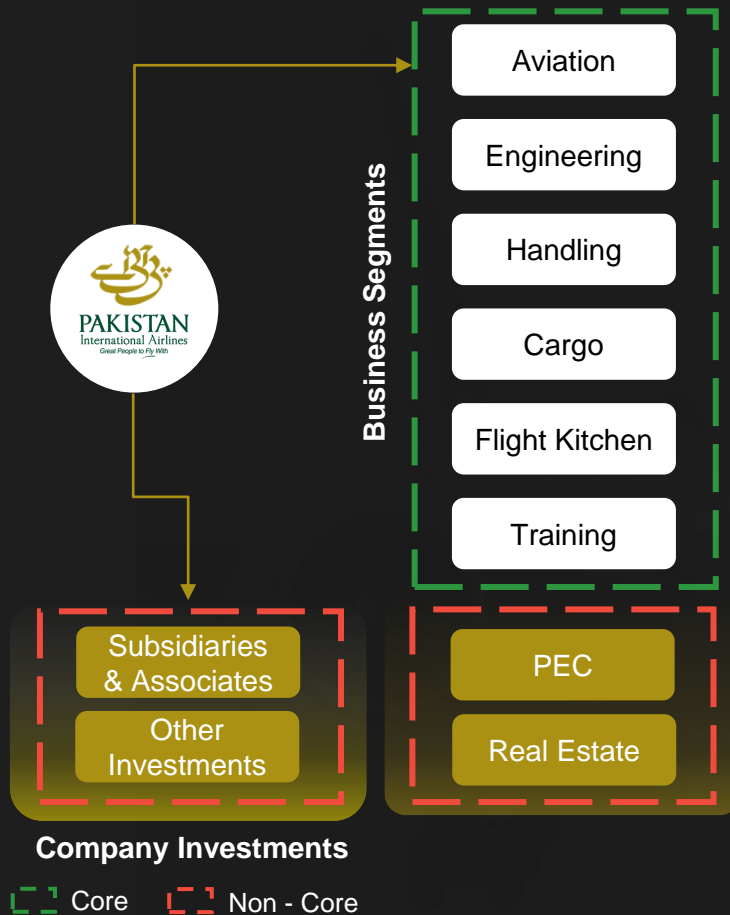
- Aviation
- Engineering
- Training
- Handling
- Cargo
- Flight Kitchen



Shareholder supported restructuring provides a debt-lite PIA ready for privatisation



Restructured PIA provides an opportunity to invest in a full-service airline.



~ *PKR 603b Net liabilities to be carved out

Before	After
<p>Liabilities PKR 830b</p> <p>To be transferred to PIA Holding Company Limited:</p> <ul style="list-style-type: none"> (1) Bank debt and Term Finance Sukuk PKR 268b (2) GoP loans PKR 176b (3) Total GoP / SOE balances + employee and other liabilities PKR 184b 	<p>Liabilities PKR 202b</p> <p>Remaining liabilities encompasses:</p> <ul style="list-style-type: none"> (1) Bank debt, leases and operational liabilities of PKR 167b (2) Employee and contingent liabilities of PKR 35b

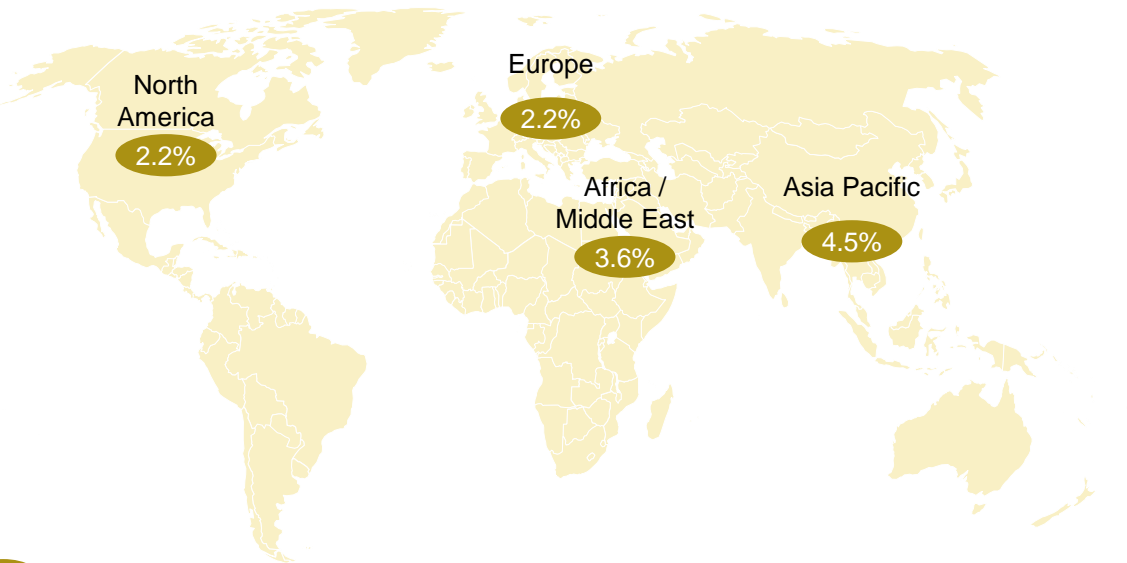
*Non-core assets of PKR 25b will also be carved out into PIA Holding Company Limited

Source: Management information
 *Based on 30th September 2023 Financial Statements
 For further details on the scheme of arrangement please use the link: <https://privatisation.gov.pk/EOPIACL>



The global aviation market outlook is poised for strong growth particularly in Asia

Aviation sector growth rate by region



Regional CAGR 2019-2040

1

Global passenger traffic expected to be recovered in 2024 against 2019 levels

2

Demand for air travel is expected to double by 2040, growing at an annual average rate of 3.4%

3

Origin-destination passengers projected to increase from ~4b in 2019 to over 8b by 2040

Source: Desk research, IATA Jun and Dec 2023 study

Global passenger traffic outlook

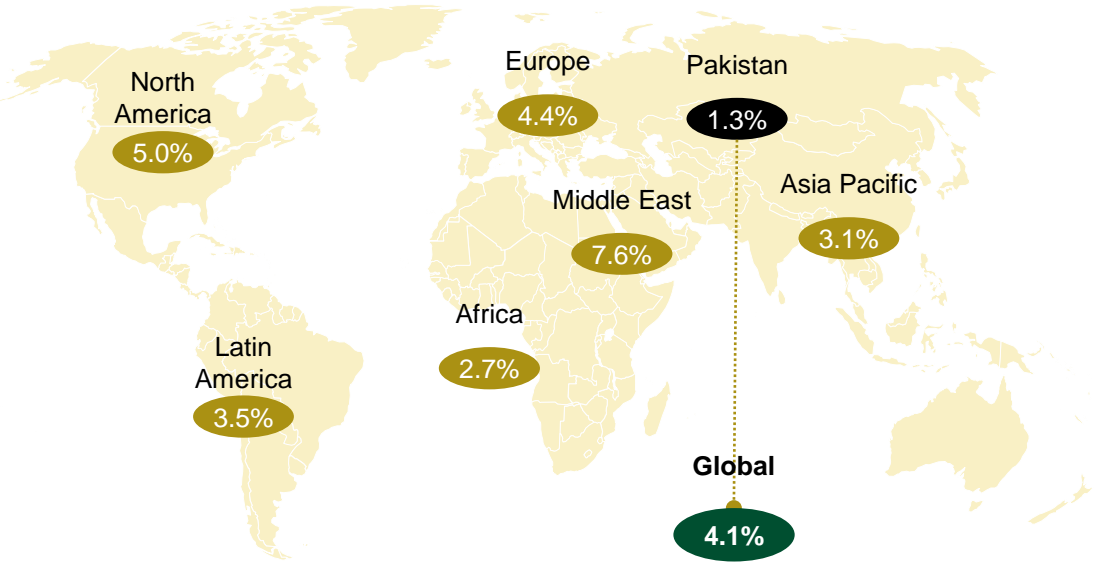
Region	Recovery year (past 2019 levels)	CAGR (2019 – 2040)	Additional pax by 2040, m
Africa	2023	3.6%	169.7
Asia Pacific	2024	4.5%	2,536.8
Europe	2023	2.2%	701.4
Middle East	2023	3.6%	264.1
North America	2023	2.2%	558.5
Latin America & Caribbean	2023	2.8%	304.0
World	2024	3.4%	

Global aviation demand to remain strong

- ▶ Global demand for air travel remained strong in 2023 with a 38% recovery in RPKs, expected to rise another 10% in 2024;
- ▶ Certain regions are already past 2019 levels in 2023. Industry as a whole will be firmly past 2019 levels in 2024;
- ▶ The global PLF reached 82% in 2023, in line with the load factor achieved during the same period in 2019;
- ▶ Reopening of Chinese airports had a substantial impact on restoring RPKs;
- ▶ Between 2023 and 2040, the number of air passengers is projected to increase by 4.2% annually with air passenger numbers to reach 7.8b by 2040.

The Pakistan market is underserved with potential to also increase its GDP contribution

Aviation sector as a percentage of GDP by region



1

Globally aviation sector accounts for over 4% of total GDP

2

Developing economies indicate contribution of over 3% in total GDP

3

Pakistan therefore has the potential to grow its aviation industry significantly

Pakistan aviation outlook



Revenue projected to reach **USD 5.16b** in 2024



Annual revenue growth rate (CAGR 2024 – 2028) expected to be **5.5%**; revenue to reach **USD 6.4b** by 2028



Total revenues to be generated through **online sales** expected to rise significantly by 2028



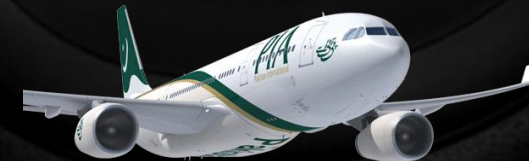
Number of passengers expected to be **35m** by 2028 up from 20.1m in 2023



4.7 seats per 1000 passenger is the lowest coverage in the region signalling an under-served market



Aviation sector contribution to **GDP** currently at **1.3%** has potential to grow as peers are **3%+**



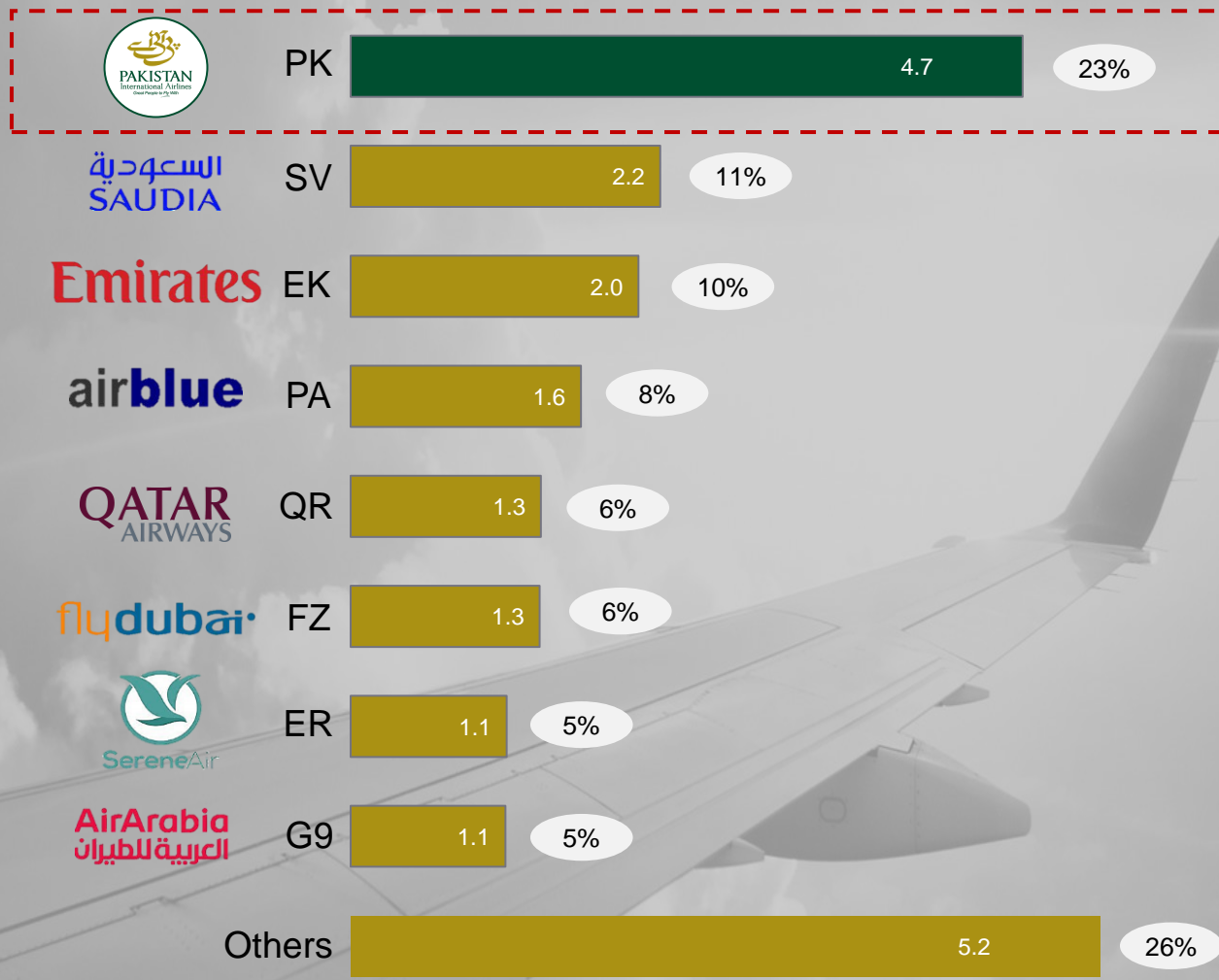


PIA has a dominant market share in the Pakistan aviation market

Despite other regional carriers entering the market



2023 Market share by Passengers (m)



m %

Source: IATA DDS 2023

Key takeaways

- PIA holds onto the largest market share with respect to total passenger travel at 23%
- Middle East airlines together serve ~60% of the passenger traffic benefitting from the absence of direct flights to key destinations
- Regional markets (especially KSA) are a major part of PIA's operation and expected to remain a key contributor, notwithstanding increased competition and pricing pressures
- Other domestic airlines have recorded good growth but still represent a small network positioning in the overall market
- PIA's is well positioned in its market. Additional investment will help to defend and grow its presence to exceed historic levels of c.30% of market share



PIA's domestic route network

PIA is by far the biggest player in the domestic market with an extensive network (c.3x of its nearest competitor)



Top 5 travelled routes (FY23)

City Pairs	No. of pax
Karachi – Islamabad	320,759
Lahore – Karachi	183,589
Skardu – Islamabad	77,452
Quetta - Islamabad	68,738
Quetta - Karachi	54,507

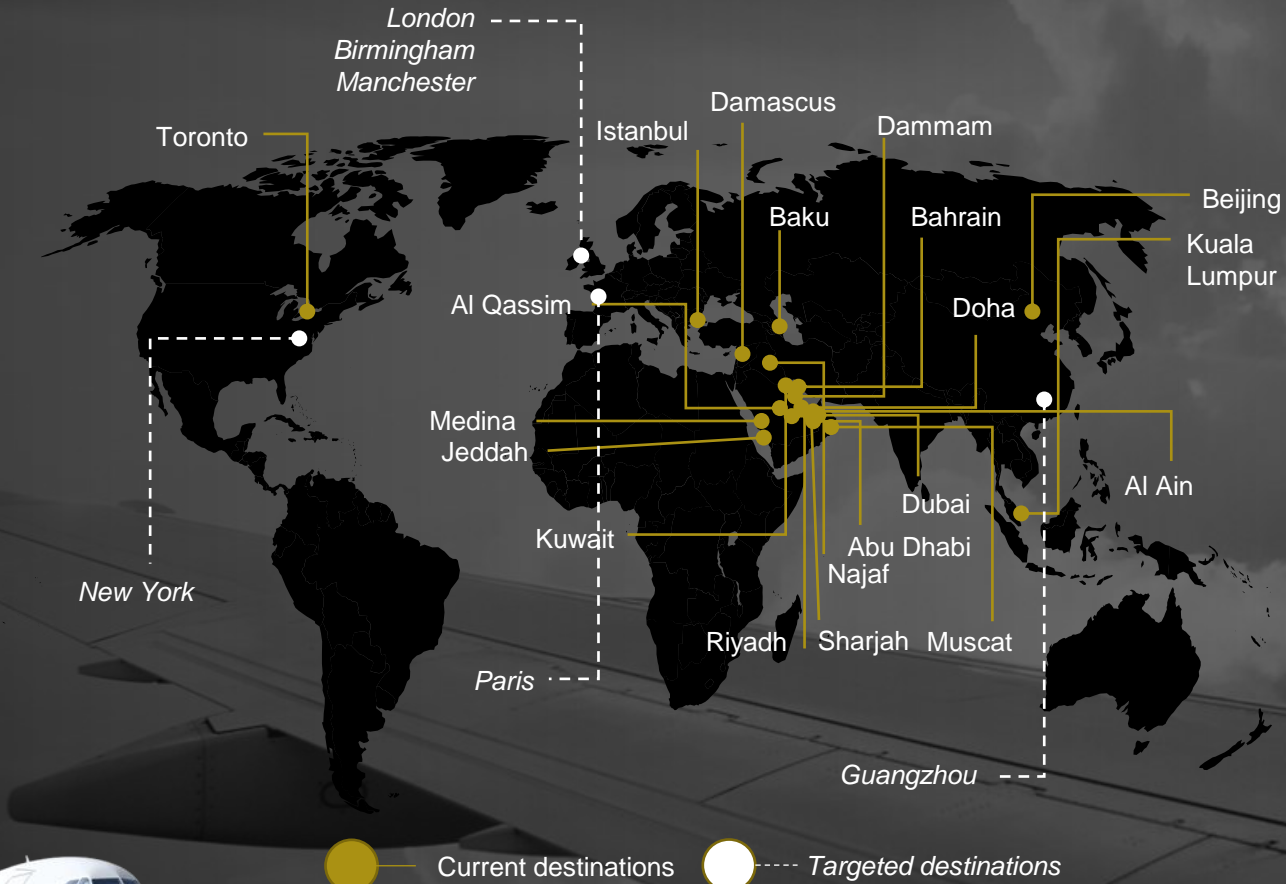
- ▶ PIA has the most extensive domestic network flying to 14 cities (can vary depending on seasonality)
- ▶ Operates from three major hubs in Karachi, Lahore and Islamabad
- ▶ PIA currently has a domestic market share of 35%
- ▶ Currently PIA does 90 weekly round trips, which may vary depending on seasonality
- ▶ Network is served by a mix of A320's and ATR's





PIA's international route network

PIA flies to all key markets and has the immediate opportunity to increase its international coverage



Top 5 destinations (FY23)

City*	No. of pax
Jeddah	1,014,754
Dubai	607,484
Madinah	359,001
Abu Dhabi	244,807
Riyadh	222,335

*Total travel in and out of Pakistan

- ▶ PIA flies to 20 international destinations, 170 weekly round trips; additionally it flies to Baku, Najaf and Damascus depending on seasonality
- ▶ PIA plans to restore its network starting routes into the UK and Western Europe and U.S.A
- ▶ As equipment investment allows it do so, frequency increases and new routes in promising markets will also follow



Pakistan has access to existing Air Service Agreements and slots which facilitate significant growth



PIA landing slots (178 slot pairs)

County	Code	Slot pairs	County	Code	Slot pairs
London, UK	LHR	10	Istanbul	IST	2
Canada	YYZ	4	Al Ain, UAE	AAN	2
Jeddah	JED	32	Abu Dhabi	AUH	14
Medina	MED	9	Dubai	DXB	46
Riyadh, KSA	RUH	7	Sharjah	SHJ	15
Dammam, KSA	DMM	10	Bahrain	BAH	2
Buraydah, KSA	ELQ	2	Kuwait	KWID	2
Kuala Lumpur	KUL	4	Doha	DOH	8
Beijing	PEK	1	Muscat	MCT	8

- PIA currently has landing slots at all key international destinations forming part of its network with easy access to others as required
- Slots such as London Heathrow hold substantial value due to it being an in demand airport with active regulations and history related to slot trading
- With the addition of new routes in the upcoming years, PIA will add to its existing list of landing slots

PIA is well positioned for investment led growth as a dominant full service carrier



Network growth potential

- ▶ Pakistan's large population (250m) and its extensive global diasporas (c11m) provides ample demand
- ▶ The passengers need a choice of direct services to key destinations
- ▶ This provides the grounds for PIA's route network to expand further



Traffic growth potential

- ▶ Pakistani aviation market is expected to continue to grow at a CAGR c.5.5% (annual revenue growth 2024-28)
- ▶ Notwithstanding the emergence of new operators, the market is underserved and has room for a large operator
- ▶ This provides the grounds for frequency increases on a number of existing and new routes



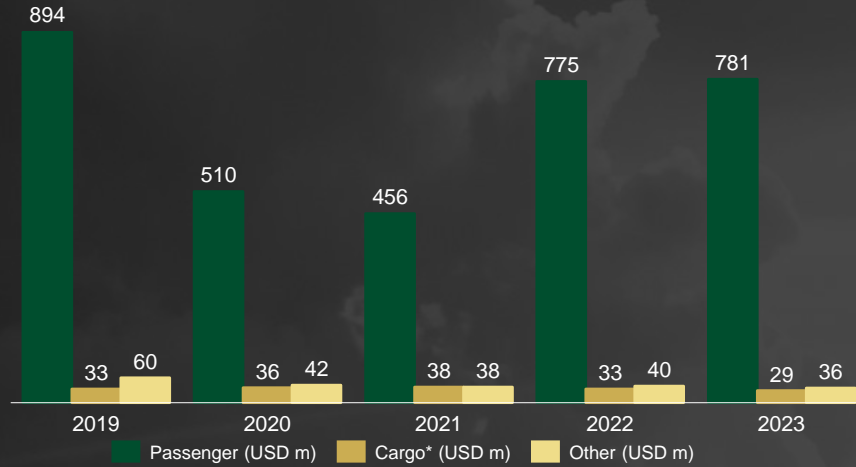
Pakistan needs a reliable full service network carrier (FSNC)

- ▶ PIA has a strong pedigree of having operated a large network in the past and has the ability to scale up
- ▶ PIA is a FSNC with a sound engineering and ancillaries' support service
- ▶ This is not easily replicated by new entrants
- ▶ PIA with investment offers by far the best FSNC platform

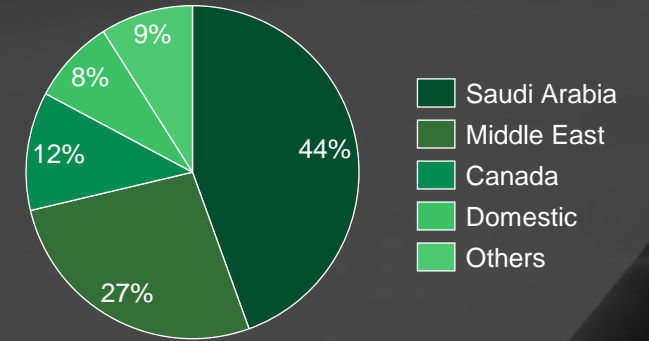
PIA has recovered its post-covid operations in line with the sector notwithstanding financial and operational constraints



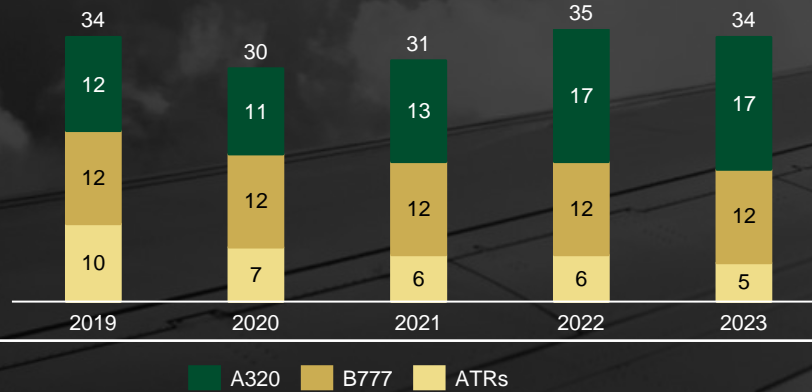
Revenue evolution



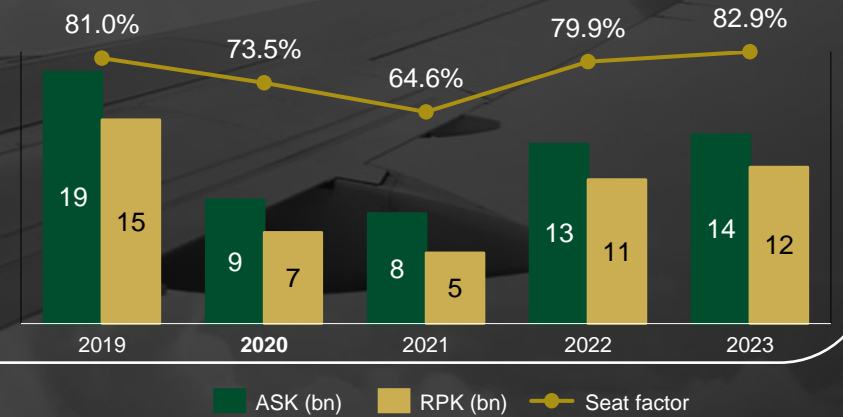
PAX revenue split by location (2023)



Fleet mix



Passenger KPIs

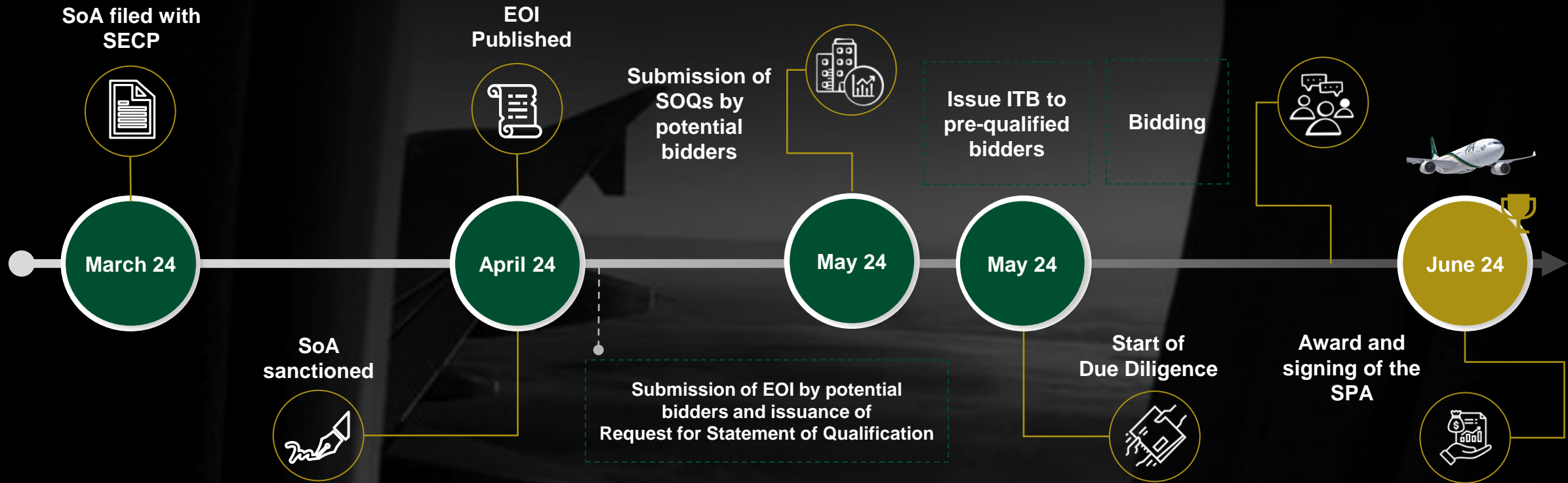


Indicative privatisation transaction overview



Step 1: Segregation phase

Step 2: Go-private transaction to 51%-100% of PIA



Prior to the transaction

- ▶ GoP aims to carve out the non core (non-aviation) segments and investments via a Scheme of Arrangement (“SoA”) filed with the Securities and Exchange Commission of Pakistan (“SECP”) in March 2024
- ▶ Only pre-qualified parties shall be given access to the data room for conducting the due diligence of PIA
- ▶ Instruction to Bidders (ITB) document will provide more details on procedures and deadlines



Thank you