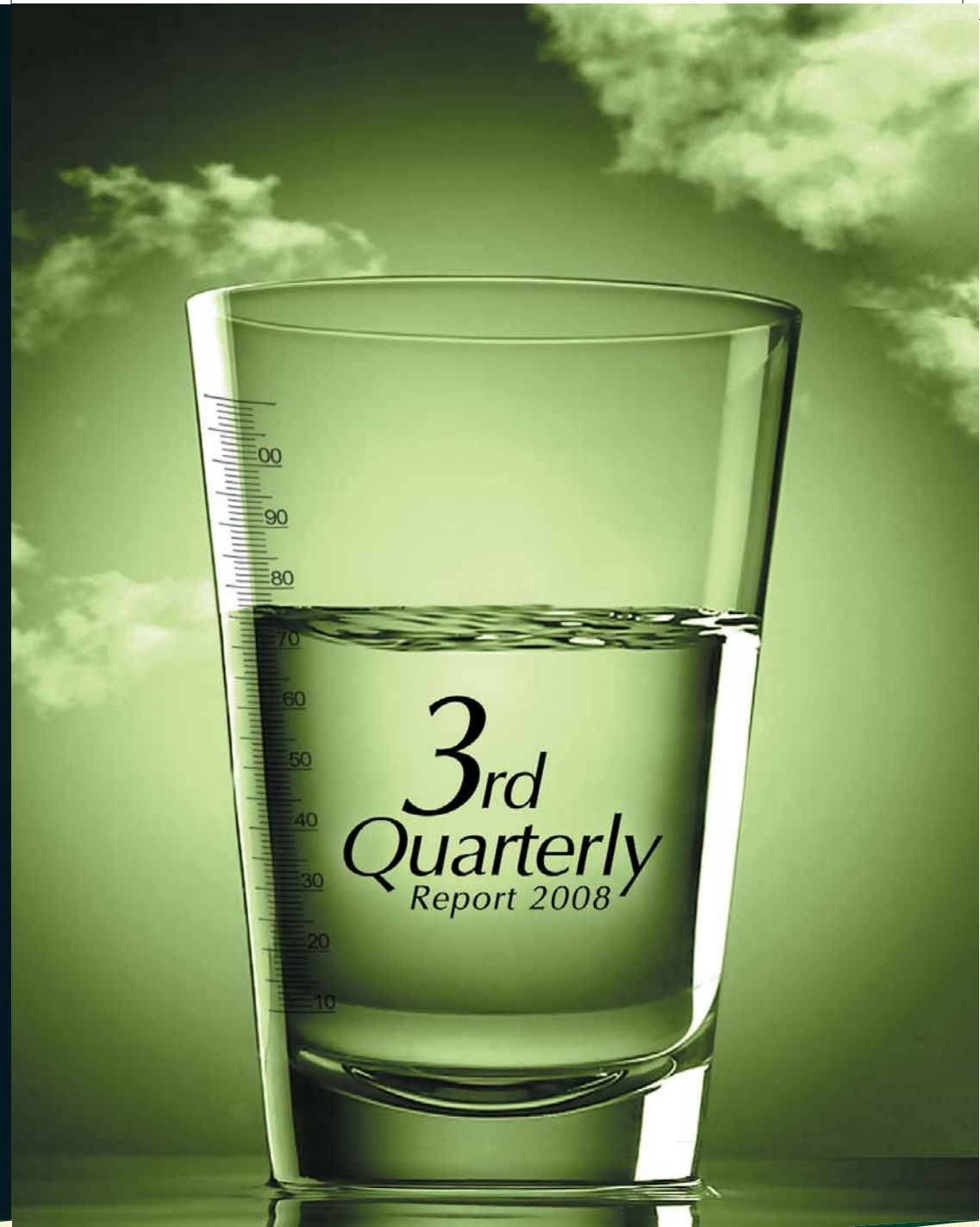


Pakistan International Airlines Corporation  
Head Office  
Jinnah International Airport  
Karachi 75200-Pakistan.

UAN: 111-786-786/ 111-FLY-PIA  
[www.piac.com.pk](http://www.piac.com.pk)



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## Board of Directors

Ch. Ahmed Mukhtar  
Minister for Defence and Chairman - PIA

Syed Naseer Ahmed

Malik Nazir Ahmed

Mr Javed Akhtar

Capt. Mohammad Aijaz Haroon  
Managing Director - PIA

Prof. Mian Ijaz ul Hassan

Mr Mubashir Iftikhar

Mr Husain Lawai

Mr Shaukat Ali Rana

Mr Kamran Rasool  
Secretary Defence

## Managing Director

Capt. Mohammad Aijaz Haroon

## Chief Financial Officer

Mr Arif Majeed

## Corporate Secretary

Mr Muhammad Shuaib

## Head of Internal Audit

Mr S Fazal Ahmad

## Audit Committee

Mr Husain Lawai  
Chairman

Malik Nazir Ahmed

Prof. Mian Ijaz ul Hasan

Mr Mubashir Iftikhar

## Auditors

Messrs Anjum Asim Shahid Rahman  
Messrs Ford Rhodes Sidat Hyder & Co.

## Share Registrar

Central Depository Company of Pakistan  
Ltd. - Shares Registrar Services  
CDC House, 99 - B, Block 'B', Sindhi Muslim  
Cooperative Housing Society  
Main Shahrah-e-Faisal  
Karachi - 74400  
PAKISTAN  
Ph. Customer Support Services  
(Toll Free) 0800 - CDCPL (23275)  
Fax.(92-21) 432 6053  
Email: info@cdcpak.com  
Website: www.cdcpakistan.com

## Head Office

PIA Building  
Jinnah International Airport  
Karachi - 72500  
PAKISTAN  
Website: www.piac.aero

- The Directors' of Pakistan International Airlines are pleased to present their report along with the unaudited interim financial statements for the nine months period ended September 30, 2008.
- The financial results for the period under review are summarized below:

	Third Quarter Ended		Nine Months Ended	
	2008	2007	2008	2007
	Rupees in Million			
Turnover - net	22,834	17,165	60,397	52,046
Aircraft Fuel Cost	13,991	7,124	33,616	21,416
Other Cost & Expenses	13,232	11,593	35,878	36,499
Exchange Loss / (Gain) - net	13,936	269	22,784	(135)
Financial Costs	2,131	1,817	5,841	5,213
Loss Before Tax	20,437	3,069	38,436	10,643
Loss After Tax	20,437	3,155	38,436	10,904

- PIA has incurred an unprecedented loss of over Rs. 38.4 billion, which include foreign exchange translation loss of Rs. 22.8 billion on US dollar denominated loans / lease obligations as a sequel to the steep depreciation of the Rupee.
- Despite stiff competition from the regional carriers, overall net revenue grew by 16%, passenger revenue growth was 17% whereas cargo revenue growth was 10%, in the nine months period ended September 30th 2008, against the corresponding period last year. Various measures like levy of fuel surcharge, increase in fares and improved revenue management have helped in enhancing the revenue.
- The airline industry has been reeling under the impact of high oil prices which peaked in the third quarter. Lately, the slowdown in growth has compounded the difficulties and going forward this poses a great challenge for the industry.
- PIA also continued to face tough times throughout the period under review and specially the third quarter of 2008 proved to be extremely difficult for the Corporation. As a result, during the nine months period under review compared to the corresponding period last year, PIA's losses increased by Rs. 27.8 billion mainly due to Rs. 22.9 billion increase in exchange losses and Rs. 12.2 billion increase in fuel costs; partly compensated by Rs. 8.4 billion increase in net revenue.
- Despite rising inflation rate, the Corporation has achieved success in its cost cutting measures; as a result the operating expenses excluding fuel cost reduced by Rs. 621 million, a decrease of 2%.
- The Corporation has achieved 98% of E-ticketing by September 30, 2008 and it is expected that the remaining 2% which is mainly due to interline electronic-e-ticketing will be completed shortly.
- Performance of the Corporations subsidiaries remained satisfactory. PIA Investments Limited reported revenue of Rs. 6.75 billion and profit after tax of Rs. 831 million representing, an increase of 25% and 147% respectively compared to same period of last year. Skyrooms (Private) Limited, another 100% owned subsidiary reported revenue of Rs. 174 million and profit after tax of Rs. 21.3 million.
- PIA Management and the Board are very concerned about the current operating situation including the high debt level and increasing interest rate environment which is adversely impacting the profitability of the Corporation. The effect of global financial turmoil is already evident on the industry but the worst may be yet to come. This could dampen traffic growth and put pressure on the yields. The recent reduction in oil prices, if sustained, will have a positive impact on the bottomline and cashflows. The management with full support of the GoP, Board, employees and other stakeholders is confident that the additional measures taken to contain the high loss situation will bring about sustainable improvements in near future.

October 27, 2008

For and on behalf of the Board

Ch. Ahmed Mukhtar  
Chairman

	Sep 2008	Dec 2007	Sep 2008
	(Rupees in thousand)		(US\$ in thousand)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	97,383,051	95,497,151	1,246,902
Intangibles	85,224	103,475	1,091
	97,468,275	95,600,626	1,247,993
Long term investments	4,509,639	4,540,229	57,742
Long term advances and other receivable	1,283,804	1,283,000	16,438
Long term deposits and prepayments	5,009,844	4,098,388	64,147
	108,271,562	105,522,243	1,386,320
<b>CURRENT ASSETS</b>			
Stores and spares	3,649,545	3,251,940	46,729
Trade debts	7,779,812	5,012,778	99,613
Advances	344,520	604,470	4,411
Trade deposits and prepayments	1,100,965	1,023,312	14,097
Accrued interest	2,017	32,789	26
Other receivables	1,828,340	1,043,971	23,410
Short term investments	41,746	32,093	535
Taxation - net	441,254	274,518	5,650
Cash and bank balances	2,186,883	1,975,459	28,001
	17,375,082	13,251,330	222,472
<b>TOTAL ASSETS</b>	<b>125,646,644</b>	<b>118,773,573</b>	<b>1,608,792</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	20,878,074	20,878,074	267,325
Reserves	4,280,712	4,280,712	54,811
Unrealized gain / (loss) on remeasurement of investments - net	78,864	97,366	1,010
Accumulated losses	(75,070,633)	(37,159,711)	(961,212)
<b>Total equity</b>	<b>(49,832,983)</b>	<b>(11,903,559)</b>	<b>(638,066)</b>
Surplus on revaluation of fixed assets - net	394,169	972,040	5,047
	(49,438,814)	(10,931,519)	(633,019)
<b>NON - CURRENT LIABILITIES</b>			
Advance against equity from Gov	544,940	-	6,978
Long term financing	22,632,701	17,037,075	289,791
Loan from subsidiary	468,601	-	6,000
Term finance certificates	10,238,435	10,723,738	131,094
Liabilities against assets subject to finance lease	66,146,747	46,524,024	846,949
Long term deposits	282,136	321,547	3,613
Deferred liabilities	3,255,870	3,049,166	41,688
	103,569,430	77,655,550	1,326,113
<b>CURRENT LIABILITIES</b>			
Trade and other payables	27,780,446	20,055,163	355,703
Accrued interest / mark-up / profit	1,138,197	978,317	14,574
Short term borrowings	30,026,403	18,105,884	384,461
Current portion of:			
Long term financing	3,265,967	5,662,451	41,818
Term finance certificates	2,191,708	2,523,232	28,063
Liabilities against assets subject to finance lease	7,113,307	4,724,495	91,079
	71,516,028	52,049,542	915,698
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>125,646,644</b>	<b>118,773,573</b>	<b>1,608,792</b>

The annexed notes form an integral part of these interim condensed financial statements.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

	Nine months ended		Quarter ended		Nine months ended
	SEP-2008	SEP-2007	SEP-2008	SEP-2007	SEP-2008
	(Rupees in thousand)				(US\$ in thousand)
Turnover - net	60,396,628	52,046,157	22,834,485	17,164,793	773,324
Cost of services					
Aircraft fuel	(33,615,704)	(21,416,234)	(13,990,807)	(7,124,033)	(430,419)
Others	(28,549,840)	(29,512,636)	(10,667,476)	(9,192,562)	(365,555)
	(62,165,544)	(50,928,870)	(24,658,283)	(16,316,595)	(795,974)
<b>Gross Profit / (Loss)</b>	<b>(1,768,916)</b>	<b>1,117,287</b>	<b>(1,823,798)</b>	<b>848,198</b>	<b>(22,650)</b>
Distribution costs	(3,338,309)	(3,111,473)	(1,144,812)	(1,138,758)	(42,744)
Administrative expenses	(3,989,913)	(3,874,768)	(1,419,943)	(1,261,074)	(51,087)
	(7,328,222)	(6,986,241)	(2,564,755)	(2,399,832)	(93,831)
<b>Other provisions and adjustments - net</b>					
Exchange gain / (loss) - net	(22,784,133)	134,531	(13,935,917)	(269,192)	(291,730)
Others	(1,571,745)	(548,834)	(98,734)	(63,827)	(20,125)
	(24,355,878)	(414,303)	(14,034,651)	(333,019)	(311,855)
Other operating income	858,442	852,662	117,774	632,686	10,992
<b>Loss from operations</b>	<b>(32,594,574)</b>	<b>(5,430,595)</b>	<b>(18,305,430)</b>	<b>(1,251,967)</b>	<b>(417,344)</b>
Finance costs	(5,841,454)	(5,212,776)	(2,131,270)	(1,816,879)	(74,795)
<b>Loss before tax</b>	<b>(38,436,028)</b>	<b>(10,643,371)</b>	<b>(20,436,700)</b>	<b>(3,068,846)</b>	<b>(492,139)</b>
Taxation	-	(260,231)	-	(85,824)	-
<b>Loss after tax</b>	<b>(38,436,028)</b>	<b>(10,903,602)</b>	<b>(20,436,700)</b>	<b>(3,154,670)</b>	<b>(492,139)</b>
	(Rupees)				(US\$)
Loss per share					
'A' class ordinary shares Rs.10 each	(18.41)	(5.60)	(9.79)	(1.62)	(0.24)
'B' class ordinary shares Rs.5 each	(9.21)	(2.80)	(4.90)	(0.81)	(0.12)

The annexed notes form an integral part of these interim condensed financial statements.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director



PAKISTAN INTERNATIONAL AIRLINES CORPORATION

Interim Condensed Cash Flow Statement (Un-audited)  
For the nine months period ended September 30, 2008

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

Interim Condensed Statement of Changes in Equity (Un-audited)  
For the nine months period ended September 30, 2008



Note	Sep 2008	Sep 2007	Sep 2008
	(Rupees in thousand)		(US\$ in thousand)
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	15 (22,960,066)	(3,248,674)	(293,983)
Profit on bank deposits received	146,429	177,674	1,875
Deferred custom duty paid	(113,554)	(176,941)	(1,454)
Finance costs paid	(5,681,574)	(5,325,428)	(72,747)
Taxes paid	(166,736)	(261,004)	(2,135)
Long term deposits - net	(950,867)	(608,306)	(12,175)
Net cash used in operating activities	(29,726,368)	(9,442,679)	(380,619)
<b>Cash flows from investing activities</b>			
Fixed capital expenditure	4,827,470	(3,518,287)	61,811
Proceeds from sale of fixed assets	211,688	260,413	2,710
Dividend received	500,588	386,292	6,410
Net cash generated from / (used in) investing activities	5,539,746	(2,871,582)	70,931
<b>Cash flows from financing activities</b>			
Advance against Equity	544,940	1,057,741	6,977
Proceeds / (repayment) of long term financing	3,199,142	16,238,918	40,962
Redemption of term finance certificates	(816,827)	(756,970)	(10,459)
Proceeds/(repayment) of obligations under finance lease	9,550,272	(5,130,839)	122,283
Repayment of long term murabaha	-	(639,532)	-
Net cash generated from / (used in) financing activities	12,477,527	10,769,318	159,763
Decrease in cash and cash equivalents	(11,709,095)	(1,544,943)	(149,925)
Cash and cash equivalents at the beginning of the period	(16,130,425)	(10,083,522)	(206,535)
Cash and cash equivalents at the end of the period	(27,839,520)	(11,628,465)	(356,460)
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	2,186,883	1,189,850	28,001
Short term borrowings	(30,026,403)	(12,818,315)	(384,461)
	(27,839,520)	(11,628,465)	(356,460)

The annexed notes form an integral part of these interim condensed financial statements.

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

	Share capital	Capital reserves	Revenue reserves	Unrealized gain / (loss) on re-measurement of investments	Accumulated losses	Total equity
..... (Rupees in thousand) .....						
Balance as at January 01, 2007	19,473,631	2,501,038	1,779,674	21,013	(24,563,386)	(788,030)
Unrealized gain on re-measurement of investments	-	-	-	65,239	-	65,239
Loss for the period	-	-	-	-	(10,275,261)	(10,275,261)
Balance as at September 30, 2007	19,473,631	2,501,038	1,779,674	86,252	(34,838,647)	(10,998,052)
Balance as at January 01, 2008	20,878,074	2,501,038	1,779,674	97,366	(37,159,710)	(11,903,558)
Unrealized loss on re-measurement of investments	-	-	-	(18,502)	-	(18,502)
Loss for the period	-	-	-	-	(38,436,028)	(38,436,028)
Less: Transfer from surplus on revaluation					525,105	525,105
Balance as at September 30, 2008	20,878,074	2,501,038	1,779,674	78,864	(75,070,633)	(49,832,983)

The annexed notes form an integral part of these interim condensed financial statements.

## 1. CORPORATE INFORMATION

- 1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated in Pakistan on January 10, 1955 under the PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation's Act 1956 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services.
- 1.2 During the current period, the Corporation incurred a net loss of Rs.38,436 (Sep 30, 2007: Rs.10,904) million, resulting in accumulated losses of Rs.75,071 (December 31, 2007: Rs.37,160) million as of the balance sheet date. Further, as of that date the current liabilities of the Corporation exceeded its current assets by Rs.54,141 (December 31, 2007: Rs.38,798) million. The steep devaluation of the rupee and the high level of oil prices were the contributory factors for the loss during the period. The management is taking corrective measures to improve the operating results of the Corporation.

The Government of Pakistan (GoP), as a majority shareholder, is committed to ensure the going concern status of the Corporation at all times. Historically, the support of the GoP has always been available to the Corporation.

The Corporation, therefore, believes that the going concern assumption is appropriate and has, as such, prepared these financial statements on this basis.

The Head office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.

## 2. BASIS OF PREPARATION

These interim condensed financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 "Interim Financial Reporting" as applicable in Pakistan.

The interim condensed financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Corporation's annual financial statements as at December 31, 2007.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed financial statements are the same as those applied in the preparation of the annual financial statements of the Corporation for the year ended December 31, 2007.

## 4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Capital work-in-progress

SEP-2008      DEC-2007  
(Rupees in thousand)

Operating fixed assets	96,904,203	88,075,893
Capital work-in-progress	478,848	7,421,258
	<u>97,383,051</u>	<u>95,497,151</u>

### 4.1 Following are the major additions and deletions during the period:

#### Addition / transfers

##### Owned

	SEP-2008	SEP-2007
	(Rupees in thousand)	
Buildings on leasehold land	18,173	20,142
Workshops and hangars	-	2,336
Renovation and improvements	46,439	25,865
Aircraft fleet / Engines	115,766	3,070,722
Aircraft fleet / Engines Overhauling	258,101	-
Operating ground equipment, Catering, communication & meteorological equipment	2,310	26,007
Engineering equipment and tools	25,738	79,474
Motor transport	19,505	19,121
Traffic equipment	15,401	31,582
Furniture, fixture and fittings	30,311	18,225
Office equipment	532	532
Computer and office automation	19,174	72,027
Precision engineering equipment	299	184
Other equipment	29,778	39,547
Capital spares	471,665	1,032,083
	<u>1,053,192</u>	<u>4,437,847</u>

##### Leased

Aircraft fleet / Engines (4.1.1)	12,461,263	10,488,244
Aircraft fleet / Engines Overhauling	1,035,091	-
Vehicles	1,878	-
	<u>13,498,232</u>	<u>10,488,244</u>
	<u>14,551,424</u>	<u>14,926,091</u>

#### Deletions

Owned		
Land	103	103
Traffic equipment	-	3,414
Renovation and improvements	-	1,525
Aircraft fleet	-	231,584
Operating ground equipment, Catering, Communication & meteorological equipment	7,210	3,274
Motor transport	12,261	480
Traffic equipment	26,164	-
Furniture, Fixture and fittings	1,034	1,300
Office equipments	455	435
Computer and office automations	132	520
Other equipments	-	287
Capital spares	7,187	79,536
	<u>54,546</u>	<u>322,458</u>

##### Leased

Vehicles	15,479	2,415
	<u>70,025</u>	<u>324,873</u>

4.1.1 This represents one Boeing 777-300ER acquired under finance lease arrangements during the current period.

	SEP-2008	DEC-2007
(Rupees in thousand)		
5. STORES AND SPARES		
Stores	859,105	849,517
Spares	4,335,189	3,986,246
	5,194,294	4,835,763
Less: provision for slow moving stores and spares	(2,174,494)	(1,930,145)
	3,019,800	2,905,618
Inventory held for disposal	2,207,092	2,207,092
Less: adjustment to write down surplus inventory to net realizable value	(1,944,539)	(1,944,539)
Disposal during the period	(9,694)	-
	252,859	262,553
Goods-in-transit	376,886	83,769
	3,649,545	3,251,940

6. ADVANCE AGAINST EQUITY FROM GoP

This represents the amount received from GoP towards equity contribution under the terms of Financial Package whereby GoP had agreed to provide equity contribution to the corporation to cover interest/profit payments on TFCs.

7. LONG TERM FINANCING - secured

Financier	Limit (Rupees in million)	Repayment Period	Number of installments / mode	SEP-2008	DEC-2007
				(Rupees in thousand)	
<b>From Banking Companies</b>					
United Bank Limited	1,650	2005 - 2010	6 Half-yearly	945,640	1,215,825
Citibank / DVB Bank	6,603	2008	1 Bullet	-	3,184,462
Habib Bank Limited	530	2006 - 2009	36 Monthly	132,500	267,000
Citibank, N.A.	6,221	2006 - 2017	20 Half-yearly	5,484,659	4,599,184
Habib Bank Limited	200	2006 - 2009	36 Monthly	72,222	122,222
ABN Amro Bank	4,497	2009 - 2013	19 Quarterly	4,295,397	3,132,458
NBP/HBL	9,372	2010	1 Bullet	9,372,000	7,374,000
Standard Chartered Bank - Dubai	3,905	2007-2009	12 Quarterly	1,952,500	2,304,375
Nationa Bank of Pakistan - Karachi	500	2007-2010	12 Quarterly	375,000	500,000
Nationa Bank of Pakistan - Bahrain	3,905	2008-2010	24 Monthly	3,268,750	-
				25,898,668	22,699,526
Less : current portion				(3,265,967)	(5,662,451)
				22,632,701	17,037,075

	SEP-2008	DEC-2007
(Rupees in thousand)		
8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE		
Present value of future rental obligations - aircraft fleet		
A-310 - 300	5,940,728	5,149,590
B-777 -200 ER	17,558,758	15,101,574
B-777 -200 LR	16,889,286	14,156,116
B-777 -300 ER	32,848,812	16,794,148
	73,237,584	51,201,428
Present value of future rental obligations - vehicles	22,470	47,091
	73,260,054	51,248,519
Less: current portion	(7,113,307)	(4,724,495)
	66,146,747	46,524,024
9. SHORT TERM BORROWINGS - secured		
Short term loans (note 9.1)	26,930,563	16,033,876
Running finance under mark-up arrangements (note 9.2)	3,095,840	2,072,008
	30,026,403	18,105,884

9.1 Short term loans - secured

Financier	Security	Repayment period	SEP 2008	DEC-2007
<b>From Banking Companies</b>				
Habib Bank Limited - Karachi	GoP Guarantee	3 months	2,000,000	2,000,000
United Bank Limited - Dubai	UAE Receivables	1 Year	1,711,946	1,359,997
Habib Allied Bank Limited-London	Euro Receivables	1 Year	702,900	553,050
United Bank Limited - Bahrain	UAE Receivables	1 Year	1,014,113	802,375
Habib Bank Limited - Karachi	GoP Guarantee/Domestic Receivables	1 Year	2,850,000	2,850,000
Standard Chartered Bank - Dubai	GoP Guarantee	1 Year	3,631,650	3,072,500
Standard Chartered Bank - Dubai	Remittance Routing	1 Year	234,300	553,050
Habib Bank Limited - Karachi	GoP Guarantee	1 Year	1,562,000	1,843,500
Standard Chartered Bank - Karachi	GoP Guarantee	6 months	2,999,904	2,999,404
National Bank Pakistan	GoP Guarantee	1 Year	1,100,000	-
United Bank Limited	GoP Guarantee	1 Year	976,000	-
United Bank Limited	GoP Guarantee	1 Year	781,000	-
HSBC	GoP Guarantee	1 Year	1,000,000	-
HAIB-London	EURO Receivables	15 Month	292,875	-
HAIB-KEPZ	EURO Receivables	15 Month	292,875	-
National Bank Pakistan	Current Assets	4 Month	781,000	-
Habib Bank Limited - Karachi	GoP Guarantee	1 Year	1,000,000	-
National Bank Pakistan	GoP Guarantee	1 Year	1,500,000	-
Askari Bank Karachi	GoP Guarantee	1 Year	1,500,000	-
Barclays Bank	GoP Guarantee	1 Year	1,000,000	-
			<u>26,930,563</u>	<u>16,033,876</u>

9.2 Running finance under mark-up arrangements - secured

Financier	Security	Repayment period	SEP 2008	DEC-2007
<b>From Banking Companies</b>				
United Bank Limited - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	2,520,832	1,497,008
National Bank of Pakistan - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	575,008	575,000
			<u>3,095,840</u>	<u>2,072,008</u>

10. CONTINGENCIES AND COMMITMENTS

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2007.

11. TURNOVER - net

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Passenger	53,457,237	45,592,466	19,879,289	14,845,461
Cargo	4,150,184	3,767,056	1,790,762	1,482,716
Excess baggage	607,759	615,925	226,164	200,320
Charter	148,770	128,196	52,438	43,231
Engineering services	611,350	457,864	327,622	138,669
Handling and related services	539,826	625,422	248,478	188,954
Mail	201,337	236,143	69,618	79,719
Others	680,165	623,085	240,114	185,723
	<u>60,396,628</u>	<u>52,046,157</u>	<u>22,834,485</u>	<u>17,164,793</u>

12. COST OF SERVICES - others

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Salaries, wages and allowances	5,917,194	5,201,942	2,087,320	1,706,284
Welfare and social security costs	210,468	186,326	76,602	62,931
Retirement benefits	531,222	356,776	181,672	132,925
Compensated absences	74,305	9,018	24,108	3,006
Legal and professional charges	74,169	91,114	40,497	34,993
Stores and spares consumed	1,079,357	1,437,514	410,517	597,947
Maintenance and overhaul	2,817,160	5,055,026	1,267,958	1,624,154
Flight equipment rental	713,332	2,762,082	239,332	463,746
Landing and handling	6,354,070	5,874,467	2,406,066	1,752,457
Passenger services	2,091,578	2,103,706	819,828	676,505
Crew layover	1,559,002	1,569,423	601,090	504,548
Staff training	41,008	51,826	15,469	14,289
Utilities	13,256	10,967	4,774	4,808
Communication	40,209	47,456	13,712	14,376
Insurance	858,024	816,973	289,698	278,494
Rent, rates and taxes	232,213	198,014	74,916	58,067
Printing and stationery	66,968	93,118	20,085	26,364
Amortization	1,691	1,859	564	621
Depreciation	5,620,124	3,466,522	2,003,490	1,163,027
Others	254,490	178,507	89,778	73,020
	<u>28,549,840</u>	<u>29,512,636</u>	<u>10,667,476</u>	<u>9,192,562</u>

13. OTHER PROVISION AND ADJUSTMENTS - Net

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Loss on fixed assets written off	1,453	21,254	-	21,254
Provision for slow moving stores & spares	244,434	320,688	98,734	-
Provision (written back)/made for doubtful	(174,142)	223,319	-	59,000
Provision against claims by the CAA	1,500,000	-	-	-
Others	-	(16,427)	-	(16,427)
	<u>1,571,745</u>	<u>548,834</u>	<u>98,734</u>	<u>63,827</u>

14. FINANCE COSTS

Mark-up on long term financing	992,879	664,641	343,426	395,287
Profit on term finance certificates	1,102,356	1,027,586	399,966	346,625
Interest on liabilities against assets subject to finance lease	1,835,036	2,193,476	607,085	734,097
Mark-up on long term murabaha	-	38,719	-	4,366
Mark-up on short-term borrowings	1,655,781	1,036,990	691,801	277,764
Arrangement, agency and commitment fee	225,588	219,394	77,286	50,704
Bank charges, guarantee commission and other related charges	29,814	31,970	11,706	8,036
	<u>5,841,454</u>	<u>5,212,776</u>	<u>2,131,270</u>	<u>1,816,879</u>

15. CASH (USED IN) / GENERATED FROM OPERATIONS

	Nine months ended	
	SEP-2008	SEP-2007
	(Rupees in thousand)	
Loss before tax	(38,436,028)	(10,643,371)
Adjustments for:		
Depreciation	5,738,552	3,632,554
Capital spares scrappage	1,453	21,254
Gain on disposal of fixed assets	(202,822)	(259,005)
Amortization	18,754	23,601
Provision for Stores & Spares	244,434	320,688
Provision for doubtful debts	(174,142)	223,319
Finance costs	5,841,454	5,212,776
Profit on bank deposits	(115,657)	(159,039)
Dividend income	(500,588)	(386,292)
	<u>(27,584,590)</u>	<u>(2,013,515)</u>
Working capital changes:		
(Increase) in stores and spares	(641,953)	(120,047)
(Increase) in trade debts	(2,592,893)	(653,078)
(Increase) / decrease in advances	259,950	(1,029,479)
(Increase) in trade deposits and prepayments	(77,653)	(44,612)
(Increase) in other receivables	(753,596)	(331,521)
Increase (decrease) in trade and other payables	8,430,669	943,578
	<u>4,624,524</u>	<u>(1,235,159)</u>
Cash (used in) / generated from operations	<u>(22,960,066)</u>	<u>(3,248,674)</u>

16. RELATED PARTY RELATIONSHIP

The Corporation has related party relationships with the following undertakings:

	SEP-2008	SEP-2007
- Sky Rooms (Private) Limited	Subsidiary	Subsidiary
- Midway House (Private) Limited (under winding-up)	Subsidiary	Subsidiary
- PIA Investments Limited (PIAIL)	Subsidiary	Subsidiary
- Abacus Distribution Systems Pakistan (Private) Limited	Joint Venture	Joint Venture
- Minhal Incorporated - Sharjah	Associate	Associate

17. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on October 27, 2008.

18. GENERAL

- 18.1 Figures have been rounded off to the nearest thousand rupees.
- 18.2 The US Dollar amounts in Balance Sheet, Profit and Loss Account and Cash Flow Statement have been translated into US Dollars at the rate of Rs. 78.10 = US\$ 1 solely for convenience purposes.
- 18.3 The information as to the available capacity and utilization thereof during the quarter is disclosed in the statistics annexed to the interim condensed financial statements.

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

		2008			2007		
		1st Quarter	2nd Quarter	3rd Quarter	1st Quarter	2nd Quarter	3rd Quarter
<b>Traffic Operations</b>							
Available Seat Kilometers (million)	International	3,314	3,801	4,127	4,045	4,157	4,040
	Domestic	652	607	645	771	687	625
	Hajj	615	-	-	772	-	-
	Total	4,581	4,408	4,772	5,588	4,844	4,665
Revenue Passenger Kilometers (million)	International	2,383	2,756	3,184	2,942	2,857	3,074
	Domestic	464	477	458	464	465	457
	Hajj	313	-	-	393	-	-
	Total	3,160	3,233	3,642	3,799	3,322	3,531
Seat Factor (%)	International	71.91	72.51	77.15	72.73	68.73	76.09
	Domestic	71.17	78.58	71.01	60.18	67.69	73.12
	Hajj	50.89	0.00	0.00	50.91	0.00	-
	Total	68.98	73.34	76.32	67.98	68.58	75.69
Available Freight Tonne Kilometers (million)	International	107	118	132	128	148	141
	Domestic	20	17	18	31	28	22
	Total	127	135	150	159	176	163
Revenue Freight Tonne Kilometers (million)	International	60	71	94	74	80	102
	Domestic	9	9	10	8	9	11
	Total	69	80	104	82	89	113
Load Factor (%)	International	56.07	60.17	71.21	57.81	54.05	72.34
	Domestic	45.00	52.94	55.56	25.81	32.14	50.00
	Total	54.33	59.26	69.33	51.57	50.57	69.33
<b>Financial</b>							
(----- Rupees in million -----)							
Operating Revenue		17,826	19,736	22,834	17,679	17,207	17,165
Operating Expenses		19,801	22,470	27,223	20,181	19,018	18,716
Profit/(loss) before taxation		(5,398)	(12,601)	(20,437)	(3,865)	(3,709)	(3,069)
Profit/(loss) after taxation		(5,487)	(12,601)	(20,437)	(3,954)	(3,795)	(3,155)
Fixed Assets		100,973	99,061	97,468	87,095	89,285	89,390
Current Assets		14,236	14,809	17,375	15,222	15,219	15,211
Current Liabilities		55,198	62,066	71,516	43,211	39,633	44,733
Long-term Debts		83,211	87,033	99,486	69,483	78,391	76,453
Net Worth		(17,171)	(29,383)	(49,833)	(4,635)	(8,214)	(10,998)
Jet Fuel Prices (Rs. Per US Gallon)		174.47	241.22	274.01	114.28	125.03	134.49

GROUP CONSOLIDATED  
FINANCIAL STATEMENTS  
SEPTEMBER 2008

	Sep 2008	Dec 2007	Sep 2008
Note	(Rupees in thousand)		(US\$ in thousand)
<b>ASSETS</b>			
<b>NON - CURRENT ASSETS</b>			
Fixed assets			
Property, plant and equipment	143,649,595	132,470,820	1,839,303
Intangibles	2,047,596	2,067,117	26,218
	145,697,191	134,537,937	1,865,521
Long term investments	93,927	188,465	1,203
Long term advances and other receivable	2,077,862	1,755,298	26,605
Long term deposits and prepayments	5,011,805	4,242,703	64,171
	152,880,785	140,724,403	1,957,500
<b>CURRENT ASSETS</b>			
Stores and spares	3,694,191	3,286,170	47,301
Trade debts	8,667,524	5,395,745	110,980
Advances	335,409	549,900	4,295
Trade deposits and prepayments	1,100,965	1,257,980	14,097
Accrued interest	2,017	32,789	26
Other receivables	2,833,392	1,170,866	36,279
Short term investments	174,329	182,771	2,232
Taxation	477,519	310,239	6,114
Cash and bank balances	4,933,163	4,233,180	63,164
	22,218,509	16,419,640	284,488
<b>TOTAL ASSETS</b>	<b>175,099,294</b>	<b>157,144,043</b>	<b>2,241,988</b>
<b>EQUITY AND LIABILITIES</b>			
<b>SHARE CAPITAL AND RESERVES</b>			
Share capital	20,878,074	20,878,074	267,325
Reserves	4,282,440	4,280,712	54,833
Unrealized gain on remeasurement of investments	78,864	97,366	1,010
Foreign exchange translation reserve	5,250,596	2,116,441	67,229
Accumulated losses	(73,267,004)	(36,029,644)	(938,118)
	(42,777,030)	(8,657,051)	(547,721)
<b>MINORITY INTEREST</b>	<b>606,746</b>	<b>527,860</b>	<b>7,769</b>
<b>TOTAL EQUITY</b>	<b>(42,170,284)</b>	<b>(8,129,191)</b>	<b>(539,952)</b>
Surplus on revaluation of fixed assets - net	10,687,028	10,190,057	136,838
	(31,483,256)	2,060,866	(403,115)
<b>NON - CURRENT LIABILITIES</b>			
Advance against equity from GoP	544,940	-	6,977
Long term financing	38,065,145	28,994,934	487,390
Term finance certificates	10,238,435	10,723,738	131,094
Liabilities against assets subject to finance lease	66,214,507	46,524,024	847,817
Long term deposits	282,268	321,679	3,614
Deferred liabilities	17,463,672	14,669,765	223,607
	132,808,967	101,234,140	1,700,499
<b>CURRENT LIABILITIES</b>			
Trade and other payables	29,695,879	21,652,372	380,229
Accrued interest / mark-up / profit	1,138,198	978,317	14,574
Short term borrowings	30,026,403	18,105,884	384,461
Tax payable	45,730	19,388	585
Current portion of:			
Long term financing	3,562,358	5,845,349	45,613
Term finance certificates	2,191,708	2,523,232	28,063
Liabilities against assets subject to finance lease	7,113,307	4,724,495	91,079
	73,773,583	53,849,037	944,604
<b>CONTINGENCIES AND COMMITMENTS</b>			
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>175,099,294</b>	<b>157,144,043</b>	<b>2,241,988</b>

The annexed notes form an integral part of these interim condensed consolidated financial statements.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

	Nine months ended		Quarter ended		Nine months ended
Note	SEP-2008	SEP-2007	SEP-2008	SEP-2007	SEP-2008
	(Rupees in thousand)				(US\$ in thousand)
Turnover - net	67,169,261	58,188,119	25,318,430	19,777,388	860,042
Cost of services					
Aircraft fuel	(33,615,704)	(21,416,234)	(13,990,807)	(7,124,034)	(430,419)
Others	(33,220,867)	(34,292,921)	(12,816,857)	(11,791,929)	(425,363)
	(66,836,571)	(55,709,155)	(26,807,664)	(18,915,963)	(855,782)
Gross Profit / (Loss)	332,690	2,478,964	(1,489,234)	861,425	4,260
Distribution costs	(3,569,130)	(3,340,436)	(1,155,225)	(1,211,907)	(45,699)
Administrative expenses	(4,032,457)	(3,916,969)	(1,005,629)	(880,073)	(51,632)
	(7,601,587)	(7,257,405)	(2,160,854)	(2,091,980)	(97,331)
Other provisions and adjustments - net					
Exchange gain / (loss) - net	(22,784,133)	134,531	(13,935,917)	(269,192)	(291,730)
Others	(1,571,745)	(548,834)	(98,734)	(63,827)	(20,125)
	(24,355,878)	(414,303)	(14,034,651)	(333,019)	(311,855)
Other operating income	345,050	887,909	(47,042)	650,571	4,418
Loss from operations	(31,279,725)	(4,304,835)	(17,731,781)	(913,003)	(400,508)
Finance costs	(6,326,389)	(5,825,669)	(2,290,391)	(2,027,758)	(81,004)
Loss before tax	(37,606,114)	(10,130,504)	(20,022,172)	(2,940,761)	(481,512)
Taxation	(478,156)	(410,610)	(217,507)	(107,763)	(6,122)
Loss after tax	(38,084,270)	(10,541,114)	(20,239,679)	(3,048,524)	(487,634)
Attributable to:					
Shareholders of the holding company	(38,105,414)	(10,553,722)	(20,248,692)	(3,055,247)	(487,905)
Minority interest	21,144	12,608	9,013	6,723	271
	(38,084,270)	(10,541,114)	(20,239,679)	(3,048,524)	(487,634)
			(Rupees)		(US\$)
Loss per share					
'A' class ordinary shares Rs.10 each	(18.24)	(5.42)	(9.69)	(1.57)	(0.23)
'B' class ordinary shares Rs.5 each	(9.12)	(2.71)	(4.85)	(0.79)	(0.12)

The annexed notes form an integral part of these interim condensed financial statements.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director

Note	Sep 2008	Sep 2007	Sep 2008
	(Rupees in thousand)		(US\$ in thousand)
<b>Cash flows from operating activities</b>			
Cash (used in) / generated from operations	14 (20,391,372)	(1,397,452)	(261,093)
Profit on bank deposits received	146,429	177,674	1,875
Deferred custom duty paid	(113,554)	(176,941)	(1,454)
Finance costs paid	(6,260,581)	(5,888,421)	(80,161)
Taxes paid	(932,264)	(366,238)	(11,937)
Long term deposits - net	(950,867)	(608,306)	(12,175)
Net cash used in operating activities	(28,502,209)	(8,259,684)	(364,945)
<b>Cash flows from investing activities</b>			
Fixed capital expenditure	4,452,944	(3,722,309)	57,016
Proceeds from sale of fixed assets	221,346	298,765	2,834
Long term deposits	-	(441,784)	-
Net cash generated from / (used in) investing activities	4,674,290	(3,865,328)	59,850
<b>Cash flows from financing activities</b>			
Advance against Equity	544,940	1,057,741	6,977
Proceeds / (repayment) of long term financing	3,014,016	16,238,918	38,592
Redemption of term finance certificates	(816,827)	(756,970)	(10,459)
Proceeds / (repayment) of obligations under finance lease	9,633,072	(5,130,839)	123,343
Repayment of long term murabaha	-	(639,532)	-
Net cash generated from / (used in) financing activities	12,375,201	10,769,318	158,453
Decrease in cash and cash equivalents	(11,452,718)	(1,355,694)	(146,642)
Cash and cash equivalents at the beginning of the period	(13,640,522)	(8,464,341)	(174,654)
Cash and cash equivalents at the end of the period	(25,093,240)	(9,820,035)	(321,296)
<b>CASH AND CASH EQUIVALENTS</b>			
Cash and bank balances	4,933,163	2,998,280	63,165
Short term borrowings	(30,026,403)	(12,818,315)	(384,461)
	(25,093,240)	(9,820,035)	(321,296)

The annexed notes form an integral part of these interim condensed financial statements.

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

Ch. Ahmed Mukhtar  
Chairman

Husain Lawai  
Director

	Share capital	Capital reserves			Revenue reserves		Minority interest	Total Equity
		Capital Reserve	Unrealized gain / (loss) on re-measurement of investments	Foreign exchange translation reserves	Revenue Reserve	Accumulated losses		
..... (Rupees in thousand) .....								
Balance as at January 01, 2007	19,473,631	2,501,038	21,013	1,847,591	1,779,674	(23,717,778)	520,692	2,425,861
Unrealized gain on re-measurement of investments	-	-	65,239	-	-	-	-	65,239
Loss for the Period	-	-	-	-	-	(10,553,722)	12,608	(10,541,114)
Currency translation difference	-	-	-	115,769	-	-	15,272	131,041
Transfer from surplus on revaluation	-	-	-	-	-	426,040	-	426,040
Balance as at September 30, 2007	19,473,631	2,501,038	86,252	1,963,360	1,779,674	(33,845,460)	548,572	(7,492,933)
Balance as at January 01, 2008	20,878,074	2,501,038	97,366	2,116,441	1,779,674	(36,029,644)	527,860	(8,129,191)
Unrealized loss on re-measurement of investments	-	-	(18,502)	-	-	-	-	(18,502)
Loss for the period	-	-	-	-	-	(38,105,414)	21,144	(38,084,270)
Currency translation difference	-	-	-	3,134,155	1,728	-	57,742	3,193,625
Transfer from surplus on revaluation	-	-	-	-	-	868,054	-	868,054
Balance as at September 30, 2008	20,878,074	2,501,038	78,864	5,250,596	1,781,402	(73,267,004)	606,746	(42,170,284)

The annexed notes form an integral part of these interim condensed consolidated financial statements.

### 1. STATUS AND ACTIVITY

1.1 Pakistan International Airlines Corporation (the Holding Company) was incorporated in Pakistan on January 10, 1955 under the PIAC Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation's Act 1956 (PIAC Act). The shares of the Holding Company are quoted on all Stock Exchanges of Pakistan. The principal activity of the Holding Company is to provide air transport services. Other activities of the Holding Company include provision of engineering and other allied services.

1.2 The following subsidiary companies have been consolidated in the financial statements of the Holding Company.

Subsidiary Companies	Nature of Business	Holding
PIA Investments Ltd. (PIA-IL)	Promoters of and investors in projects related to construction, development and operations of hotels, motels and restaurants throughout the world.	99%
Skyrooms (private) Limited (SRL)	To manage Airport Hotel at Karachi.	100%

1.3 During the period, the Group has incurred a net loss of Rs.38,084 (Sep 30, 2007: Rs.10,541) million, resulting in accumulated losses of Rs. 73,267 (December 31, 2007: Rs.36,030) million as of the balance sheet date. Further, as of that date the current liabilities of the Group exceeded its current assets by Rs.51,555 (December 31, 2007: Rs37,429) million. The steep devaluation of the rupee and the high level of oil prices were the contributory factors for the loss during the period. The management is taking corrective measures to improve the operating results of the Group.

1.4 The Government of Pakistan (GoP) as a majority shareholder, is committed to ensure the going concern status of the Group at all times. Hence, the Group expects continued financial support of GoP in future as well.

In view of the above, the Group has prepared these financial statements on going concern basis.

### 2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are unaudited and are being submitted to the shareholders as required under Section 245 of the Companies Ordinance, 1984 and the Listing Regulations of Karachi, Lahore and Islamabad Stock Exchanges and have been prepared in accordance with the requirements of the International Accounting Standard (IAS) - 34 " Interim Financial Reporting" as applicable in Pakistan.

The interim condensed consolidated financial statements do not include all the information and disclosures required in the annual financial statements, and should be read in conjunction with the Group's annual financial statements as at December 31, 2007.

### 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies adopted in the preparation of these interim condensed consolidated financial statements are the same as those applied in the preparation of the annual consolidated financial statements of the Group for the year ended December 31, 2007.

### 4. PROPERTY, PLANT AND EQUIPMENT

Operating fixed assets  
Capital work-in-progress

SEP-2008	DEC-2007
(Rupees in thousand)	
143,170,747	125,049,562
478,848	7,421,258
<u>143,649,595</u>	<u>132,470,820</u>

4.1 Following are the major additions and deletions during the period:

#### Addition / transfers

##### Owned

SEP-2008	SEP-2007
(Rupees in thousand)	
39,278	20,142
-	2,336
169,244	115,599
115,766	3,070,722
258,101	-
2,310	26,007
25,738	79,474
19,505	20,721
15,401	31,582
260,485	130,829
532	532
17,174	72,113
299	-
29,778	39,547
471,665	1,032,083
<u>1,425,276</u>	<u>4,641,687</u>

##### Leased

Aircraft fleet	13,498,232	10,488,244
	<u>14,923,508</u>	<u>15,129,931</u>

#### Deletions

##### Owned

Land	103	103
Renovation and improvements	-	1,525
Aircraft fleet	-	231,584
Operating ground equipment, catering communication & meteorological equipment	7,210	3,274
Motor transport	12,261	480
Traffic equipment	26,164	3,414
Furniture, fixture and fittings	1,034	39,210
Office equipment	455	435
Computer and office automation	132	520
Other equipment	-	287
Capital spares	7,187	79,536
	<u>54,546</u>	<u>360,368</u>

##### Leased

Vehicles	15,479	2,415
	<u>70,025</u>	<u>362,783</u>

	SEP-2008	DEC-2007
	(Rupees in thousand)	
<b>5. STORES AND SPARES</b>		
Stores	903,751	883,747
Spares	4,335,189	3,986,246
	5,238,940	4,869,993
Less: provision for slow moving stores and spares	(2,174,494)	(1,930,145)
	3,064,446	2,939,848
Inventory held for disposal	2,207,092	2,207,092
Less: adjustment to write down surplus inventory to net realizable value	(1,944,539)	(1,944,539)
Disposal during the period	(9,694)	-
	252,859	262,553
Goods-in-transit	376,886	83,769
	3,694,191	3,286,170

**6. ADVANCE AGAINST EQUITY FROM GoP**

This represents the amount received from GoP towards equity contribution under the terms of Financial Package whereby GoP had agreed to provide equity contribution to the corporation to cover interest/profit payments on TFCs.

	SEP-2008	DEC-2007
	(Rupees in thousand)	
<b>7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE</b>		
Present value of future rental obligations - aircraft fleet		
A-310 - 300	5,940,728	5,149,590
B-777 -200 ER	17,558,758	15,101,574
B-777 -200 LR	16,889,286	14,156,116
B-777 -300 ER	32,848,812	16,794,148
	73,237,584	51,201,428
Present value of future rental obligations - vehicles	22,470	47,091
Present value of future rental obligations - others	67,760	-
	73,327,814	51,248,519
Less: current portion	(7,113,307)	(4,724,495)
	66,214,507	46,524,024

**8. SHORT TERM BORROWINGS - secured**

Short term loans (note 8.1)	26,930,563	16,033,876
Running finance under mark-up arrangements (note 8.2)	3,095,840	2,072,008
	30,026,403	18,105,884

**8.1 Short term loans - secured**

Financier	Security	Repayment period	SEP 2008	DEC-2007
			(Rupees in thousand)	
Habib Bank Limited - Karachi	GoP Guarantee	3 months	2,000,000	2,000,000
United Bank Limited - Dubai	UAE Receivables	1 Year	1,711,946	1,359,997
Habib Allied Bank Limited-London	Euro Receivables	1 Year	702,900	553,050
United Bank Limited - Bahrain	UAE Receivables	1 Year	1,014,113	802,375
Habib Bank Limited - Karachi	GoP Guarantee/Domestic Receivables	1 Year	2,850,000	2,850,000
Standard Chartered Bank - Dubai	GoP Guarantee	1 Year	3,631,650	3,072,500
Standard Chartered Bank - Dubai	Remittance Routing	1 Year	234,300	553,050
Habib Bank Limited - Karachi	GoP Guarantee	1 Year	1,562,000	1,843,500
Standard Chartered Bank - Karachi	GoP Guarantee	6 months	2,999,904	2,999,404
National Bank Pakistan	GoP Guarantee	1 Year	1,100,000	-
United Bank Limited	GoP Guarantee	1 Year	976,000	-
United Bank Limited	GoP Guarantee	1 Year	781,000	-
HSBC	GoP Guarantee	1 Year	1,000,000	-
Habib Allied Bank International - KEPZ	EURO Receivables	15 Month	292,875	-
Habib Allied Bank International - London	EURO Receivables	15 Month	292,875	-
National Bank Pakistan	Current Assets	4 Month	781,000	-
Habib Bank Limited - Karachi	GoP Guarantee	1 Year	1,000,000	-
National bank Pakistan	GoP Guarantee	1 Year	1,500,000	-
Askari Bank Karachi	GoP Guarantee	1 Year	1,500,000	-
Barclays Bank	GoP Guarantee	1 Year	1,000,000	-
			26,930,563	16,033,876

**8.2 Running finance under mark-up arrangements - secured**

Financier	Security	Repayment period	SEP 2008	DEC-2007
			(Rupees in thousand)	
<b>From Banking Companies</b>				
United Bank Limited - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	2,520,832	1,497,008
National Bank of Pakistan - Karachi	First pari passu hypothecation charge over stock & trade debts	1 Year	575,008	575,000
			3,095,840	2,072,008

**9. CONTINGENCIES AND COMMITMENTS**

There has been no change in the status of contingencies and commitments as disclosed in the annual financial statements of the Group for the year ended December 31, 2007.

**10. TURNOVER - net**

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Passenger	53,457,237	45,592,466	19,879,289	14,845,461
Cargo	4,150,184	3,767,056	1,790,761	1,482,716
Excess baggage	607,759	615,925	226,164	200,320
Charter	148,770	128,196	52,438	43,231
Engineering services	611,350	457,864	327,623	138,669
Handling and related services	539,826	625,422	248,477	188,954
Mail & telephone	219,947	255,060	76,985	84,817
Rooms sales	5,075,806	4,804,644	1,917,680	2,187,834
Food & beverages	1,224,874	1,043,122	386,090	360,770
Shop and other rentals	289,720	233,308	104,560	79,356
Others	843,788	665,056	308,363	165,260
	<u>67,169,261</u>	<u>58,188,119</u>	<u>25,318,430</u>	<u>19,777,388</u>

**11. COST OF SERVICES - others**

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Salaries, wages and allowances	7,095,987	6,518,106	3,234,915	2,999,389
Welfare and social security costs	220,680	196,456	80,035	66,362
Retirement benefits	531,222	356,776	181,672	132,925
Compensated absences	74,305	9,018	24,108	3,006
Legal and professional charges	74,169	91,114	40,497	34,993
Stores and spares consumed	1,079,357	1,437,514	410,109	596,073
Maintenance and overhaul	2,828,681	5,066,454	1,268,240	1,629,828
Flight equipment rental	713,332	2,762,082	239,332	463,746
Landing and handling	6,354,070	5,874,467	2,406,066	1,752,457
Passenger services	2,091,578	2,103,706	819,828	676,505
Crew layover	1,559,002	1,569,423	601,090	504,548
Hotel running expenses	1,975,993	1,960,086	299,698	616,944
Staff training	41,008	51,826	15,469	14,289
Food cost	1,208,623	1,198,893	427,752	412,177
Utilities	27,020	24,620	9,593	9,514
Communication	40,430	47,675	13,677	14,410
Insurance	858,084	817,033	289,718	278,514
Rent, rates and taxes	236,990	202,753	75,725	59,723
Printing and stationery	67,395	93,542	20,190	26,509
Amortization	3,415	1,859	2,288	621
Depreciation	5,885,036	3,468,232	2,267,077	1,163,597
Others	254,490	441,286	89,778	335,799
	<u>33,220,867</u>	<u>34,292,921</u>	<u>12,816,857</u>	<u>11,791,929</u>

**12. OTHER PROVISION AND ADJUSTMENTS - Net**

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Loss on fixed assets written off	1,453	21,254	-	21,254
Provision for slow moving stores & spares	244,434	320,688	98,734	-
Provision (written back)/made for doubtful	(174,142)	223,319	-	59,000
Provision against claims by the CAA	1,500,000	-	-	-
Others	-	(16,427)	-	(16,427)
	<u>1,571,745</u>	<u>548,834</u>	<u>98,734</u>	<u>63,827</u>

	Nine months ended		Quarter ended	
	SEP-2008	SEP-2007	SEP-2008	SEP-2007
	(Rupees in thousand)			
Mark-up on long term financing	1,474,814	1,277,534	499,548	526,866
Profit on term finance certificates	1,102,356	1,027,586	399,966	346,624
Interest on liabilities against assets subject to finance lease	1,838,036	2,193,476	610,085	813,398
Mark-up on long term murabaha	-	38,719	-	4,366
Mark-up on short-term borrowings	1,655,781	1,036,990	691,801	277,765
Arrangement, agency and commitment fee	225,588	219,394	77,286	50,703
Bank charges, guarantee commission and other related charges	29,814	31,970	11,705	8,036
	<u>6,326,389</u>	<u>5,825,669</u>	<u>2,290,391</u>	<u>2,027,758</u>

**13. FINANCE COSTS**
**14. CASH (USED IN) / GENERATED FROM OPERATIONS**

	Nine months ended	
	SEP-2008	SEP-2007
	(Rupees in thousand)	
Loss before tax	(37,606,114)	(10,130,504)
Adjustments for:		
Depreciation	6,289,618	4,049,732
Scrappage	1,453	21,254
Gain on disposal of fixed assets	(202,822)	(259,005)
Amortization	18,755	23,601
Provision for stores and spares	244,434	320,688
Provision for doubtful debts	(174,142)	223,319
Finance costs	6,417,109	5,825,669
Profit on bank deposits	(115,657)	(159,039)
	<u>(25,127,366)</u>	<u>(84,285)</u>
<b>Working capital changes</b>		
(Increase) in stores and spares	(638,934)	(127,652)
(Increase) in trade debts	(2,542,555)	(704,170)
(Increase) / decrease in advances	159,907	(1,088,910)
(Increase) in trade deposits and prepayments	(77,653)	(78,768)
(Increase) / decrease in other receivables	(753,597)	(353,503)
Increase (decrease) in trade and other payables	8,588,826	1,039,836
	<u>4,735,994</u>	<u>(1,313,167)</u>
Cash (used in) / generated from operations	<u>(20,391,372)</u>	<u>(1,397,452)</u>



PAKISTAN INTERNATIONAL AIRLINES CORPORATION

Notes to the Interim Condensed Consolidated  
Financial Statements (Un-audited)  
For the nine months period ended September 30, 2008

15. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on October 27, 2008.

16. GENERAL

16.1 Figures have been rounded off to the nearest thousand rupee.

16.2 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.78.10 = US\$ 1 solely for convenience purposes.

**Ch. Ahmed Mukhtar**  
Chairman

**Husain Lawai**  
Director