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PAKISTAN INTERNATIONAL AIRLINES CORPORATION CORPORATE PROFILE

Board of Directors

Mr. Zaffar A. Khan
Chairman & CEO

Mr. Kamal Afsar

Mr. Mueen Afzal

Syed Mohammad Fazal Agha

Mr. Shahzad M. Husain

Mr. M. Hidayatullah Khan Khaishgi

Mr. Javed Saifullah Khan

Maj. Gen. Mir Haider Ali Khan
Additional Secretary - I, Ministry of Defence

Mr. S. Ali Raza

Mr. Farooq Rahmatullah
Director General - Civil Aviation Authority

Mr. Ahmad Waqar
Secretary Finance

Mr. Ghazanfar Mashkooor
Secretary

Audit Committee

Mr. Kamal Afsar - Chairman
Mr. Mueen Afzal
Maj. Gen. Mir Haider Ali Khan
Mr. Shahzad M. Husain
Mr. S. Ali Raza
Mr. Shehrzad Aminullah - Secretary

Human Resource & Corporate Governance Committee

Mr. Javed Saifullah Khan - Chairman
Mr. Zaffar A. Khan
Syed Mohammad Fazal Agha
Mr. M. Hidayatullah Khan Khaishgi
Mr. Farooq Rahmatullah
Mr. Wasim Bari - Secretary

Registered Office

PIA Building
Jinnah International Airport
Karachi - Pakistan
Web site: www.piac.com.pk

Executive Management

Mr. Zaffar A. Khan
Chairman & CEO

Mr. Umar Ghafoor
Deputy Managing Director

Mr. Muhammad Abdul Aleem
Chief Financial Officer

Mr. Wasim Bari
SVP Human Resources & Administration

Mr. Anwaar Rasul
SVP Sales

Mr. Arif Majeed
SVP Finance

Capt. Shahnawaz Dara
SVP Flight Safety & HSE

Capt. Mahboob-ul-haque
SVP Flight Operations

Mr. Nadeem Ikram
SVP Information Technology

Mr. Shahnawaz Rehman
SVP Financial Monitoring & Appraisal

Mr. Salah Uddin
SVP Flight Services

Mr. Sohail Mustafa
Acting. SVP Commercial

Mr. Muhammad Tariq Farooq
Acting SVP Engineering

AVM Muhammad Rafi
SVP Precision Engineering

Mr. Amir Zafar
SVP Quality Assurance

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
DIRECTORS' REPORT TO THE SHAREHOLDERS

- * The Directors of Pakistan International Airlines present their report along with interim condensed financial statements (un-audited) for the nine months period ended September 30, 2007.
- * The financial results for the period under review are summarized below:

| | July - September | | January - September | |
|---------------------|---------------------|---------|---------------------|---------|
| | 2007 | 2006 | 2007 | 2006 |
| | (Rupees in million) | | | |
| Revenue | 17,165 | 18,263 | 52,046 | 51,789 |
| Operating Expenses | 18,716 | 19,812 | 57,915 | 57,518 |
| Operating Loss | (1,551) | (1,549) | (5,869) | (5,729) |
| Financing Cost | 1,817 | 1,308 | 5,213 | 3,396 |
| Loss after Taxation | (3,155) | (3,043) | (10,904) | (9,188) |

- * PIA's total revenue for the 3rd quarter 2007 was at the same level as 2nd quarter 2007. However, the 3rd quarter revenue was 6 % lower than the same period last year mainly due to drop in both passenger and cargo revenue. This was largely caused by management's decision to implement a revised operating plan from July 2007 whereby several non profitable routes were closed principally in Europe and Asia. The passenger seat capacity and cargo capacity, as a consequence, were lower by approximately 12%. The Engineering and other revenue streams were also less than last year mainly due to PIA's limited engineering capacity being utilized to refurbish its own aircraft versus entertaining third party business.
- * During the third quarter the airline incurred an operating loss of Rs 1.5 billion which is at the same level as last year. However, the loss for the 3rd quarter 2007 is 14% less than the preceding 2nd quarter 2007, with the same level of sales revenue, reflecting partially the success of the new strategy to improve the business fundamentals of the airline. The improvement recorded though is well below Management's expectations. During the quarter the fuel prices remained at a very high level. The operating expenses, excluding fuel, were, overall, 8% higher than last year caused mainly by 2006 and 2007 salary increases, substantially increased maintenance and increased depreciation and lease rental of aircraft.
- * Revenue for the nine months ending September 2007 was marginally ahead of last year. While there was nominal growth in passenger revenue segment, the cargo business recorded a decline of over 11%. Overall, the market showed a modest growth in the international segment but declined by about 10% in the domestic segment.
- * The operating loss for the nine months to September 2007 at Rs. 5.9 billion is 2% more than last year. The impact of 2006 salary hike, the increase in depreciation and lease rentals of aircraft due to induction of three new Boeing-777 and seven ATR-42 aircraft since July 2006. The overall fuel cost is less than last year partially due to lower capacity utilization but it also reflects improved fuel efficiency in the airline due to increasing utilization of newer fuel efficient aircraft.
- * The financing cost for the nine months to September 2007 at Rs. 5.2 billion was substantially higher (Rs. 3.4 billion in 2006) caused by increased requirements to finance fleet replacement and also to fund additional financing required to sustain operations. Overall the airline suffered a loss after tax of Rs. 10.9 billion against Rs. 9.2 billion for the same period last year, mainly due to increased financial cost.
- * During the period under review, the two PIA Hotel subsidiaries have continued to deliver improved performance.
- * PIA Management is concerned about the high level of losses and the unfavorable business environment. Higher oil prices, higher wage expectations of employees, growing competition are serious issues confronting the Airline. The Management, with the full support of the Board, is working on additional measures to contain the high loss situation in the near term, and to bring about sustainable improvements in the long term.

For and on behalf of the Board

Zaffar A. Khan
 Chairman & CEO

October 31, 2007

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2007

| | Note | SEP-2007 (Rupees in thousand) | DEC-2006 | SEP-2007 (US\$ in thousand) |
|---|------|----------------------------------|--------------------|--------------------------------|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Fixed assets | | | | |
| Property, plant and equipment | 4 | 89,309,990 | 78,964,162 | 1,471,334 |
| Intangibles | | 80,161 | 98,275 | 1,321 |
| | | 89,390,151 | 79,062,437 | 1,472,655 |
| Long term investments | | 4,537,743 | 4,528,198 | 74,757 |
| Long term advances and other receivables | | 1,661,500 | 1,684,000 | 27,372 |
| Long term deposits and prepayments | | 3,918,774 | 3,263,699 | 64,560 |
| Total non-current assets | | 99,508,168 | 88,538,334 | 1,639,344 |
| CURRENT ASSETS | | | | |
| Stores and spares | 5 | 3,170,400 | 3,371,040 | 52,231 |
| Trade debts | | 6,462,063 | 6,129,673 | 106,459 |
| Advances | | 1,621,546 | 592,068 | 26,714 |
| Trade deposits and prepayments | | 1,273,945 | 1,229,333 | 20,988 |
| Accrued interest | | 32,375 | 51,010 | 533 |
| Other receivables | | 1,196,776 | 865,255 | 19,716 |
| Short term investments | | 30,814 | 421,394 | 508 |
| Taxation - net | | 232,969 | 233,738 | 3,838 |
| Cash and bank balances | | 1,189,850 | 5,459,924 | 19,602 |
| Total current assets | | 15,210,738 | 18,353,435 | 250,589 |
| TOTAL ASSETS | | 114,718,906 | 106,891,769 | 1,889,933 |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| Share capital | | 19,473,631 | 19,473,631 | 320,818 |
| Reserves | | 4,280,712 | 4,280,712 | 70,522 |
| Unrealized gain / (loss) on remeasurement of investments - net | | 86,252 | 21,013 | 1,421 |
| Accumulated losses | | (34,838,647) | (24,563,386) | (573,948) |
| Total equity | | (10,998,052) | (788,030) | (181,187) |
| Surplus on revaluation of fixed assets - net | | 517,900 | 926,318 | 8,532 |
| | | (10,480,152) | 138,288 | (172,655) |
| NON-CURRENT LIABILITIES | | | | |
| Advance against equity from GoP | 6 | 1,057,741 | - | 17,426 |
| Long term financing | 7 | 18,810,015 | 6,900,478 | 309,885 |
| Term finance certificates | | 10,723,738 | 13,246,970 | 176,668 |
| Liabilities against assets subject to finance lease | 8 | 46,919,220 | 42,503,444 | 772,969 |
| Long term deposits | | 308,482 | 261,711 | 5,082 |
| Deferred liabilities | | 2,647,010 | 2,815,588 | 43,608 |
| Total non-current liabilities | | 80,466,206 | 65,728,191 | 1,325,638 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 16,764,632 | 16,617,024 | 276,188 |
| Accrued interest / mark-up / profit | | 699,626 | 812,278 | 11,526 |
| Short term borrowings | 9 | 12,818,315 | 15,543,446 | 211,175 |
| Current portion of: | | | | |
| Long term financing | | 6,929,296 | 2,599,916 | 114,157 |
| Term finance certificates | | 2,523,232 | 756,970 | 41,569 |
| Liabilities against assets subject to finance lease | | 4,856,119 | 3,914,491 | 80,002 |
| Long term murabaha | | 141,632 | 781,165 | 2,333 |
| Total current liabilities | | 44,732,852 | 41,025,290 | 736,950 |
| CONTINGENCIES AND COMMITMENTS | | | | |
| TOTAL EQUITY AND LIABILITIES | 10 | 114,718,906 | 106,891,769 | 1,889,933 |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Note | Nine months ended | | Quarter ended | | Nine months ended |
|--|------|----------------------|--------------|---------------------|--------------|--------------------|
| | | SEP-2007 | SEP-2006 | SEP-2007 | SEP-2006 | SEP-2007 |
| | | (Rupees in thousand) | | | | (US\$ in thousand) |
| Turnover - net | 11 | 52,046,157 | 51,789,231 | 17,164,793 | 18,263,059 | 857,433 |
| Cost of services | | | | | | |
| Aircraft fuel | | (21,416,234) | (25,494,068) | (7,124,033) | (9,052,471) | (352,821) |
| Others | 12 | (29,512,636) | (25,756,804) | (9,192,562) | (8,598,268) | (486,205) |
| | | (50,928,870) | (51,250,872) | (16,316,595) | (17,650,739) | (839,026) |
| Gross Profit | | 1,117,287 | 538,359 | 848,198 | 612,320 | 18,407 |
| Distribution costs | | (3,111,473) | (3,183,053) | (1,138,758) | (1,103,935) | (51,260) |
| Administrative expenses | | (3,874,768) | (3,084,487) | (1,261,074) | (1,057,241) | (63,835) |
| | | (6,986,241) | (6,267,540) | (2,399,832) | (2,161,176) | (115,095) |
| Loss from operations | | (5,868,954) | (5,729,181) | (1,551,634) | (1,548,856) | (96,688) |
| Finance costs | 13 | (5,212,776) | (3,395,531) | (1,816,879) | (1,307,593) | (85,878) |
| Other provisions and adjustments - net | | (414,303) | (405,372) | (333,019) | (273,155) | (6,825) |
| | | (5,627,079) | (3,800,903) | (2,149,898) | (1,580,748) | (92,703) |
| Other operating income | | 852,662 | 601,396 | 632,686 | 177,768 | 14,047 |
| Loss before tax | | (10,643,371) | (8,928,688) | (3,068,846) | (2,951,836) | (175,344) |
| Taxation | | (260,231) | (258,946) | (85,824) | (91,315) | (4,287) |
| Loss after tax | | (10,903,602) | (9,187,634) | (3,154,670) | (3,043,151) | (179,631) |
| | | | | (Rupees) | | (US\$) |
| Loss per share | | | | | | |
| 'A' class ordinary shares | | (5.60) | (5.10) | (1.62) | (1.69) | (0.09) |
| 'B' class ordinary shares | | (2.80) | (2.55) | (0.81) | (0.85) | (0.05) |

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

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Note | SEP-2007 (Rupees in thousand) | SEP-2006 (Rupees in thousand) | SEP-2007 (US\$ in thousand) |
|---|------|----------------------------------|----------------------------------|--------------------------------|
| Cash flows from operating activities | | | | |
| Cash used in operations | 14 | (3,078,426) | (5,809,914) | (50,715) |
| Profit on bank deposits received | | 177,674 | 130,812 | 2,927 |
| Deferred custom duty paid | | (176,941) | (71,102) | (2,915) |
| Finance costs paid | | (5,325,428) | (3,499,093) | (87,734) |
| Taxes paid | | (261,004) | (74,320) | (4,300) |
| Staff retirement benefits paid | | (150,881) | (278,532) | (2,486) |
| Compensated absences paid | | (19,367) | (74,078) | (319) |
| Long term deposits - net | | (608,306) | (988,643) | (10,021) |
| Net cash used in operating activities | | (9,442,679) | (10,664,870) | (155,563) |
| Cash flows from investing activities | | | | |
| Fixed capital expenditure | | (3,518,287) | (2,575,424) | (57,962) |
| Proceeds from sale of fixed assets | | 260,413 | 175,943 | 4,290 |
| Investments - net | | - | (4,220,089) | - |
| Dividend received | | 386,292 | - | 6,364 |
| Long term advances and other receivables | | - | 502,510 | - |
| Net cash used in investing activities | | (2,871,582) | (6,117,060) | (47,308) |
| Cash flows from financing activities | | | | |
| Advance against equity | | 1,057,741 | 1,144,755 | 17,426 |
| Proceeds from long term financing | | 16,238,918 | 4,874,517 | 267,528 |
| Redemption of term finance certificates | | (756,970) | (756,970) | (12,471) |
| Repayment of obligations under finance lease | | (5,130,839) | (2,734,266) | (84,528) |
| Repayment of long term murabaha | | (639,532) | (615,685) | (10,536) |
| Net cash generated from financing activities | | 10,769,318 | 1,912,351 | 177,419 |
| Decrease in cash and cash equivalents | | (1,544,943) | (14,869,579) | (25,452) |
| Cash and cash equivalents at the beginning of the period | | (10,083,522) | 2,252,616 | (166,121) |
| Cash and cash equivalents at the end of the period | | (11,628,465) | (12,616,963) | (191,573) |
| CASH AND CASH EQUIVALENTS | | | | |
| Cash and bank balances | | 1,189,850 | 1,316,930 | 19,602 |
| Short term borrowings | | (12,818,315) | (13,933,893) | (211,175) |
| | | (11,628,465) | (12,616,963) | (191,573) |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Share capital | Capital reserves | Revenue reserves | Unrealized gain / (loss) on re-measurement of investment | Accumulated losses | Total equity |
|--|-------------------|------------------|------------------|--|---------------------|---------------------|
| (Rupees in thousands) | | | | | | |
| Balance as at January 01, 2006 | 17,980,659 | 2,501,038 | 1,779,674 | (15,107) | (11,799,966) | 10,446,298 |
| Unrealized loss on re-measurement of investments | - | - | - | (12,200) | - | (12,200) |
| Loss for the period | - | - | - | - | (9,187,634) | (9,187,634) |
| Balance as at September 30, 2006 | <u>17,980,659</u> | <u>2,501,038</u> | <u>1,779,674</u> | <u>(27,307)</u> | <u>(20,987,600)</u> | 1,246,464 |
| 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 | - | - | - | - | (10,903,602) | (10,903,602) |
| Less: Transfer from surplus on revaluation | - | - | - | - | 628,341 | 628,341 |
| | | | | | (10,275,261) | (10,275,261) |
| Balance as at September 30, 2007 | <u>19,473,631</u> | <u>2,501,038</u> | <u>1,779,674</u> | <u>86,252</u> | <u>(34,838,647)</u> | (10,998,052) |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

1. CORPORATE INFORMATION

- 1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated in Pakistan on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act) and its shares are quoted on all Stock Exchanges of Pakistan. The registered office is situated at Karachi Airport. Principal activity of the Corporation is to provide air transport services. Other activities of the Corporation include provision of engineering and other allied services.

During the period the Corporation has incurred a net loss of Rs. 10,904 (September 30, 2006: Rs. 9,188) million, resulting in accumulated losses of Rs. 34,839 (December 31, 2006: Rs. 24,563) million as of the balance sheet date. Further as of that date the current liabilities of the Corporation exceeded its current assets by Rs. 29,522 (December 31, 2006: Rs. 22,672) million. The management has initiated corrective measures to improve operating results of the Corporation. Further, the Ministry of Finance has extended its support by approving a financial restructuring package which is currently in the process of implementation.

- 1.2 The Government of Pakistan (GoP) as a majority shareholder has committed to ensure the going concern status of the Corporation at all times. Also, historically support of GoP is available to the Corporation as GoP has already issued guarantees to secure certain long term finance and Term Finance Certificates (TFCs) of the Corporation. GoP had agreed to provide equity contribution to the Corporation equivalent to accumulated loss of the Corporation as at December 31, 2000, to cover interest / profit payments on long term finances and TFCs. As part of the financial package, an amount of Rs.7,981 million (2006: Rs.6,923 million) has been provided to the Corporation up to September 30, 2007 against which 692,306,294 (2006: 692,306,294) 'A' class ordinary shares of Rs.10 each were issued to GoP up to December 31, 2006. The remaining 105,774,100 ordinary shares are expected to be issued during the current year. Hence, the Corporation expects continued financial support of GOP in future as well. In view of the above, the Corporation has prepared these financial statements on a going concern basis.

In addition GoP had approved a fleet replacement plan as a result of which the Corporation entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP had provided funding of US\$ 150 million - Rs.8,816 million in the form of equity and guarantees for acquisition of the said aircraft up to December 31, 2006.

The Corporation has been advised earlier by the European Union (EU) that some of its aircraft were temporarily restrained from flying to various countries in Europe. The Corporation has taken steps to address the issues raised by the EU. Subsequently, the Air Safety Committee has proposed to the European Committee for the modification of the operational restrictions imposed on the Corporation so as to allow eleven aircraft (out of twenty aircraft subject to the aforesaid restriction) to operate in the region.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

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, 2006.

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, 2006 except as follows:

During the period, the Corporation changed its method of computation of depreciation on assets other than aircraft fleet, whereby, with effect from the current period, depreciation on additions is charged for the full month in which an asset is put to use and on deletions up to the month immediately preceding the deletion, to better reflect the pattern of utilization of economic benefits derived from the assets, as against the previous method of charging full year's depreciation in the year of additions during first six months' where as six months' depreciation is charged on additions during the second half of the year, and no depreciation is charged in the year of disposal.

Had the Corporation not made the above change, loss before taxation for the current period would have been higher by Rs. 9 million whereas depreciation charge for the period would have been higher by the same amount

Further, during the period, the Corporation changed its method of computation of depreciation on aircraft fleet, whereby, with effect from the current period, depreciation on the aircraft whether owned or subject to finance lease is separately charged for the airframes and engines based on their respective estimated useful life, to better reflect the pattern of utilization of economic benefits derived from the assets, as against the previous method of charging depreciation on the aircraft as a whole.

Had the Corporation not made the above change, loss before taxation for the current period would have been higher by Rs. 284 million and the depreciation charge for the period would have been higher by the same amount.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

4. PROPERTY, PLANT AND EQUIPMENT

| | SEP-2007 | DEC-2006 |
|-----------------------------------|----------------------|-------------------|
| | (Rupees in thousand) | |
| Operating fixed assets (note 4.1) | 83,597,272 | 72,326,396 |
| Capital work-in-progress | 5,712,718 | 6,637,766 |
| | <u>89,309,990</u> | <u>78,964,162</u> |

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

| | SEP-2007 | SEP-2006 |
|---|-------------------|-------------------|
| Additions / transfers | | |
| Owned | | |
| Buildings on leasehold land | 20,142 | 62,943 |
| Workshops and hangars | 2,336 | - |
| Renovation and improvements | 25,865 | - |
| Aircraft fleet (note 4.1.1) | 3,070,722 | 694,201 |
| Operating ground equipment, Catering, Communication & meteorological equipment | 26,007 | 16,328 |
| Engineering equipment and tools | 79,474 | - |
| Motor transport | 19,121 | - |
| Traffic equipment | 31,582 | 76,281 |
| Furniture, fixture and fittings | 18,225 | 25,242 |
| Office equipment | 532 | - |
| Computer and office automation | 72,027 | 107,614 |
| Precision engineering equipment | 184 | - |
| Other equipment | 39,547 | 63,727 |
| Capital spares | 1,032,083 | 1,218,539 |
| | <u>4,437,847</u> | <u>2,264,875</u> |
| Leased | | |
| Aircraft fleet (note 4.1.2) | 10,488,244 | 18,611,465 |
| | <u>14,926,091</u> | <u>20,876,340</u> |
| Deletions | | |
| Owned | | |
| Land | 103 | - |
| Traffic equipment | 3,414 | 16,066 |
| Renovation and improvements | 1,525 | - |
| Aircraft fleet | 231,584 | 90,315 |
| Operating ground equipment, Catering, Communication & meteorological equipment | 3,274 | - |
| Motor transport | 480 | - |
| Furniture, Fixture and fittings | 1,300 | - |
| Office equipment | 435 | - |
| Computer and office automation | 520 | - |
| Other equipment | 287 | - |
| Capital spares | 79,536 | 40,593 |
| | <u>322,458</u> | <u>146,974</u> |
| Leased | | |
| Vehicles | 2,415 | - |
| | <u>324,873</u> | <u>146,974</u> |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

4.1.1 This includes four ATR 42 aircraft purchased by the Corporation during the current period.

4.1.2 This represents cost of a Boeing 777 ER aircraft acquired during the current period in accordance with the fleet replacement plan approved by GoP

5. STORES AND SPARES

| | SEP-2007 (Rupees in thousand) | DEC-2006 |
|--|----------------------------------|------------------|
| Stores | 701,687 | 828,560 |
| Spares | 3,875,133 | 3,387,842 |
| | 4,576,820 | 4,216,402 |
| Less: provision for slow moving stores and spares | 1,694,339 | 1,604,338 |
| | 2,882,481 | 2,612,064 |
| Inventory held for disposal | 2,198,380 | 2,266,825 |
| Less: adjustment to write down surplus inventory to net realizable value | 2,166,514 | 1,935,827 |
| | 31,866 | 330,998 |
| Goods-in-transit | 256,053 | 427,978 |
| | 3,170,400 | 3,371,040 |

6. ADVANCE AGAINST EQUITY FROM GOP

This represents the amount received from GoP towards equity contribution under the terms of Financial Package, as disclosed in note 1.2 to these interim condensed financial statements.

7. LONG TERM FINANCING - secured

| Financier | Type of Facility | Limit (Rupees in million) | Repayment period | Number of installments / mode | SEP-2007 (Rupees in thousand) | DEC-2006 |
|-------------------------------|-------------------|---------------------------|------------------|-------------------------------|----------------------------------|------------------|
| From Banking Companies | | | | | | |
| Standard Chartered Bank | Syndicate Finance | 3,000 | 2006-2007 | 1 Bullet | 2,999,404 | - |
| United Bank Limited | Syndicate Finance | 1,650 | 2005-2009 | Half-yearly | 1,486,007 | 1,621,098 |
| Citibank / DVB Bank | Syndicate Finance | 6,603 | 2006-2008 | Half-yearly | 3,145,595 | 3,491,442 |
| Habib Bank Limited | Demand Finance | 530 | 2006-2009 | 36 Monthly | 309,167 | 456,389 |
| Citibank, N.A. | Demand Finance | 4,985 | 2006-2016 | 20 Half-yearly | 4,757,954 | 2,180,179 |
| Habib Bank Limited | Demand Finance | 200 | 2006-2009 | 36 Monthly | 138,889 | 194,444 |
| ABN Amro Bank | Demand Finance | 3,099 | 2009-2013 | 19 Quarterly | 3,089,129 | 1,556,842 |
| NBP/HBL | Syndicate Finance | 7,260 | 2007-2010 | Bullet | 7,284,000 | - |
| Standard Chartered Bank DXB | Demand Finance | 3,025 | 2007-2009 | 12 Quarterly | 2,529,166 | - |
| | | | | | 25,739,311 | 9,500,394 |
| Less: current portion | | | | | 6,929,296 | 2,599,916 |
| | | | | | 18,810,015 | 6,900,478 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

| | SEP-2007 | DEC-2006 |
|--|----------------------|-------------------|
| | (Rupees in thousand) | |
| Present value of future rental obligations-aircraft fleet | | |
| A-310 | 5,240,598 | 5,665,539 |
| B-777 ER | 32,208,497 | 25,540,393 |
| B-777 LR | 14,260,229 | 15,118,103 |
| | 51,709,324 | 46,324,035 |
| Present value of future rental obligations - vehicles | 66,015 | 93,900 |
| | 51,775,339 | 46,417,935 |
| Less: current portion | 4,856,119 | 3,914,491 |
| | 46,919,220 | 42,503,444 |
| 9. SHORT TERM BORROWINGS - secured | | |
| Short term loans (note 9.1) | 10,054,018 | 14,580,244 |
| Running finance under mark-up arrangements (note 9.2) | 2,764,297 | 963,202 |
| | 12,818,315 | 15,543,446 |

9.1 Short term loans - secured

| Financier | Security | Repayment period | SEP-2007 | DEC-2006 |
|---|--|------------------|----------------------|-------------------|
| | | | (Rupees in thousand) | |
| From Banking Companies | | | | |
| Citibank - Karachi | GoP Guarantee | 3 months | - | 2,000,000 |
| United Bank Limited - Dubai | UAE Receivables | 1 Year | - | 58,840 |
| National Bank of Pakistan - Bahrain | GoP Guarantee | 1 Year | - | 4,260,900 |
| Habib Bank Limited - Export Processing Zone | | | | |
| Standard Chartered Bank - DXB/UBL/HAIB | GoP Guarantee | 1 Year | 7,204,018 | 3,043,500 |
| Standard Chartered Bank - Dubai | GoP Guarantee | 3 months | - | 1,217,400 |
| Habib Bank Limited - Karachi | Hypothecation charge over current assets | 6 months | 850,000 | 1,000,000 |
| Standard Chartered Bank - Karachi | GoP Guarantee | 6 months | - | 2,999,604 |
| Habib Bank Limited - Karachi | GoP Guarantee | 1 Year | 2,000,000 | - |
| | | | 10,054,018 | 14,580,244 |

The rate of mark-up ranges between 5.82% and 10.15%.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

9.2. Running finance under mark-up arrangements - secured

| Financier | Security | Repayment period | SEP-2007 | DEC-2006 |
|--|---|------------------|----------------------|----------------|
| | | | (Rupees in thousand) | |
| From Banking Companies | | | | |
| United Bank Limited - Karachi | First pari passu hypothecation charge over current assets | 1 Year | 2,189,297 | 365,372 |
| National Bank of Pakistan - Karachi | First pari passu hypothecation charge over current assets | 1 Year | 575,000 | 50,000 |
| Habib Allied International Bank Limited - London | Receivables in Europe | 1 Year | - | 547,830 |
| | | | 2,764,297 | 963,202 |

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, 2006 and half year ended June 30, 2007.

| | Nine months ended | | Quarter ended | |
|--|----------------------|----------|---------------|----------|
| | SEP-2007 | SEP-2006 | SEP-2007 | SEP-2006 |
| | (Rupees in thousand) | | | |

11. TURNOVER - net

| | | | | |
|-------------------------------|-------------------|-------------------|-------------------|-------------------|
| Passenger | 45,592,466 | 44,262,635 | 14,845,461 | 15,556,504 |
| Cargo | 3,767,056 | 4,223,782 | 1,482,716 | 1,610,154 |
| Excess baggage | 615,925 | 565,791 | 200,320 | 182,347 |
| Charter | 128,196 | 308,390 | 43,231 | 64,879 |
| Engineering services | 457,864 | 966,175 | 138,669 | 343,068 |
| Handling and related services | 625,422 | 691,217 | 188,954 | 258,587 |
| Mail | 236,143 | 212,301 | 79,719 | 75,253 |
| Others | 623,085 | 558,940 | 185,723 | 172,267 |
| | 52,046,157 | 51,789,231 | 17,164,793 | 18,263,059 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Nine months ended | | Quarter ended | |
|---|-------------------|-------------------|------------------|------------------|
| | SEP-2007 | SEP-2006 | SEP-2007 | SEP-2006 |
| (Rupees in thousand) | | | | |
| 12. COST OF SERVICES - others | | | | |
| Salaries, wages and allowances | 5,201,942 | 4,274,127 | 1,706,284 | 1,451,172 |
| Welfare and social security costs | 186,326 | 244,804 | 62,931 | 152,571 |
| Retirement benefits | 356,776 | 287,744 | 132,925 | 134,303 |
| Compensated absences | 9,018 | 10,613 | 3,006 | 4,690 |
| Legal and professional charges | 91,114 | 75,114 | 34,993 | 29,872 |
| Stores and spares consumed | 1,437,514 | 1,703,636 | 597,947 | 544,849 |
| Maintenance and overhaul | 4,963,585 | 4,077,825 | 1,589,548 | 1,364,069 |
| Flight equipment rental | 2,762,082 | 1,831,582 | 463,746 | 345,373 |
| Landing and handling | 5,874,467 | 5,997,941 | 1,752,457 | 2,085,206 |
| Passenger services | 2,103,706 | 1,978,636 | 676,505 | 591,168 |
| Crew layover | 1,569,423 | 1,438,812 | 504,548 | 487,153 |
| Staff training | 51,826 | 55,572 | 14,289 | 16,162 |
| Utilities | 10,967 | 8,028 | 4,808 | 4,430 |
| Communication | 47,456 | 48,249 | 14,376 | 11,382 |
| Insurance | 816,973 | 825,669 | 278,494 | 301,174 |
| Rent, rates and taxes | 198,014 | 223,063 | 58,067 | 74,314 |
| Repair and maintenance | 91,441 | 102,228 | 34,606 | 33,126 |
| Printing and stationery | 93,118 | 67,024 | 26,364 | 20,371 |
| Amortization | 1,859 | 1,293 | 621 | 431 |
| Depreciation | 3,466,522 | 2,349,344 | 1,163,027 | 886,207 |
| Others | 178,507 | 155,500 | 73,020 | 60,245 |
| | 29,512,636 | 25,756,804 | 9,192,562 | 8,598,268 |
| 13. FINANCE COST | | | | |
| Mark-up on long term financing | 664,641 | 205,557 | 395,287 | 64,519 |
| Profit on term finance certificates | 1,027,586 | 1,022,541 | 346,625 | 339,968 |
| Interest on liabilities against assets subject to finance lease | 2,193,476 | 1,448,989 | 734,097 | 574,129 |
| Mark-up on long term murabaha | 38,719 | 88,597 | 4,366 | 29,154 |
| Mark-up on short-term borrowings | 1,036,990 | 493,323 | 277,764 | 247,970 |
| Arrangement, agency and commitment fee | 219,394 | 107,785 | 50,704 | 43,808 |
| Bank charges, guarantee commission and other related charges | 31,970 | 28,739 | 8,036 | 8,045 |
| | 5,212,776 | 3,395,531 | 1,816,879 | 1,307,593 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Nine months ended | |
|---|----------------------|--------------------|
| | SEP-2007 | SEP-2006 |
| | (Rupees in thousand) | |
| 14. CASH USED IN OPERATIONS | | |
| Loss before tax | (10,643,371) | (8,928,688) |
| Adjustments for: | | |
| Depreciation | 3,632,554 | 2,513,458 |
| Capital spares scrappage | 21,254 | - |
| Gain on disposal of fixed assets | (259,005) | (172,456) |
| Amortization | 23,601 | 22,491 |
| Provision for Stores & Spares | 320,688 | 100,000 |
| Provision for Compensated absences | 6,500 | 431,443 |
| Provision for staff retirement medical benefits | 19,250 | - |
| Provision for doubtful debts | 223,319 | - |
| Finance costs | 5,212,776 | 3,395,531 |
| Profit on bank deposits | (159,039) | (106,569) |
| Dividend income | (386,292) | - |
| | (1,987,765) | (2,744,790) |
| Working capital changes | | |
| Increase in stores and spares | (120,047) | (531,621) |
| Increase in trade debts | (653,078) | (2,095,274) |
| Increase in advances | (1,029,479) | (56,736) |
| Increase in trade deposits and prepayments | (44,612) | (134,452) |
| Increase in other receivables | (331,521) | (183,539) |
| Increase/(decrease) in trade and other payables | 1,088,076 | (63,502) |
| | (1,090,661) | (3,065,124) |
| Cash used in operations | (3,078,426) | (5,809,914) |

15. RELATED PARTY RELATIONSHIP

The Corporation has related party relationships with the following undertakings:

| | SEP-2007 | SEP-2006 |
|--|---------------|---------------|
| - 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 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

16. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Director's meeting held on October 31, 2007.

17. GENERAL

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

17.2 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. 60.70 = US\$ 1 solely for convenience purposes.

17.3 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.

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION

QUARTERLY SUMMARY

| | | 2007 | | | 2006 | | |
|--|---------------|--------------|--------------|--------------|--------------|--------------|--------------|
| | | 1st Quarter | 2nd Quarter | 3rd Quarter | 1st Quarter | 2nd Quarter | 3rd Quarter |
| Traffic Operations | | | | | | | |
| Available Seat Kilometers (million) | International | 4,045 | 4,157 | 4,040 | 4,209 | 4,490 | 4,645 |
| | Domestic | 771 | 687 | 625 | 649 | 670 | 681 |
| | Hajj | 772 | - | - | 882 | - | - |
| | Total | 5,588 | 4,844 | 4,665 | 5,740 | 5,160 | 5,326 |
| Revenue Passenger Kilometers (million) | International | 2,942 | 2,857 | 3,074 | 2,953 | 3,101 | 3,614 |
| | Domestic | 464 | 465 | 457 | 465 | 493 | 532 |
| | Hajj | 393 | - | - | 451 | - | - |
| | Total | 3,799 | 3,322 | 3,531 | 3,869 | 3,594 | 4,146 |
| Seat Factor (%) | International | 72.73 | 68.73 | 76.09 | 70.16 | 69.06 | 77.80 |
| | Domestic | 60.18 | 67.69 | 73.12 | 71.65 | 73.58 | 78.12 |
| | Hajj | 50.91 | 0.00 | - | 51.13 | 0.00 | - |
| | Total | 67.98 | 68.58 | 75.69 | 67.40 | 69.65 | 77.84 |
| Available Freight Tonne Kilometers (million) | International | 128 | 148 | 141 | 126 | 163 | 160 |
| | Domestic | 31 | 28 | 22 | 20 | 24 | 25 |
| | Total | 159 | 176 | 163 | 146 | 187 | 185 |
| Revenue Freight Tonne Kilometers (million) | International | 74 | 80 | 102 | 83 | 104 | 116 |
| | Domestic | 8 | 9 | 11 | 9 | 9 | 9 |
| | Total | 82 | 89 | 113 | 92 | 113 | 125 |
| Load Factor (%) | International | 57.81 | 54.05 | 72.34 | 65.87 | 63.80 | 72.50 |
| | Domestic | 25.81 | 32.14 | 50.00 | 45.00 | 37.50 | 36.00 |
| | Total | 51.57 | 50.57 | 69.33 | 63.01 | 60.43 | 67.57 |
| Financial | | | | | | | |
| (----- Rupees in million -----) | | | | | | | |
| Operating Revenue | | 17,674 | 17,207 | 17,165 | 16,840 | 16,686 | 18,263 |
| Operating Expenses | | 20,180 | 19,018 | 18,716 | 18,951 | 18,755 | 19,812 |
| Operating loss | | (2,506) | (1,811) | (1,551) | (2,111) | (2,069) | (1,549) |
| Loss before taxation | | (3,865) | (3,709) | (3,069) | (2,996) | (2,981) | (2,952) |
| Loss after taxation | | (3,954) | (3,795) | (3,155) | (3,080) | (3,064) | (3,043) |
| Fixed Assets | | 87,095 | 89,285 | 89,390 | 67,219 | 67,802 | 68,505 |
| Current Assets | | 15,222 | 15,219 | 15,211 | 12,865 | 14,566 | 14,163 |
| Current Liabilities | | 43,211 | 39,633 | 44,733 | 30,497 | 34,891 | 38,437 |
| Long-term Debts | | 69,483 | 78,391 | 76,453 | 51,938 | 52,310 | 52,254 |
| Net Worth | | (4,635) | (8,214) | (10,998) | 7,345 | 4,262 | 1,246 |
| Jet Fuel Prices (Rs. Per US Gallon) | | 114.28 | 125.03 | 134.49 | 113.88 | 128.26 | 135.31 |

**GROUP CONSOLIDATED
FINANCIAL STATEMENTS
SEPTEMBER 2007**

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED CONSOLIDATED BALANCE SHEET (UN-AUDITED)
AS AT SEPTEMBER 30, 2007

| | Note | SEP-2007 (Rupees in thousand) | DEC-2006 (Rupees in thousand) | SEP-2007 (US\$ in thousand) |
|--|------|----------------------------------|----------------------------------|--------------------------------|
| ASSETS | | | | |
| NON-CURRENT ASSETS | | | | |
| Fixed assets | | | | |
| Property, plant and equipment | 4 | 112,498,219 | 102,579,997 | 1,853,348 |
| Intangibles | | 2,056,964 | 2,075,078 | 33,887 |
| | | 114,555,183 | 104,655,075 | 1,887,235 |
| Long term investments | | 165,769 | 156,224 | 2,731 |
| Long term advances and other receivables | | 2,706,884 | 2,153,902 | 44,594 |
| Long term deposits and prepayments | | 3,920,735 | 3,406,397 | 64,592 |
| Total non-current assets | | 121,348,571 | 110,371,598 | 1,999,152 |
| CURRENT ASSETS | | | | |
| Stores and spares | 5 | 3,185,298 | 3,382,328 | 52,476 |
| Trade debts | | 7,119,095 | 6,521,586 | 117,283 |
| Advances | | 1,561,908 | 552,856 | 25,732 |
| Trade deposits and prepayments | | 1,273,945 | 1,476,145 | 20,988 |
| Accrued interest | | 32,374 | 51,010 | 533 |
| Other receivables | | 1,227,651 | 1,100,676 | 20,225 |
| Short term investments | | 263,389 | 606,868 | 4,339 |
| Taxation - net | | 252,866 | 261,674 | 4,166 |
| Cash and bank balances | | 2,998,280 | 7,079,105 | 49,395 |
| Total current assets | | 17,914,806 | 21,032,248 | 295,137 |
| TOTAL ASSETS | | 139,263,377 | 131,403,846 | 2,294,289 |
| EQUITY AND LIABILITIES | | | | |
| SHARE CAPITAL AND RESERVES | | | | |
| EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF PARENT | | | | |
| Share capital | | 19,473,631 | 19,473,631 | 320,818 |
| Reserves | | 4,280,712 | 4,280,712 | 70,522 |
| Unrealized gain on remeasurement of investments | | 86,252 | 21,013 | 1,421 |
| Foreign exchange translation reserve | | 1,963,360 | 1,847,591 | 32,345 |
| Accumulated losses | | (33,845,460) | (23,717,778) | (557,586) |
| | | (8,041,505) | 1,905,169 | (132,480) |
| MINORITY INTEREST | | 548,572 | 520,692 | 9,037 |
| TOTAL EQUITY | | (7,492,933) | 2,425,861 | (123,443) |
| Surplus on revaluation of fixed assets - net | | 3,133,248 | 3,601,840 | 51,619 |
| | | (4,359,685) | 6,027,701 | (71,824) |
| NON-CURRENT LIABILITIES | | | | |
| Advance against equity from GoP | 6 | 1,057,741 | - | 17,426 |
| Long term financing | 7 | 29,266,476 | 18,682,829 | 482,150 |
| Term finance certificates | | 10,723,738 | 13,246,970 | 176,668 |
| Liabilities against assets subject to finance lease | 8 | 46,919,220 | 42,503,444 | 772,969 |
| Long term deposits | | 308,614 | 261,843 | 5,084 |
| Deferred liabilities | | 7,919,872 | 8,045,670 | 130,476 |
| Total non-current liabilities | | 96,195,661 | 82,740,756 | 1,584,773 |
| CURRENT LIABILITIES | | | | |
| Trade and other payables | | 17,931,468 | 18,023,185 | 295,411 |
| Accrued interest / mark-up / profit | | 699,627 | 812,278 | 11,526 |
| Short term borrowings | 9 | 12,818,315 | 15,543,446 | 211,175 |
| Tax payable | | 17,511 | 89,299 | 288 |
| Current portion of: | | | | |
| Long term financing | | 8,439,499 | 2,714,555 | 139,036 |
| Term finance certificates | | 2,523,232 | 756,970 | 41,569 |
| Liabilities against assets subject to finance lease | | 4,856,119 | 3,914,491 | 80,002 |
| Long term murabaha | | 141,630 | 781,165 | 2,333 |
| Total current liabilities | | 47,427,401 | 42,635,389 | 781,340 |
| CONTINGENCIES AND COMMITMENTS | | | | |
| TOTAL EQUITY AND LIABILITIES | | 139,263,377 | 131,403,846 | 2,294,289 |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED CONSOLIDATED PROFIT AND LOSS ACCOUNT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| Note | Nine months ended | | Quarter ended | | Nine months ended | |
|--|-------------------|---------------------|--------------------|--------------------|--------------------|------------------|
| | SEP-2007 | SEP-2006 | SEP-2007 | SEP-2006 | SEP-2007 | |
| | | | | | (US\$ in thousand) | |
| (Rupees in thousand) | | | | | | |
| Turnover - net | 11 | 58,188,119 | 57,643,214 | 19,777,388 | 21,145,130 | 958,618 |
| Cost of services | | | | | | |
| Aircraft fuel | | (21,416,234) | (25,494,068) | (7,124,034) | (9,052,471) | (352,821) |
| Others | 12 | (34,292,921) | (30,292,722) | (11,791,929) | (11,048,094) | (564,957) |
| | | (55,709,155) | (55,786,790) | (18,915,963) | (20,100,565) | (917,778) |
| Gross Profit | | 2,478,964 | 1,856,424 | 861,425 | 1,044,565 | 40,840 |
| Distribution costs | | (3,340,436) | (3,386,003) | (1,211,907) | (1,165,324) | (55,032) |
| Administrative expenses | | (3,916,969) | (3,576,156) | (880,073) | (1,227,511) | (64,530) |
| | | (7,257,405) | (6,962,159) | (2,091,980) | (2,392,835) | (119,562) |
| Loss from operations | | (4,778,441) | (5,105,735) | (1,230,555) | (1,348,270) | (78,722) |
| Finance costs | 13 | (5,825,669) | (3,962,585) | (2,027,758) | (1,489,162) | (95,975) |
| Other provisions and adjustments - net | | (414,303) | (405,372) | (333,019) | (273,155) | (6,825) |
| | | (6,239,972) | (4,367,957) | (2,360,777) | (1,762,317) | (102,800) |
| Other operating income | | 887,909 | 622,762 | 650,571 | 186,827 | 14,628 |
| Loss before tax | | (10,130,504) | (8,850,930) | (2,940,761) | (2,923,760) | (166,894) |
| Taxation | | (410,610) | (155,466) | (107,763) | (71,249) | (6,765) |
| Loss after tax | | (10,541,114) | (9,006,396) | (3,048,524) | (2,995,009) | (173,659) |
| Attributable to: | | | | | | |
| Shareholders of the holding company | | (10,553,722) | (9,028,541) | (3,055,247) | (2,995,296) | (173,867) |
| Minority interest | | 12,608 | 22,145 | 6,723 | 287 | 208 |
| | | (10,541,114) | (9,006,396) | (3,048,524) | (2,995,009) | (173,659) |
| | | | | | | |
| | | | (Rupees) | | | (US\$) |
| Loss per share | | | | | | |
| 'A' class Ordinary shares | | 5.42 | 5.02 | 1.57 | 1.67 | 0.09 |
| 'B' class Ordinary shares | | 2.71 | 2.51 | 0.79 | 0.84 | 0.05 |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED CONSOLIDATED CASH FLOW STATEMENT (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Note | SEP-2007 (Rupees in thousand) | SEP-2007 (US\$ in thousand) |
|---|------|----------------------------------|--------------------------------|
| Cash flows from operating activities | | | |
| Cash used in operations | 14 | (1,226,607) | (20,208) |
| Profit on bank deposits received | | 177,674 | 2,927 |
| Deferred custom duty paid | | (176,941) | (2,915) |
| Finance costs paid | | (5,888,421) | (97,008) |
| Taxes paid | | (366,238) | (6,034) |
| Staff retirement benefits paid | | (151,478) | (2,496) |
| Compensated absences paid | | (19,367) | (319) |
| Long term deposits - net | | (608,306) | (10,021) |
| Net cash used in operating activities | | (8,259,684) | (136,074) |
| Cash flows from investing activities | | | |
| Fixed capital expenditure | | (3,722,309) | (61,323) |
| Proceeds from sale of fixed assets | | 298,765 | 4,922 |
| Long term deposits | | (441,784) | (7,278) |
| Net cash used in investing activities | | (3,865,328) | (63,679) |
| Cash flows from financing activities | | | |
| Advance against equity | | 1,057,741 | 17,426 |
| Proceeds from long term financing | | 16,238,918 | 267,527 |
| Redemption of term finance certificates | | (756,970) | (12,471) |
| Repayment of obligations under finance lease | | (5,130,839) | (84,528) |
| Repayment of long term murabaha | | (639,532) | (10,536) |
| Net cash generated from financing activities | | 10,769,318 | 177,418 |
| Decrease in cash and cash equivalents | | (1,355,694) | (22,335) |
| Cash and cash equivalents at the beginning of the period | | (8,464,341) | (139,445) |
| Cash and cash equivalents at the end of period | | (9,820,035) | (161,780) |
| CASH AND CASH EQUIVALENTS | | | |
| Cash and bank balances | | 2,998,280 | 49,395 |
| Short term borrowings | | (12,818,315) | (211,175) |
| | | (9,820,035) | (161,780) |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
INTERIM CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

Attributable to shareholders of the Holding Company

| | Share capital | Capital Reserves | | | Revenue reserves | | Minority interest | Total equity |
|--|-------------------|------------------|---|---------------------------------------|------------------|---------------------|-------------------|---------------------|
| | | capital reserves | Unrealized gain / (loss) on re-measurement of investments | Foreign exchange translation reserves | Revenue reserves | Accumulated losses | | |
| (Rupees in thousand) | | | | | | | | |
| Balance as at January 01, 2006 | 17,980,659 | 2,501,038 | (15,107) | 1,562,720 | 1,779,674 | (11,291,593) | - | 12,517,391 |
| Unrealized loss on re-measurement of investments | - | - | (12,200) | - | - | - | - | (12,200) |
| Profit/(loss) for the Period | - | - | - | - | - | (9,028,541) | 1,531 | (9,027,010) |
| Currency translation difference | - | - | - | 345,138 | - | - | 2,481 | 347,619 |
| Minority interest arising on acquisition | - | - | - | - | - | - | 516,595 | 516,595 |
| Balance as at September 30, 2006 | 17,980,659 | 2,501,038 | (27,307) | 1,907,858 | 1,779,674 | (20,320,134) | 520,607 | 4,342,395 |
| 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 |
| Profit/(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 of fixed assets - net | - | - | - | - | - | 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) |

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

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

1. STATUS AND ACTIVITY

- 1.1** Pakistan International Airlines Corporation (the Corporation) was incorporated in Pakistan on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act) and its shares are quoted on all Stock Exchanges of Pakistan. The registered office is situated at Karachi Airport. 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** The following subsidiary companies have been consolidated in the financial statements of Pakistan International Airlines (PIA; 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 current period, the Group has incurred a net loss of Rs.10,554 (September 30, 2006: Rs. 9,029) million resulting in accumulated losses of Rs.33,845 (Dec. 31,2006: Rs. 23,718) million as of the balance sheet date. Further, as of that date the current liabilities of the Group exceeded its current assets by Rs. 29,513 (Dec. 31, 2006: Rs. 21,603) million. In case of PIAC, the holding company, the management has initiated corrective measures to improve the operating results. Further the Ministry of Finance has extended its support by approving a financial restructuring package which is currently in the process of implementation.

The Government of Pakistan (GoP) as a majority shareholder has committed to ensure the going concern status of the holding company at all times. Also, historically support of GoP is available to the holding company as GoP has already issued guarantees to secure certain long term finance and Term Finance Certificates (TFCs) of the holding company. GoP had agreed to provide equity contribution to the holding company equivalent to accumulated loss of the holding company as at December 31, 2000, to cover interest/profit payments on long term finances and TFCs. As part of the financial package, an amount of Rs.7,981 (2006: Rs.6,923) million has been provided to the holding company up to September 30, 2007 against which 692,306,294 (2006: 692,306,294) 'A' class Ordinary Shares of Rs.10 each were issued to GoP up to that date. The remaining 105,774,100 Ordinary Shares are expected to be issued during the current year. Hence, the holding company expects continued financial support of GoP in future as well. In view of the above, the holding company has prepared its financial statements on a going concern basis.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
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In addition GoP had approved a fleet replacement plan as a result of which the holding company entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP had provided funding of US\$ 150 million - Rs.8,816 million in the form of equity and guarantees for acquisition of the said aircraft up to December 31, 2006.

The holding Company has been advised earlier by the European Union (EU) that some of its aircraft were temporarily restrained from flying to various countries in Europe. The holding company took necessary steps to address the issues raised by the EU. Subsequently, the Air Safety Committee has proposed to the European Committee for the modification of the operational restrictions imposed on the holding Company to allow eleven aircraft (out of twenty aircraft subject to the aforesaid restrictions) to operate in the region.

2. BASIS OF PREPARATION

These interim condensed consolidated financial statements are unaudited and are being submitted to its shareholders as required under Section 245 of the Companies Ordinance, 1984.

3. SIGNIFICANT ACCOUNTING POLICIES AND ESTIMATES

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 should be read in conjunction with the annual consolidated financial statements of the Group for the year ended December 31, 2006.

The accounting policies and estimates 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, 2006, except as mentioned in the holding company's financial statements.

4. PROPERTY, PLANT AND EQUIPMENT

| | SEP-2007 | DEC-2006 |
|-----------------------------------|---------------------------|--------------------|
| | (Rupees in thousand) | |
| Operating fixed assets (note 4.1) | 106,785,501 | 95,942,231 |
| Capital work-in-progress | 5,712,718 | 6,637,766 |
| | <u>112,498,219</u> | <u>102,579,997</u> |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
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4.1 Following are the major additions and deletions during the period:

| | SEP-2007 | SEP-2006 |
|---|----------------------|-------------------|
| | (Rupees in thousand) | |
| <u>Additions /transfers</u> | | |
| Owned | | |
| Buildings on leasehold land | 20,142 | 62,943 |
| Workshops and hangars | 2,336 | - |
| Renovation and improvements | 115,599 | 169,995 |
| Aircraft fleet (note 4.1.1) | 3,070,722 | 694,201 |
| Operating ground equipment, catering, communication & meteorological equipment | 26,007 | 16,328 |
| Engineering equipment and tools | 79,474 | - |
| Motor transport | 20,721 | 1,336 |
| Traffic equipment | 31,582 | 76,281 |
| Furniture, fixture and fittings | 130,829 | 810,734 |
| Office equipment | 532 | 170 |
| Computer and office automation | 72,113 | 108,016 |
| Other equipment | 39,547 | 63,727 |
| Capital spares | 1,032,083 | 1,218,539 |
| | 4,641,687 | 3,222,270 |
| Leased | | |
| Aircraft fleet (note 4.1.2) | 10,488,244 | 18,611,465 |
| | 15,129,931 | 21,833,735 |
| <u>Deletions</u> | | |
| Owned | | |
| Land | 103 | - |
| Traffic equipment | 3,414 | 16,066 |
| Renovation and improvements | 1,525 | - |
| Aircraft fleet | 231,584 | 90,315 |
| Operating ground equipment, catering, communication & meteorological equipment | 3,274 | - |
| Motor transport | 480 | 274 |
| Furniture, fixture and fittings | 39,210 | 12,522 |
| Office equipment | 435 | - |
| Computer and office automation | 520 | - |
| Other equipment | 287 | - |
| Capital spares | 79,536 | 40,593 |
| | 360,368 | 159,770 |
| Leased | | |
| Vehicles | 2,415 | - |
| | 362,783 | 159,770 |

4.1.1 This includes four ATR 42 aircraft purchased by the holding company during the current period.

4.1.2 This represents cost of a Boeing 777 ER aircraft acquired during the current period in accordance with the fleet replacement plan approved by GoP for the holding company.

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
NOTES TO THE INTERIM CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UN-AUDITED)
FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

5. STORES AND SPARES

| | SEP-2007 (Rupees in thousand) | DEC-2006 (Rupees in thousand) |
|---|----------------------------------|----------------------------------|
| Stores | 716,585 | 839,848 |
| Spares | 3,875,133 | 3,387,842 |
| | 4,591,718 | 4,227,690 |
| Less: provision for slow moving stores and spares | 1,694,339 | 1,604,338 |
| | 2,897,379 | 2,623,352 |
| Inventory held for disposal | 2,198,380 | 2,266,825 |
| Less: adjustment to write down surplus inventory to net realizable value | 2,166,514 | 1,935,827 |
| | 31,866 | 330,998 |
| Goods-in-transit | 256,053 | 427,978 |
| | 3,185,298 | 3,382,328 |

6. ADVANCE AGAINST EQUITY FROM GoP

This represents the amount received from GoP towards equity contribution under the terms of Financial Package, as disclosed in note 1.3 to these interim consolidated financial statements.

7. LONG TERM FINANCING - secured

| Financier | Limit (Rupees in million) | Repayment period | Number of installments / mode | SEP-2007 | DEC-2006 |
|--|------------------------------|---------------------|-------------------------------------|----------------------|-------------------|
| | | | | (Rupees in thousand) | |
| From Banking Companies | | | | | |
| Standard Chartered Bank | 3,000 | 2006 - 2007 | 1 Bullet | 2,999,404 | - |
| United Bank Limited | 1,650 | 2005 - 2009 | Half -yearly | 1,486,007 | 1,621,098 |
| Citibank / DVB Bank | 6,603 | 2006 - 2008 | Half-yearly | 3,145,595 | 3,491,443 |
| Habib Bank Limited | 530 | 2006 - 2009 | 36 Monthly | 309,167 | 456,389 |
| Citibank, N.A. | 4,985 | 2006 - 2016 | 20 Half-yearly | 4,757,953 | 2,180,178 |
| Habib Bank Limited | 200 | 2006 - 2009 | 36 Monthly | 138,889 | 194,444 |
| ABN Amro Bank | 3,099 | 2009 - 2013 | 19 Quarterly | 3,089,129 | 1,556,842 |
| NBP/HBL | 7,260 | 2007 - 2010 | 1 Bullet | 7,284,000 | - |
| Standard Chartered Bank DXB | 3,025 | 2007-2009 | 12 Quarterly | 2,529,166 | - |
| J. P. Morgan Chase | 6,087 | 2006-2009 | Variable | 5,875,751 | 5,882,516 |
| J. P. Morgan Chase | 3,652 | 2006-2009 | Variable | 3,648,000 | 3,652,200 |
| Honk Kong Shangai Banking Company CCF | 2,431 | 2004-2012 | Variable | 2,442,914 | 2,362,274 |
| | | | | 37,705,975 | 21,397,384 |
| Less : current portion | | | | 8,439,499 | 2,714,555 |
| | | | | 29,266,476 | 18,682,829 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
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SEP-2007 **DEC-2006**
(Rupees in thousand)

8. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Present value of future rental obligations - aircraft fleet

| | | |
|----------|-------------------|-------------------|
| A-310 | 5,240,598 | 5,665,539 |
| B-777 ER | 32,208,497 | 25,540,393 |
| B-777 LR | 14,260,229 | 15,118,103 |
| | 51,709,324 | 46,324,035 |

Present value of future rental obligations - vehicles

| | | |
|-----------------------|-------------------|-------------------|
| | 66,015 | 93,900 |
| | 51,775,339 | 46,417,935 |
| Less: current portion | 4,856,119 | 3,914,491 |
| | 46,919,220 | 42,503,444 |

9. SHORT TERM BORROWINGS - Secured

| | | |
|---|-------------------|-------------------|
| Short term loans (note 9.1) | 10,054,018 | 14,580,244 |
| Running finance under mark-up arrangements (note 9.2) | 2,764,297 | 963,202 |
| | 12,818,315 | 15,543,446 |

9.1 Short term loans - secured

| Financier | Security | Repay-ment period | SEP-2007 (Rupees in thousand) | DEC-2006 |
|---|--|-------------------|----------------------------------|-------------------|
| From Banking Companies | | | | |
| Citibank - Karachi | GoP Guarantee | 3 months | - | 2,000,000 |
| United Bank Limited - Dubai | UAE Receivables | 1 Year | - | 58,840 |
| National Bank of Pakistan - Bahrain | GoP Guarantee | 1 Year | - | 4,260,900 |
| Habib Bank Limited - Export Processing Zone | | | | |
| Standard Chartered Bank - Dubai | GoP Guarantee | 1 Year | 7,204,018 | 3,043,500 |
| Standard Chartered Bank - Dubai | GoP Guarantee | 3 months | - | 1,217,400 |
| Habib Bank Limited - Karachi | Hypothecation charge over current assets | 6 months | 850,000 | 1,000,000 |
| Standard Chartered Bank - Karachi | GoP Guarantee | 6 months | - | 2,999,604 |
| Habib Bank Limited - Karachi | GoP Guarantee | 1 Year | 2,000,000 | - |
| | | | 10,054,018 | 14,580,244 |

The rate of mark-up ranges between 5.82% and 10.15%.

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9.2. Running finance under mark-up arrangements - secured

| Financier | Security | Repayment period | SEP-2007 | DEC-2006 |
|--|---|------------------|----------------------|----------------|
| | | | (Rupees in thousand) | |
| From Banking Companies | | | | |
| United Bank Limited - Karachi | First pari passu hypothecation charge over current assets | 1 Year | 2,189,297 | 365,372 |
| National Bank of Pakistan - Karachi | First pari passu hypothecation charge over current assets | 1 Year | 575,000 | 50,000 |
| Habib Allied International Bank Limited - London | Receivables in Europe | 1 Year | - | 547,830 |
| | | | 2,764,297 | 963,202 |

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, 2006 and half year ended June 30, 2007.

11. TURNOVER - net

| | Nine months ended | | Quarter ended | |
|-------------------------------|----------------------|-------------------|-------------------|-------------------|
| | SEP-2007 | SEP-2006 | SEP-2007 | SEP-2006 |
| | (Rupees in thousand) | | | |
| Passenger | 45,592,466 | 44,262,635 | 14,845,461 | 15,556,504 |
| Cargo | 3,767,056 | 4,223,782 | 1,482,716 | 1,610,154 |
| Excess baggage | 615,925 | 565,791 | 200,320 | 182,347 |
| Charter | 128,196 | 308,390 | 43,231 | 64,879 |
| Engineering services | 457,864 | 966,175 | 138,669 | 343,068 |
| Handling and related services | 625,422 | 691,217 | 188,954 | 258,587 |
| Mail & telephone | 255,060 | 227,928 | 84,817 | 79,358 |
| Rooms sales | 4,804,644 | 4,869,549 | 2,187,834 | 2,666,143 |
| Food & beverages | 1,043,122 | 725,483 | 360,770 | 150,156 |
| Shop and other rentals | 233,308 | 192,879 | 79,356 | 63,351 |
| Others | 665,056 | 609,385 | 165,260 | 170,583 |
| | 58,188,119 | 57,643,214 | 19,777,388 | 21,145,130 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
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FOR THE NINE MONTHS PERIOD ENDED SEPTEMBER 30, 2007

| | Nine months ended | | Quarter ended | |
|--|-------------------|----------|---------------|----------|
| | SEP-2007 | SEP-2006 | SEP-2007 | SEP-2006 |

(Rupees in thousand)

12. COST OF SERVICES - others

| | | | | |
|-----------------------------------|-------------------|-------------------|-------------------|-------------------|
| Salaries, wages and allowances | 6,518,106 | 5,520,206 | 2,999,389 | 2,674,356 |
| Welfare and social security costs | 196,456 | 244,804 | 66,362 | 146,189 |
| Retirement benefits | 356,776 | 287,744 | 132,925 | 134,303 |
| Compensated absences | 9,018 | 10,613 | 3,006 | 4,690 |
| Legal and professional charges | 91,114 | 75,114 | 34,993 | 29,872 |
| Stores and spares consumed | 1,437,514 | 1,703,636 | 596,073 | 543,395 |
| Maintenance and overhaul | 4,963,585 | 4,077,825 | 1,589,548 | 1,364,069 |
| Flight equipment rental | 2,762,082 | 1,831,582 | 463,746 | 345,373 |
| Landing and handling | 5,874,467 | 5,997,941 | 1,752,457 | 2,085,206 |
| Passenger services | 2,103,706 | 1,978,636 | 676,505 | 591,168 |
| Crew layover | 1,569,423 | 1,438,812 | 504,548 | 487,153 |
| Hotel running expenses | 1,960,086 | 1,955,223 | 616,944 | 651,741 |
| Staff training | 51,826 | 55,572 | 14,289 | 16,162 |
| Food cost | 1,198,893 | 1,180,074 | 412,177 | 460,671 |
| Utilities | 24,620 | 19,227 | 9,514 | 6,409 |
| Communication | 47,675 | 48,249 | 14,410 | 11,287 |
| Insurance | 817,033 | 825,669 | 278,514 | 301,134 |
| Rent, rates and taxes | 202,753 | 223,063 | 59,723 | 71,486 |
| Repair and maintenance | 102,869 | 102,228 | 40,280 | 14,151 |
| Printing and stationery | 93,542 | 67,024 | 26,509 | 20,085 |
| Amortization | 1,859 | 1,293 | 621 | 431 |
| Depreciation | 3,468,232 | 2,349,344 | 1,163,597 | 885,175 |
| Others | 441,286 | 298,843 | 335,799 | 203,588 |
| | 34,292,921 | 30,292,722 | 11,791,929 | 11,048,094 |

13. FINANCE COSTS

| | | | | |
|---|------------------|------------------|------------------|------------------|
| Mark-up on long term financing | 1,277,534 | 772,603 | 526,866 | 181,351 |
| Profit on term finance certificates | 1,027,586 | 1,022,541 | 346,624 | 339,967 |
| Interest on liabilities against assets subject to finance lease | 2,193,476 | 1,448,989 | 813,398 | 638,859 |
| Mark-up on long term murabaha | 38,719 | 88,597 | 4,366 | 29,154 |
| Mark-up on short-term borrowings | 1,036,990 | 493,323 | 277,765 | 247,970 |
| Arrangement, agency and commitment fee | 219,394 | 107,785 | 50,703 | 43,808 |
| Bank charges, guarantee commission and other related charges | 31,970 | 28,747 | 8,036 | 8,053 |
| | 5,825,669 | 3,962,585 | 2,027,758 | 1,489,162 |

PAKISTAN INTERNATIONAL AIRLINES CORPORATION
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| | SEP-2007 (Rupees in thousand) | SEP-2007 (US\$ in thousand) |
|--|-------------------------------------|-----------------------------------|
| 14. CASH USED IN OPERATIONS | | |
| Loss before tax | (10,130,504) | (166,894) |
| Adjustments for: | | |
| Depreciation | 4,049,732 | 66,717 |
| Capital spares scrappage | 21,254 | 350 |
| Gain on disposal of fixed assets | (259,005) | (4,267) |
| Amortization | 23,601 | 389 |
| Provision for stores and spares | 320,688 | 5,283 |
| Provision for employees' benefits | 21,850 | 360 |
| Provision for doubtful debts | 223,319 | 3,679 |
| Finance costs | 5,825,669 | 95,975 |
| Profit on bank deposits | (159,039) | (2,620) |
| | (62,435) | (1,028) |
| Working capital changes | | |
| Increase in stores and spares | (127,652) | (2,103) |
| Increase in trade debts | (704,170) | (11,601) |
| Increase in advances | (1,088,910) | (17,939) |
| Increase in trade deposits and prepayments | (78,768) | (1,298) |
| Increase in other receivables | (353,503) | (5,824) |
| Increase in trade and other payables | 1,188,831 | 19,585 |
| | (1,164,172) | (19,180) |
| Cash used in operations | (1,226,607) | (20,208) |

15. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Director's meeting held on October 31, 2007.

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. 60.70 = US\$ 1 solely for convenience purposes.

Zaffar A. Khan
Chairman & CEO

Kamal Afsar
Director

