

INTERIMREPORT

1st Quarter

January-March 2006

PIA

Pakistan International

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PIA

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Corporate Profile

Board of Directors

Mr. Tariq Kirmani

Chairman & Chief Executive

Mr. Kamal Afsar

Syed Mohammad Fazal Agha

Mr. Nawid Ahsan

Secretary General Finance

Maj. Gen. (Retd) Muhammad Ashraf Chaudhry

Additional Secretary-I, Ministry of Defence

Dr. Sugihra Junejo

Mr. M. Hidayatulla Khan Khaishgi

Mr. Asad Ali Khan

Mr. Javed Saifullah Khan

Air Marshal (Retd) Pervez Akhtar Nawaz

Director General - Civil Aviation Authority Pakistan

Mr. S. Ali Raza

Mr. Ghazanfar Mashkooor - Secretary

Audit Committee

Mr. Asad Ali Khan - Chairman

Mr. Kamal Afsar

Maj. Gen. (Retd) Muhammad Ashraf Chaudhry

Mr. Javed Saifullah Khan

Mr. S. Ali Raza

Mr. Shehrazd Aminullah - Secretary

Human Resource & Corporate Governance Committee

Mr. Tariq Kirmani - Chairman & CEO

Syed Mohammad Fazal Agha

Dr. Sugihra Junejo

Mr. M. Hidayatulla Khan Khaishgi

Air Marshal (Retd) Pervez Akhtar Nawaz

Mr. Wasim Bari - Secretary

Registered Office

PIA Building

Jinnah International Airport

Karachi - Pakistan

Web site: www.piac.com.pk

Executive Management

Mr. Tariq Kirmani

Chairman & Chief Executive

Syed Farooq H. Shah

Deputy Managing Director

Mr. M. Rasheed Hasan

SVP Corporate Planning

Mr. Wasim Bari

SVP Human Resources & Administration

Mr. Umar Ghatoor

SVP Flight Services

Mr. Anwaar Rasul Khan

SVP Co-ordination

Syed Kamran Hasan

SVP Marketing

Capt. Javed Khan

SVP Quality Assurance

Mr. Arif Majeed

SVP Finance

Capt. S. M. Athar

SVP Flight Operations

Col. (Retd) Mudasar Asghar

SVP Works

Mr. Shahnawaz Rehman

SVP Financial Monitoring & Appraisal

AVM (Retd) Iftikhar Ahmed Gul

SVP Engineering

Capt. Shahnawaz Dara

SVP Flight Safety & HSE

Mr. Jawaid Daud Shaikh

SVP Procurement & Logistics

Mr. Nadeem Ikram

SVP Information Technology

AVM Muhammad Rafi

SVP Precision Engineering

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First Quarter Directors' Report to the Shareholders

The Directors of Pakistan International Airlines Corporation are pleased to present their report alongwith financial statements (un-audited) for the first quarter i.e. January - March of financial year 2006.

PIA's business has continued to grow and is reflected in the number of passengers / cargo kgs carried and the revenues earned. During the quarter January-March 2006, PIA's overall revenues have reached Rs. 16.84 billion as against Rs. 16.13 billion in corresponding period of last year thus showing an increase of Rs. 0.71 billion during the three months. Revenues, both from passengers and freight have contributed to this increase. The number of passengers on international and domestic sectors combined flown grew to 1.41 million as against 1.30 million in the quarter of last year.

However, the high level of oil prices continued to adversely impact the revenue gains being made by the airline. The Cost of Services rose to Rs. 17.00 billion in 1st Quarter 2006, comparing to Rs. 13.84 billion in 1st Quarter 2005. The major increase of Rs. 2.32 billion (41% over 1st Quarter 2005) related to the

unprecedented increase in Aircraft fuel cost. The retirement of six A-300 and two B-747 aircraft last year, necessitated extra leasing requirement for Haj this year which is reflected in the increase in flight equipment rental expense. Marketing & distribution cost is higher owing to the airline's re-entry into Global Distribution Systems (GDSs) to broaden the sales base which would lead to higher revenue generation. Finance cost is showing increase owing to additional borrowings including the bridge loan for purchase of 49% shares in PIA-IL and the rise in the interest rates.

The Corporation is determined to overcome the challenge posed by the escalating fuel prices and efforts are in hand to restructure operation, enhance revenue and optimize capacity utilization. In this context, following steps have been implemented or are being initiated:

- Operational restructuring
- Fare increases on domestic and international sectors
- Introduction of standby fares offering 50% reduction to passengers on domestic sectors to maximize capacity utilization
- Acquisition of 99% stake in PIA Investments Limited has been completed with the ultimate purpose of disposing of its assets during the year 2006. The expected sale proceeds will result in significant improvement in PIA's liquidity as also reduction in financing cost.
- The induction of two new Boeing 777-200LRs offers a unique product to meet customers' requirement.

While the industry is passing through its most prolonged turbulent phase, the management of your Corporation is facing the challenge squarely so as to emerge as a viable player in the industry.

For and on behalf of the Board

Tariq Kirmani

Chairman & CEO

April 28, 2006.

As at March 31, 2006

NON CURRENT ASSETS

Fixed assets

Property, plant and equipment

Intangibles

Long term investments

Long term advances and other receivable

Long term deposits and prepayments

CURRENT ASSETS

Stores and spares

Trade debts

Advances

Trade deposits and prepayments

Accrued interest

Other receivables

Short term investments

Taxation - advance tax net of provision

Cash and bank balances

SHARE CAPITAL AND RESERVES

Share capital

Reserves

Unrealized loss on remeasurement of investments - net

Accumulated loss

NON CURRENT LIABILITIES

Advance against equity from GoP
 Long term finance under mark-up arrangements
 Term finance certificates
 Liabilities against assets subject to finance lease
 Long term murabaha finance
 Long term deposits
 Deferred liabilities

CURRENT LIABILITIES

Trade and other payables
 Accrued interest/mark-up
 Short term borrowing
 Current portion of loans
 Long term finance under mark-up arrangements
 Term finance certificates
 Liabilities against assets subject to finance lease
 Long term murabaha finance

CONTINGENCIES AND COMMITMENTS

The annexed notes 1 to 18 form an integral part of these financial statements.

| Note | MAR - 2006 (Rupees in thousand) | DEC - 2005 | MAR - 2006 (US\$ in thousand) |

|---|---|---|---|

| 4 | 67,113,231 | 51,263,914 | 1,117,822 |

| | 105,404 | 112,421 | 1,755 |

| 5 | 67,218,635 | 51,376,335 | 1,119,377 |

| | 4,397,718 | 323,705 | 73,234 |

| | 6,501,647 | 6,635,933 | 108,271 |

| | 2,247,936 | 1,804,977 | 37,435 |
| | 80,365,936 | 60,140,950 | 1,338,317 |

	2,646,866	2,790,137	47,408
	6,142,450	5,222,534	102,289
	574,334	513,917	9,564
	660,049	581,175	10,962
	4,462	39,708	74
	981,238	481,449	16,340
	328,443	363,855	5,470
	66,861	149,087	1,113
	1,260,403	2,614,691	20,989
	12,865,106	12,756,553	214,239

| | 93,231,042 | 72,697,503 | 1,552,556 |

	17,980,659	17,980,659	299,428
	4,280,712	4,280,712	71,286
	(35,872)	(15,107)	(597)
	(14,880,401)	(11,799,966)	(247,800)
	7,345,098	10,446,298	122,317

	397,590	-	6,621
	1,908,700	1,621,009	31,765
	13,625,455	14,003,940	226,902
	35,852,445	21,706,054	597,043
	551,227	788,075	9,175
	231,031	290,236	3,847
	2,822,717	2,824,690	47,006

		55,389,165		41,214,104		922,383	
--	--	------------	--	------------	--	---------	--

		12,535,085		14,983,921		210,409	
--	--	------------	--	------------	--	---------	--

		284,944		607,769		4,745	
--	--	---------	--	---------	--	-------	--

		8,020,774		362,075		133,568	
--	--	-----------	--	---------	--	---------	--

		4,465,572		1,821,103		74,366	
--	--	-----------	--	-----------	--	--------	--

		756,970		756,970		12,606	
--	--	---------	--	---------	--	--------	--

		3,483,394		2,067,363		68,008	
--	--	-----------	--	-----------	--	--------	--

		849,940		837,900		14,154	
--	--	---------	--	---------	--	--------	--

		30,496,779		21,237,101		607,856	
--	--	------------	--	------------	--	---------	--

		93,231,042		72,697,503		1,552,556	
--	--	------------	--	------------	--	-----------	--

Tariq Kirmani

Chairman & Chief Executive

Asd Ali Khan

Director

Profit and Loss Account (Unaudited)

For the first quarter ended March 31, 2006

		2005		2005		2005	
--	--	------	--	------	--	------	--

	---		---		---		---	
--	-----	--	-----	--	-----	--	-----	--

		(Rupees in thousand)		(US\$ in thousand)			
--	--	----------------------	--	--------------------	--	--	--

	Turnover - net		11		16,839,703		16,127,152		280,428	
--	----------------	--	----	--	------------	--	------------	--	---------	--

	Cost of services						
--	------------------	--	--	--	--	--	--

Aircraft fuel	12	(8,036,321)	(5,714,152)	(133,827)	
Others		(8,964,089)	(8,123,470)	(149,277)	
		(17,000,410)	(13,837,622)	(283,104)	
Gross profit		(160,707)	2,289,530	(2,676)	
Other operating income		132,118	156,010	2,200	
Marketing and distribution costs		(1,164,320)	(906,043)	(19,389)	
Administrative expenses		(786,473)	(750,322)	(13,987)	
		(1,818,675)	(1,500,355)	(30,286)	
(Loss)/profit from operations		(1,979,382)	789,175	(32,962)	
Finance cost	13	(906,109)	(631,342)	(15,089)	
Other provisions and adjustments - net		(110,745)	30,426	(1,844)	
		(1,016,854)	(600,916)	(16,933)	
(Loss)/profit before tax		(2,996,236)	188,259	(49,895)	
Taxation		(84,199)	(168,834)	(1,402)	
(Loss)/profit for the quarter		(3,080,435)	19,425	(51,297)	
(Loss)/earnings per share					
'A' class ordinary shares (Rs./US\$)		(1.71)	0.01	(0.03)	
'B' class ordinary shares (Rs./US\$)		(0.86)	0.005	(0.01)	

The annexed notes 1 to 18 form an integral part of these financial statements.

Tariq Kirmani

Chairman & Chief Executive

Asad Ali Khan

Director

Cash Flow Statement (Unaudited)

For the first quarter ended March 31, 2006

		2006	2005	2006	
		---	---	---	
	Note	(Rupees in thousand)	(US\$ in thousand)		

****Cash flows from operating activities****

Cash generated from operations

Profit on bank deposits received

Finance cost paid

Taxes paid

Dividend paid

Staff retirement benefits paid

Compensated absences paid

Long term deposits - net

Net cash used in operating activities

****Cash flows from investing activities****

Fixed capital expenditure

Proceeds from sale of fixed assets

Investments

Received from subsidiaries/associated undertaking

Long term advances and other receivable

Net cash used in investing activities

****Cash flows from financing activities****

Advance against equity from GoP

Repayment of long term finance under mark-up arrangements

Redemption of term finance certificates

Proceeds / (Repayment) of obligations under finance lease

Repayment of long term muralabha finance

Net cash inflow / used in financing activities

(Decrease)/increase in cash and cash equivalents

Cash and cash equivalents at the beginning of the year

Cash and cash equivalents at the end of the quarter

****CASH AND CASH EQUIVALENTS****

Cash and bank balances

Short term borrowing

The annexed notes 1 to 18 form an integral part of these financial statements.

| | 2006 | 2005 | 2006 |

|---|---|---|---|

| | (Rupees in thousand) | (US\$ in thousand) | |

| | 14 | (5,272,725) | (2,191,663) | (87,806) |

| | | 70,418 | | 1,173 |

| | | (1,228,934) | (919,758) | (20,465) |

| | | (1,972) | (54,406) | (33) |

| | | | (5,255) | - |

		(87,123)	(8,806)	(1,451)
		(35,973)		(599)
		(502,164)	83,224	(8,362)
		(7,058,473)	(3,096,664)	(117,543)

	(16,581,875)	(1,624,098)	(276,134)
	1,431	-	24
	(4,059,366)	4,223	(67,600)
	176,418	14,465	2,938
	-	7,762	-
	(20,463,392)	(1,597,648)	(340,772)

	397,590	357,112	6,621
	(636,388)	-	(10,598)
	(378,485)	-	(6,303)
	19,330,969	(640,291)	321,915
	(204,808)	(498,662)	(3,411)
	18,508,878	(781,841)	308,224

	(9,012,987)	(5,476,153)	(150,091)
	2,252,616	10,838,898	37,512
	(6,760,371)	5,362,745	(112,579)

	1,260,403	5,362,745	20,989
	(8,020,774)	-	(133,568)
	(6,760,371)	5,362,745	(112,579)

Tariq Kirmani

Chairman & Chief Executive

Asad Ali Khan

Director

PIA

Pakistan International

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Interim Report 1st Quarter 2006

Notes to the Financial Statements (Unaudited)

For the first quarter ended March 31, 2006

1. CORPORATE INFORMATION

1.1 Pakistan International Airlines Corporation (the Corporation) was incorporated on April 18, 1956 under the Pakistan International Airlines Corporation Act, 1956 (PIAC Act 1956) and its shares are quoted on all stock exchanges of Pakistan. The registered office of the Corporation is situated in Karachi. Principal activity of the Corporation is to provide air transport services. In addition, the Corporation is engaged in providing engineering and other allied services.

1.2 During the quarter the Corporation has incurred a net loss of Rs. 3,080 million, which according to the management is primarily due to increase in international fuel prices, resulting in an accumulated loss of Rs. 14,880 million as of the balance sheet date. The fuel cost for the quarter amounted to Rs. 8,036 million (2005: Rs. 5,714 million). Further, as of that date the current liabilities of the Corporation exceeded its current assets by Rs. 17,632 million. The management has initiated corrective measures to improve operating results of the Corporation. The Corporation intends to dispose of the properties of its associated company PIA Investments Limited (PIAIL) and realise its advances and accumulated interest thereon booked till March 31, 2006 thereby considerably improving its cash flow position. Also, historically support of the Government of Pakistan (GoP) is available to the Corporation as GoP has already issued guarantees to secure certain long term finances and Term Finance Certificates (TFCs) of the Corporation. The 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. 5,827 million (2005: 5,430 million) has been provided to the Corporation upto March 31, 2006 against which 543,009,081 (2005: 543,009,081) 'A' class ordinary shares of Rs. 10 each were issued to GoP up to that date. 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 the going concern basis.

1.3 In addition GoP had approved a fleet replacement plan. Accordingly, the Corporation has entered into an agreement for purchase of eight new Boeing 777 aircraft. GoP had provided funding of US\$ 150 million - Rs. 8,816 million (2005: US\$ 150 million- Rs. 8,816 million) in the form of equity and guarantees for acquisition of the said aircraft up to March 31, 2006.

2. BASIS OF PREPARATION

These financial statements are unaudited and are being circulated to the shareholders as required by Section 245 of the Companies Ordinance, 1984.

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 shall be read in conjunction with the annual financial statements of the Corporation for the year ended December 31, 2005.

The accounting policies and methods of computations adopted in the preparation of these financial statements are the same as those applied in the preparation of financial statements of the Corporation for the year ended December 31, 2005.

3. CONSOLIDATION

The Corporation has been granted exemption by Securities and Exchange Commission of Pakistan (SECP) from the provisions of Section 237(1) of the Companies Ordinance 1984 relating to the preparation of consolidated annual financial statements for the year ended December 31, 2005. Accordingly these interim financial statements have also not been prepared on consolidated basis consistent with the requirement of IAS-34 'Interim Financial Reporting'.

| | MAR - 2006 | DEC - 2005 |

| | (Rupees in thousand) | |

Operating fixed assets (note 4.1)	**69,212,578**	41,024,467
-----------------------------------	-----------------------	------------

Capital work-in-progress (note 4.2)	**7,900,653**	10,239,447
-------------------------------------	---------------	------------

		67,113,231		51,283,914	
--	--	----------------	--	------------	--

| | MARCH - 2006 |

— — — — —

| | (Rupees in thousand) |

|||

	Additions	(Disposal)
Land		
Buildings		
Equipment		
Accumulated Depreciation		
Net PPE		

Owned		
-------	--	--

Buildings on leasehold land	**3,901**	-
-----------------------------	-----------	---

Renovation and improvements	**635**	-
-----------------------------	---------	---

Operating ground equipment, catering communication and meteorological equipment	**897**	-
---	---------	---

| Engineering equipment and tools | **660** | - |

Vehicles	**5,309**	-
----------	-----------	---

Traffic equipment	**23,697**	-
-------------------	------------	---

Furniture, fixtures and fittings	**719**	-
----------------------------------	---------	---

Office equipment	**158**	-
------------------	---------	---

Computer and office automation	**21,109**	-
--------------------------------	------------	---

Other equipment	**1,537**	-
-----------------	-----------	---

Capital spaces	**246,376**	**(14,907)**	
	304,998	**(14,907)**	
Leased			
Aircraft fleet	**17,096,969**	-	
Engines	**1,518,700**	-	
	18,615,669	-	
	19,920,667	**(14,907)**	

4.2 Capital work-in-progress

	MAR - 2006	DEC - 2005	
	--- --- ---		
	(Rupees in thousand)		
Buildings - civil works	**4,688**	3,954	
Other projects / equipment	**179,185**	443,803	
Renovation and improvements	**32,028**	23,715	
Non refundable deposit against purchase of aircraft and engine	**7,884,754**	9,768,175	
	7,900,653	10,239,447	

5. LONG TERM INVESTMENTS

During the quarter the Corporation has acquired shares of the other shareholder in PIAN. by paying an amount of US \$ 67.75 million thereby increasing its holding in PIAN. to 99% from 50% previously held.

6. ADVANCE AGAINST EQUITY FROM GoP

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

7. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

Over five years: 20,573,650 436,062 20,135,588 13,077,091 438,062 12,589,029

In 2003, the Corporation had entered into aircraft lease agreements with Airbus Leasing Inc. USA for six A310-300 aircraft. One of these was acquired in 2003 and the five remaining aircraft were acquired in 2004. The salient features of the lease are as follows:

Discount rate 5.2% 5.2%

Lease period 144 months 144 months

Security deposits (Rupees in thousand) 193,914 193,266

Bargain purchase option can be exercised at the end of the lease period. Fixed monthly maintenance payments are to be made by the Corporation to the lessor.

In 2004, the Corporation entered into an agreement for Ex-I'm Bank supported financing for US\$ 345 million to acquire three Boeing 777-200 aircraft and spare engines, from Taxila Limited, a special purpose entity incorporated in Cayman Islands. The guaranteed lender of the financing is Citibank and Govco (an entity administered by Citibank). The salient features of the lease are as follows:

Discount rate - aircraft and spare engines 4.65% / 4.65%

Lease period - aircraft 3 months LIBOR 3 months LIBOR

Lease period - spare engines 144 months 144 months

Security deposit (Rupees in thousand) 96 months 96 months

567,641 567,641

Bargain purchase option can be exercised at the end of the lease period.

In 2005, the Corporation entered into an agreement for Ex-I'm Bank supported financing for US\$ 266 million to acquire two Boeing 777-200 LR aircraft and a spare engine, from Taxila Limited, a special purpose entity incorporated in Cayman Islands. These aircraft and a spare engine have been delivered during the current quarter. The guaranteed lenders of the financing are Citibank and DVB Bank. The salient features of the lease are as follows:

Discount rate - aircraft and spare engines 3 months LIBOR

Lease period - aircraft 4 basis point

Lease period - spare engines 144 months

Security deposit (Rupees in thousand) 96 months

459,000

Bargain purchase option can be exercised at the end of the lease period.

7.5 The salient features of the lease are as follows:

Discount rate 7.71% to 13.89% 7.71% to 13.89%

Lease period 48 to 60 months 48 to 60 months

Security deposit (Rupees in thousand) 1,039 1,039

Bargain purchase option can be exercised at the end of the lease period.

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8. TRADE AND OTHER PAYABLES

| | MAR - 2005 (Rupees in thousand) | DEC - 2005 |

|---|---|---|

| Trade creditors | | |

| Goods | 2,001,326 | 2,305,947 |

| Services | 1,468,446 | 1,459,751 |

| Airport related charges | 557,690 | 625,747 |

| | 4,028,452 | 4,395,455 |

| Accrued liabilities | 2,176,591 | 2,031,198 |

| Advance against transportation (uneamed revenue) | | |

| Normal | 4,098,771 | 4,686,860 |

| Hajj | | 1,476,107 |

		4,099,771		6,163,087	
	Advance from customers		342,506		390,521
	Payable to employees' provident fund		97,394		91,052
	Unclaimed dividend				
	Ordinary shares		-		-
	Preference shares		3,297		3,297
			3,297		3,297
	Collection on behalf of others		554,460		785,719
	Custom and central excise duty		696,926		777,045
	Capital value tax		24,105		47,225
	Stamp duties		9,910		8,641
	Private tax deducted at source		28,218		34,528
	Provision for construction of University Road, Karachi		100,000		100,000
	Short term deposit		153,863		137,229
	Liabilities acquired from subsidiaries - net		18,690		18,690
			12,535,085		14,983,921

9. SHORT TERM BORROWINGS - secured

	Financier		Security		Repayment period		Mark up	
	---		---		---		---	
	United Bank Limited Dubai		First Part Passu Charge over present and future current assets		1 year		LIBOR +2%	
							352,075	
	National Bank of Pakistan		First Part Passu Hypertension Charge over Slocks & Trade debts		1.5 years		KIBOR +1.25%	
							575,000	
	United Bank Limited		First Part Passu Hypertension Charge over Slocks & Trade debts		1 year		KIBOR +1.25%	
							519,295	
	Habib Bank Limited		Foreign currency deposit		3 - 12 months		KIBOR + 0.5%	
							50,000	
	Habib Bank Limited		First Part Passu Hypertension Charge over Trade debts		6 months		KIBOR + 1.25%	
							344,126	

National Bank of Pakistan Foreign currency deposit 6 months	KIBOR + 0.75%	310,321	
Syndicate financing by United Bank Limited - Bahrain; Habib Bank Limited - London; Standard Chalance Bank Dubai and National Bank of Pakistan Bahrain First Part Passu Hypertension Charge over current assets and GoP Guarantee 3 - 12 months			
	LIBOR + 0.6% to 2.25%	1,956,217	
National Bank of Pakistan - Bahrain GoP Guarantee	6 months	LIBOR + 0.6%	4,236,715
		8,020,774	362,075

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10. CONTINGENCIES AND COMMITMENTS

10.1 Contingencies

10.1.1 Civil Aviation Authority (CAA), Pakistan has claimed additional amounts aggregating to Rs. 3,819 million (2005: Rs. 3,819 million) in respect of rent and allied charges, landing and housing charges, aviation security and bay charges, interest/surcharge etc. The matter has been referred to Ministry of Defence through which a reconciliation and settlement exercise is currently in progress. The management considers that no additional liability of material amount is likely to arise as a result of such exercise. Accordingly, no provision in this respect has been made in these financial statements.

10.1.2 There has been no change in the status of other contingencies as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2005.

10.2 Commitments

10.2.1 Commitments for purchase of aircraft amounted to Rs. 43,517 million (2005: Rs. 60,613 million).

10.2.2 Commitments for capital expenditure amounted to Rs. 1.1 million (2005: Rs. 1.1 million).

10.2.3 Outstanding letters of credit amounted to Rs. 117 million (2005: Rs. 127 million).

10.2.4 Outstanding letters of guarantee amounted to Rs. 151 million (2005: Rs. 145 million).

10.2.5 Commitment in respect of construction of University Road, Karachi amounted to Rs. 200 million. (2005: Rs. 200 million).

10.2.6 Rentals under operating lease commitments amounted to Rs. 488.25 million (2005: Rs. 758.89 million).

PIA

Pakistan International

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11 TURNOVER - net

MAR - 2006

(Rupees in thousand)

MAR - 2005

Passenger

Cargo

Excess baggage

Charter

Engineering services

Handling and related services

Mail

Others

14,579,665

1,196,377

215,387

118,764

186,697

221,650

71,599

247,664

16,839,703

14,290,259

1,008,390

253,786

85,423

62,497

134,589

88,591

203,517

16,127,152

12 COST OF SERVICES - others

Salaries, wages and allowances

Welfare and social security costs

Retirement benefits

Compensated absences

Legal and professional charges

Stores and spares consumed

Maintenance and overhaul

Flight equipment rental

Landing and handling

Passenger services

Crew layover

Staff training

Utilities

Communication

Insurance

Rent, rates and taxes

Repair and maintenance

Printing and stationery

Amortization

Depreciation

Others

1,387,212

69,372

141,655

4,691

17,106

627,417

1,308,534

1,144,446

2,033,859

644,638

462,912

22,614

1,243

13,623

253,288

67,940

30,359

16,255

388

658,798

47,849

8,964,089

1,364,800

76,713

76,547

4,680

295

726,120

990,207

667,916

1,776,576

543,475

397,686

26,651

1,103

4,943

311,630

72,598

20,098

13,940

999,989

47,503

8,123,470

13 FINANCE COST

Mark-up on long term finance under mark-up arrangements

Profit on TFCs

Interest on obligation under finance leases

Mark-up on long term murabaha finance

Mark-up on short-term borrowing

Arrangement, agency and commitment fee

Bank charges, guarantee commission and other related charges

82,398

351,581

326,766

26,617

77,795

30,114

10,838

906,109

65,794

298,649

208,670

32,290

35

19,712

6,192

631,342

PIA

Pakistan international

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14. CASH GENERATED FROM OPERATIONS

MAR - 2006

(Rupees in thousand)

MAR - 2005

(Loss)/profit before tax

Adjustments for:

Depreciation

Gain on disposal of fixed assets

Amortization

(Reversa)/provision for slow moving stores and spares

Exchange gain on accrued interest

Provision for employees' benefits

Finance cost

Interest income on advances to an associated company

Profit on bank deposits

Working capital changes

(Increase) in stores and spares

Increase in trade debts

(Increase)/Decrease in advances

Increase in trade deposits and prepayments

Increase in other receivables

Increase in trade and other payables

Cash generated from operations

(2,996,236)

188,259

732,558

1,077,328

(1,431)

7,017

1,169

-20,000

(12,632)

227,283

25,750

906,109

631,342

(69,499)

(75,760)

(35,172)

(1,242,002)

1,868,088

(58,729)

(4,153)

(819,916)

(653,702)

(60,417)

13,446

(78,874)
(7,374)
(499,789)
(131,925)
(2,414,998)
(3,276,043)
(4,030,723)
(4,059,751)
(5,272,725)
(2,191,563)

15. GEOGRAPHICAL SEGMENTS

Revenue analysis

USA/Canada

Europe

Middle East/Africa

Asia (excluding Pakistan)

Pakistan

1,365,226
3,973,962
2,612,147
925,761
8,062,607
16,539,703

1,139,109

3,771,803
 2,157,946
 889,712
 8,168,582
 16,127,152

The analysis of turnover by origin is derived by allocating revenue to the area in which the sale was made.

Analysis of net assets

The major revenue earning assets comprise the aircraft fleet, all of which are registered in Pakistan. Since the fleet of the Corporation is employed flexibly across its worldwide route network, there is no suitable basis of allocating such assets and related liabilities to geographical segments.

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16. RELATED PARTY TRANSACTIONS

The transactions with related parties, other than those relating to issuance of tickets at concessional rates to employees and directors according to terms of employment/regulations and those not mentioned elsewhere in these financial statements are as follows:

	MAR - 2005 (Rupees in thousand)	MAR - 2005
	---	---
Recovery of advances from PIAIL	179,550	-
Interest on advances to PIAIL	67,998	72,540
Catering services from Sky Rooms (Private) Limited	21,069	17,883

| Contribution to retirement funds | 82,333 | 147,879 |

The Corporation's sales of transportation services to subsidiaries and associates are not determinable.

17. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on April 28, 2006.

18. GENERAL

18.1 The information as to the available capacity and utilization thereof during the quarter has been disclosed in the statistics annexed to the financial statements.

18.2 The US\$ amounts in balance sheet, profit and loss account and cash flow statement have been translated into US\$ at the rate of Rs. 60.05 = US\$ 1 solely for convenience purposes.

18.3 Certain comparative figures have been reclassified and re-arranged for the purpose of comparison.

Tariq Kirmani

Chairman & Chief Executive

Asad Ali Khan

Director

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Quarterly Summary

2006

1st Quarter

2005

1st Quarter

2004

1st Quarter

2005

1st Quarter

2004

1st Quarter

Traffic Operations

Available Sear Kilometers (million)

International

4,209

3,694

3,631

4,378

4,370

3,460

Domestic

648

627

598

629
627
678
Hajj
882
1,271
- 661
1,204
Total
6,740
5,592
4,229
5,007
5,988
5,432

Revenue Passenger Kilometers (million)

International

2,953
2,731
2,636
3,474
2,640
2,635

Domestic

466
390
427

530

488

441

Hajj

461

639

- 352

663

Total

3,899

3,760

3,063

4,004

3,680

3,739

Sear Factor (%)

International

70.16

73.93

72.60

79.35

64.99

76.16

Domestic

71.85

82.20

71.40

84.29

52.64

65.04

Hajj

51.13

50.26

- 50.04

51.24

Total

67.40

67.24

72.43

79.97

61.46

68.63

Available Freight Tome Kilometers (million)

International

126

138

140

152

156

147

Domestic

20

22

22

24

24

20

Total

146

190

162

176

180

167

Revenue Freight Tonne Kilometers (million)

International

83

93

88

107

93

72

Domestic

9

9

9

11

11

9

Total

92

92

97

118

104

81

Load Factor (%)

International

66.87

60.14

62.86

70.39

59.62

48.98

Domestic

45.00

40.91

40.91

45.83

45.63

45.00

Total

53.01

57.50

59.88

67.05

57.78

48.50

Financial

(---

Rupees in million

Operating Revenue

16,840

16,186

13,840

15,981

18,067

14,593

Operating Expenses

19,951

15,484

15,029

17,325

19,228

12,679

Operating profit/(loss)

(2,111)

692

(1,189)

(1,344)

(1,161)

(1,915)

Profit/(loss) before taxation

(2,296)

168

(1,870)

(1,604)

(1,227)

1,399

Profit/(loss) after taxation

(3,080)

19

(2,089)

(1,023)

(1,319)

833

Fixed Assets

67,219

50,150

50,582

51,253

51,376

45,463

Current Assets

12,865

14,956

15,965

13,014

12,757

22,327

Current Liabilities

30,497

15,805

17,979

19,783

21,237

17,277

Long-term Debts

51,938

40,964

40,409

38,796

38,099

42,291

Net Worth

7,345

13,445

11,372

10,343

10,446

7,472

Jet Fuel Prices (Fts. Per US Gallen)

113.88

82.48

102.67

111.39

102.05

58.55

PIA

Palestan International

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PIA

Pakistan International

Come Fly With Us

PIA Head Office,
Karachi Airport, Pakistan.

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