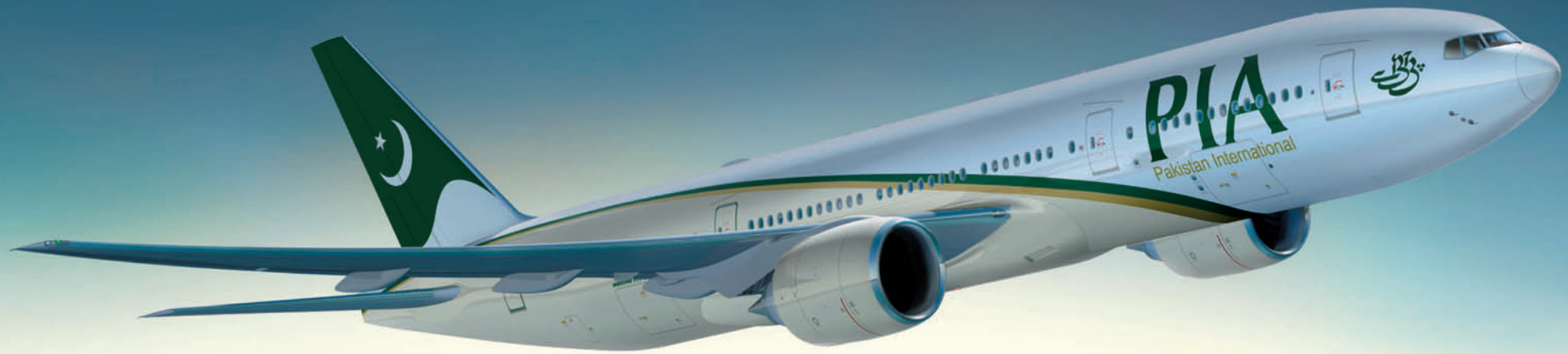


1st quarterly report
2011



Secretary - PIA
PIA Building,
Jinnah International Airport,
Karachi - 72500, Pakistan.
UAN: 111-786-786 / 111-FLY-PIA

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 **PIA**
Pakistan International

Great People to Fly With

contents

Corporate Profile	02
Directors' Report	05
Unconsolidated Financial Statements	07
Consolidated Financial Statements	25

Corporate Profile

As At April 28, 2011

Board of Directors

Ch. Ahmed Mukhtar

Minister for Defence and Chairman - PIA

Syed Naseer Ahmad

Malik Nazir Ahmed

Mr Javed Akhtar

Lt. Gen. (Retd.) Syed Athar Ali

Federal Secretary Defence

Prof. Mian Ijaz ul Hassan

Mr Mubashir Iftikhar

Dr. Waqar Masood Khan

Federal Secretary Defence

Mr Husain Lawai

Khawaja Jalaluddin Roomi

Corporate Secretary

Mr Muhammad Shuaib

Head of Internal Audit

Mr Waqar A. Siddiqui

Capt. Nadeem Khan Yousufzai

Managing Director

Mr M. Salim Sayani

Deputy Managing Director

Mr Imraan Ahmed Khan

Director - Marketing

Mr Shahnawaz Rehman

Director - Corporate Planning and HRA&C

Mr Faisal I. H. Malik

Director - Training & Development

Mr Maqsood Ahmed

Director - Engineering & Maintenance

Mr Khalid Iftikhar

Director - Procurement & Logistics

AVM Aminullah Khan

Director - Precision Engineering Complex

Capt. M. Ilyas Malik

Director - Flight Operations

Mr Mamoon Rashid

Director - Customer Services

Mr Irshad Ghani

Director - Information Technology

Mr Nayyar Hayat

Acting Chief Financial Officer

Mr S. Kamran Hasan

Director

External Auditors

Messrs A. F. Ferguson & Co.
Messrs M. Yousuf Adil Saleem & Co.

Share Registrar

Central Depository Company of Pakistan Ltd.
Shares Registrar Department
CDC House, 99 – B, Block-B
Sindhi Muslim Cooperative Housing Society
Main Shahrah-e-Faisal
Karachi – 74400, Pakistan

Ph: Customer Support Services

(Toll Free) 0800 – CDCPL (23275)
Fax: (92-21) 3432 6053
Email: info@cdcpak.com
Website: www.cdcpakistan.com

Head Office

PIA Building
Jinnah International Airport
Karachi – 72500
Pakistan
Website: www.piac.aero

Board of directors' **committees**

As At April 28, 2011

Audit Committee

Mr Husain Lawai	Chairman
Mr Javed Akhtar	Member
Prof. Mian Ijaz ul Hassan	Member
Mr Mubashir Iftikhar	Member
Khawaja Jalaluddin Roomi	Member

Brand and Advertisement Committee

Prof. Mian Ijaz ul Hassan	Chairman
Malik Nazir Ahmed	Member
Mr Mubashir Iftikhar	Member
Khawaja Jalaluddin Roomi	Member

Finance Committee

Dr Waqar Masood Khan	Chairman
Mr Mubashir Iftikhar	Member
Mr Husain Lawai	Member

Human Resource Committee

Syed Naseer Ahmad	Chairman
Malik Nazir Ahmed	Member
Mr Javed Akhtar	Member
Mr Mubashir Iftikhar	Member

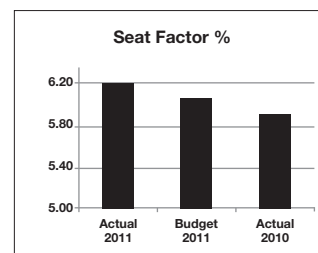
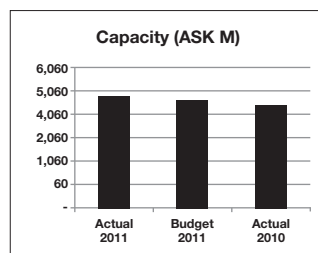
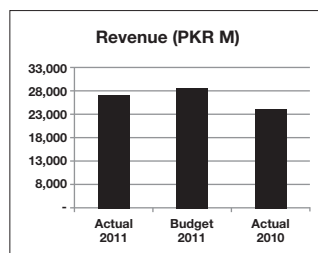
Director's Report to the Shareholders

The Directors of Pakistan International Airlines Corporation are pleased to present their report along with the unaudited interim condensed financial statements for the three months period ended March 31, 2011.

The financial results are summarized below:

	2011 (Rs. Billion)	2010 (Rs. Billion)
Revenues		
Passenger	23.19	20.49
Cargo & Others	2.99	2.35
Total Turnover - Net	26.18	22.85
Operating Cost & Expenses		
Fuel Cost	13.11	8.48
Other Cost Of Service	12.34	11.63
Distribution & Admin Expenses	3.10	3.21
Exchange (Gain)/Loss	(0.73)	(0.33)
Others Income & Adjustments	(0.05)	(0.02)
Financial Cost	2.39	2.30
Loss Before Tax	3.98	2.42
Loss After Tax	4.24	2.53

The business has continued to grow despite difficult economic conditions, lingering security condition in the country and visa restrictions by many countries on Pakistani passport holders. The situation was further complicated due to strike which forced the operations shut for four consecutive days. The passenger revenue increased by PKR 2.7 billion (13.2%) resulting from both yield and traffic. Quarterly Revenue has recorded an all time high showing an increase of PKR 3.3 billion (14.6%) against corresponding period of last year. Total number of passengers grew to 1.3 million (8.3%) whereas yield increased to 6.19 from 6.0 in the corresponding period last year. Seat-factor recorded a decrease to 75% as compared to 78.2% in the corresponding quarter of 2010. Charter revenue grew by a healthy 506%. However bottom-line suffered due to increase in fuel cost, finance cost and inflationary effect on expenses.



Director's Report to the Shareholders

During the quarter we introduced two frequencies on Zahidan and Colombo routes along with one additional frequency on London route. At the same time we managed to increase number of passengers and yield thus resulting in highest quarterly revenues in the history of PIA. Cargo revenue also increased by PKR 112 million inspite of a tumultuous economic environment.

The turmoil in some of the oil producing countries has lead to significant fuel price volatility. The prices have risen from US\$ 94.84/barrel to US\$ 117.36/barrel raising the fuel cost by PKR 4.6 billion over same period last year. The situation has posed significant risk to the operations and management is adopting risk mitigating strategies including fuel hedging. Measures to control fuel cost are being strictly implemented in 2011.

Exchange rate stability has also helped to reduce losses. Pak rupee was stronger by nearly 0.7% on March 31st 2011, closing at 85.2 compared to 85.8 on December 31st 2010. Financial charges increased marginally due to increase in LIBOR & KIBOR rates.

During second quarter we plan to increase capacity on Kuala Lumpur, New York, Athens, Birmingham, Abu Dhabi and Muscat routes. We are set to continue focusing on the revenue while keeping a watchful eye on surging fuel prices and other costs. Rising fuel cost will have adverse effect on bottom line. It will not only increase operating cost but passenger and cargo traffic may also reduce due to resultant escalation in economic distress. Rising fuel cost may have a negative impact on exchange rate as well. The board and the management are fully aware of the threats and shall continue to undertake appropriate strategies.

PIA Investments Limited (PIAIL) reported revenues of USD 22.3 million compared to USD 21.1 million in the same period last year. PIAIL made after tax loss of USD 0.66 million as compared to after tax loss of USD 0.64 in the corresponding period last year.

SkyRooms (Pvt) Limited reported revenue of PKR 64.7 million as compared to PKR 66.7 million in the corresponding period last year. However cost control measures have shown promising results and after tax profit increased to PKR 2.6 million as compared to PKR 0.3 million in the corresponding period of 2010.

We hope that with the support of GoP we will be able to find ways to restructure our debt and reduce financial cost. The Board and the management, with continued support of employees, are fully committed to turnaround strategy envisaged in the strategic business plan. We thank our shareholders for continued support and trust.

For and on Behalf of the Board

Ch. Ahmed Mukhtar
Chairman

April 28, 2011



unconsolidated
financial statements

Unconsolidated Condensed Interim Balance Sheet (Unaudited)

As at March 31, 2011

	(Un-audited) March 31, 2011	(Audited) December 31, 2010	(Un-audited) March 31, 2011	(Audited) December 31, 2010
Note	Rupees in '000		US\$ in '000	
ASSETS				
NON CURRENT ASSETS				
Fixed assets				
Property, plant and equipment	3	95,248,451	96,645,494	1,117,940
Intangibles		63,630	69,444	747
		95,312,081	96,714,938	1,118,687
Long-term investments	4	4,442,353	4,445,572	52,140
Long-term deposits and prepayments		9,387,189	9,289,712	110,178
		109,141,623	110,450,222	1,281,005
CURRENT ASSETS				
Stores and spare parts	5	3,798,093	3,842,539	44,578
Trade debts	6	10,169,783	8,283,109	119,364
Advances	7	342,239	465,382	4,017
Trade deposits and prepayments		870,167	1,127,425	10,213
Other receivables		1,710,731	1,272,297	20,079
Short-term investments		25,449	25,629	299
Cash and bank balances	8	2,528,196	1,393,754	29,673
		19,444,658	16,410,135	228,223
TOTAL ASSETS		128,586,281	126,860,357	1,509,228
EQUITY AND LIABILITIES				
SHARE CAPITAL AND RESERVES				
Share capital		25,774,948	25,774,948	302,523
Reserves		(92,132,644)	(88,019,131)	(1,081,369)
		(66,357,696)	(62,244,183)	(778,846)
Advance against equity from GoP	9	1,042,423	-	12,235
TOTAL EQUITY		(65,315,273)	(62,244,183)	(766,611)
SURPLUS ON REVALUATION OF FIXED ASSETS				
		5,693,155	5,827,329	66,821
NON CURRENT LIABILITIES				
Long-term financing	10	26,475,902	27,346,957	310,750
Term finance and sukuk certificates	11	17,457,280	17,457,280	204,898
Liabilities against assets subject to finance lease	12	51,198,259	53,728,778	600,918
Advance against future dividend		856,000	-	10,047
Long-term deposits		398,763	384,161	4,680
Deferred liabilities		9,142,889	8,852,940	107,311
		105,529,093	107,770,116	1,238,604
CURRENT LIABILITIES				
Trade and other payables		34,430,408	30,133,416	404,113
Accrued interest / mark-up / profit		3,395,416	3,072,545	39,852
Provision for taxation		1,732,248	1,540,980	20,332
Short-term borrowings	13	24,113,597	22,665,109	283,023
Current maturities of:				
Long-term financing		8,285,120	7,363,198	97,243
Term finance and sukuk certificates		2,132,480	2,135,040	25,029
Liabilities against assets subject to finance lease		8,590,037	8,596,807	100,822
		82,679,306	75,507,095	970,414
CONTINGENCIES AND COMMITMENTS	14			
TOTAL EQUITY AND LIABILITIES		128,586,281	126,860,357	1,509,228

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Unconsolidated Condensed Interim Profit and Loss Account (Unaudited)

For the first quarter ended March 31, 2011

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010	
Note	Rupees in '000	Rupees in '000	US\$ in '000	US\$ in '000	
REVENUE - net	15	26,182,454	22,847,794	307,306	272,322
COST OF SERVICES					
Aircraft fuel		(13,106,903)	(8,476,249)	(153,837)	(101,028)
Others	16	(12,272,848)	(11,635,654)	(144,048)	(138,685)
		(25,379,751)	(20,111,903)	(297,885)	(239,713)
GROSS PROFIT		802,703	2,735,891	9,421	32,609
Distribution costs		(1,604,145)	(1,606,558)	(18,828)	(19,148)
Administrative expenses		(1,495,766)	(1,599,369)	(17,556)	(19,063)
Other provisions and adjustments - net		(67,778)	-	(796)	-
Exchange profit (loss) - net		730,143	335,439	8,570	3,998
Other operating income		45,074	14,974	529	178
		(2,392,472)	(2,855,514)	(28,081)	(34,035)
PROFIT(LOSS) FROM OPERATIONS		(1,589,769)	(119,623)	(18,660)	(1,426)
Finance costs	17	(2,392,873)	(2,295,444)	(28,085)	(27,359)
LOSS BEFORE TAXATION		(3,982,642)	(2,415,067)	(46,745)	(28,785)
Taxation					
Current - for the period		(261,825)	(114,239)	(3,073)	(1,362)
LOSS FOR THE QUARTER		(4,244,467)	(2,529,306)	(49,818)	(30,147)
EARNINGS PER SHARE - BASIC AND DILUTED		(Rupees)		(US\$)	
'A' class Ordinary shares of Rs.10 each		(1.71)	(1.18)	(0.02)	(0.01)
'B' class Ordinary shares of Rs. 5 each		(0.86)	(0.59)	(0.01)	(0.01)

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Unconsolidated Condensed Interim Statement of **Comprehensive Income (Unaudited)**

For the first quarter ended March 31, 2011

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
	Rupees in '000		US\$ in '000	
Loss for the period	(4,244,467)	(2,529,306)	(49,818)	(30,147)
OTHER COMPREHENSIVE INCOME				
Unrealised loss on re-measurement of investments	(3,221)	-	(38)	-
COMPREHENSIVE INCOME TRANSFERRED TO EQUITY	<u>(4,247,688)</u>	<u>(2,529,306)</u>	<u>(49,856)</u>	<u>(30,147)</u>

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Unconsolidated Condensed Interim Cash Flow Statement (Unaudited)

For the first quarter ended March 31, 2011

Note	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
	Rupees in '000		US\$ in '000	
Cash flows from operating activities				
Cash (used in) / generated from operations 18	2,662,033	3,284,106	31,245	39,143
Profit on bank deposits received	3,902	6,057	46	72
Finance costs paid	(2,070,002)	(2,191,323)	(24,296)	(26,118)
Taxes paid	(70,557)	(102,672)	(828)	(1,224)
Staff retirement benefits paid	(99,139)	-	(1,164)	-
Long term deposits - net	(97,477)	124,988	(1,144)	1,490
Net cash used in operating activities	328,760	1,121,156	3,859	13,363
Cash flows from investing activities				
Fixed capital expenditure	(71,557)	(417,157)	(840)	(4,972)
Proceeds from sale of fixed assets	4,528	516	53	6
Short Term Investments - net	180	-	2	-
Advance against future dividends	856,000	-	10,047	-
Net cash used in investing activities	789,151	(416,641)	9,262	(4,966)
Cash flows from financing activities				
Advance against Equity	1,042,423	1,177,679	12,235	14,037
Proceeds / (repayment) of long term financing	50,867	(754,796)	597	(8,996)
Long Term Deposits - net	14,602	-	171	-
Redemption of term finance certificates	(2,560)	(2,560)	(30)	(31)
Repayment of obligations under finance lease	(2,537,289)	(2,227,580)	(29,780)	(26,551)
Net cash generated from / (used in) financing activities	(1,431,957)	(1,807,257)	(16,807)	(21,541)
Decrease in cash and cash equivalents	(314,046)	(1,102,742)	(3,686)	(13,144)
Cash and cash equivalents at the beginning of the quarter	(21,271,355)	(23,239,215)	(249,664)	(276,987)
Cash and cash equivalents at the end of the quarter	(21,585,401)	(24,341,957)	(253,350)	(290,131)
CASH AND CASH EQUIVALENTS				
Cash and bank balances	2,528,196	3,003,157	29,673	35,794
Short term borrowings	(24,113,597)	(27,345,114)	(283,023)	(325,925)
	(21,585,401)	(24,341,957)	(253,350)	(290,131)

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Unconsolidated Condensed Interim Statement of **Change in Equity (Unaudited)** For the first quarter ended March 31, 2011

	Issued, subscribed, and paid-up capital	Reserves			Accumulated losses	Total
		Capital reserves	Revenue reserves	Unrealised loss on remeasurement of investments		
Rupees in '000						
Balance as at January 01, 2010	23,280,356	2,501,038	1,779,674	29,278	(73,003,106)	(45,412,760)
Comprehensive income						
Loss for the year -	-	-	-	-	(20,785,123)	(20,785,123)
Other comprehensive income for the year	-	-	-	(1,378)	-	(1,378)
Total comprehensive income for the year	-	-	-	(1,378)	(20,785,123)	(20,786,501)
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	1,460,486	1,460,486
Transactions with owners						
Issue of share capital 'A' class ordinary shares	2,494,592	-	-	-	-	2,494,592
Balance as at December 31, 2010	25,774,948	2,501,038	1,779,674	27,900	(92,327,743)	(62,244,183)
Comprehensive income						
Loss for the quarter -	-	-	-	-	(4,244,467)	(4,244,467)
Other comprehensive income for the quarter	-	-	-	(3,221)	-	(3,221)
Total comprehensive income for the quarter	-	-	-	(3,221)	(4,244,467)	(4,247,688)
Surplus on revaluation of fixed assets realized during the quarter on account of incremental depreciation charged thereon - net of tax	-	-	-	-	134,175	134,175
Balance as at March 31, 2011	25,774,948	2,501,038	1,779,674	24,679	(96,438,035)	(66,357,696)

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Unconsolidated Notes to the Condensed Interim Financial Statements (Unaudited) For the first quarter ended March 31, 2011

1. THE CORPORATION AND ITS OPERATIONS

- 1.1** Pakistan International Airlines Corporation (the Corporation) was incorporated on January 10, 1955 under PIAC Corporation Ordinance, 1955, which was subsequently repealed and replaced by the Pakistan International Airlines Corporation Act, 1956 (PIAC Act). The shares of the Corporation are quoted on all Stock Exchanges of Pakistan. The principal activity of the Corporation is to provide commercial air transportation, which includes passenger, cargo and postal carriage services. Other activities of the Corporation include provision of engineering and allied services. The head office of the Corporation is situated at PIA Building, Jinnah International Airport, Karachi.
- 1.2** During the current period, the Corporation incurred a net loss of Rs.4,244.47 million, (2010: Rs.2,529.30 million) resulting in accumulated losses of Rs.96,438.03 million as of March 31, 2011 (2010: Rs.92,327.74 million). Further, as of March 31, 2011 current liabilities of the Corporation exceeded its current assets by Rs. 63,234.65 million (2010: Rs 59,096.96 million).

Historically, the Government of Pakistan (GoP) has been extending significant support to the Corporation to ensure that it continues and sustains in the long-term as a viable business entity. The GoP, which is also the majority shareholder of the Corporation, has been supporting the Corporation through following measures:

- Reimbursement of financial charges on TFCs and Sukuk certificates payable by the Corporation. In this respect, amounts aggregating to Rs. 14,266 million have been provided to the Corporation towards equity against which shares have been issued to the GoP upto March 31, 2011;
- Provision of long-term financing to meet working capital requirements. During 2010, the GoP has provided an additional fixed rate loan of Rs 1,000 million, and the total loans received from the GoP upto December 31, 2010 aggregated to Rs. 8,000 million; and
- Issuance of guarantees to financial institutions both local and foreign so as to enable the Corporation to raise funds at lower interest rates.

During the year 2010, the Corporation has prepared its five year business plan which has been approved by the Board of Directors of the Corporation and the Ministry of Defence. The business plan has also been endorsed by the Sub-committee of the National Assembly's Standing Committee on Defence which concurs with the recommendations contained in the plan. Further, presentations have been made in respect of the business plan in meetings with the representatives of the Ministry of Finance (MoF), which were chaired by the Finance Minister. As envisaged in the business plan, the Corporation has devised a turn-around strategy which entails operational restructuring and assumes GoP's support in terms of providing necessary funding for recapitalization which includes, among other measures, extending existing guarantees and issuance of new guarantees to various financial institutions by the GoP. As a result of presentations made in respect of the business plan as set out above the Economic Coordination committee (ECC) of the Cabinet has in March 2011 accorded approval for extension in existing guarantees issued to various financial institutions by the GoP for Rs. 8,500 million and also allowed issuance of new guarantees of Rs. 5,000 million. Keeping in view the above, management believes that the business plan will be approved and accordingly significant financial support will be provided to the Corporation in the coming years to ensure its long-term sustainability.

Further, during the first quarter of financial year 2011, the Corporation had a detailed meeting with the representatives of the Ministry of Finance (MoF). Therein, the current financial position of the Corporation has been presented. It is envisaged that with the continued financial support provided by the GoP, the Corporation's viability and ultimate achievement of its goals outlined in the business plan will be facilitated.

In view of the situation set out above, although material uncertainty exists which may cast doubt on the Corporation's ability to continue as a going concern, the management of the Corporation believes that considering the mitigating factors set out in the preceding paragraphs the going concern assumption is appropriate and has, as such prepared these unconsolidated financial statements on going concern basis.

2. BASIS OF PREPARATION

- 2.1** These condensed interim financial statements of the Corporation for the first quarter ended March 31, 2011 have been prepared in accordance with the requirements of the International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984 (the Ordinance). In case where requirements differ, the provisions of or directives issued under the Ordinance have been followed.
- 2.2** These condensed interim 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 for the year ended December 31, 2010.
- 2.3** The US \$ amount reported in the condensed interim balance sheet, condensed interim profit and loss account and condensed interim cash flow statement are stated as additional information, solely for the convenience of the user of these condensed interim financial statements.

The US \$ amounts in the condensed interim balance sheet have been translated into US \$ at the rate of Rs 85.20 = US \$ 1 (December 31, 2010: Rs 85.80 = US \$ 1). The US \$ amounts in condensed interim profit and loss account and condensed interim cash flow statement have been translated into US \$ at the rate of Rs 85.20 = US \$ 1 (March 31, 2010: Rs 83.90 = US \$ 1)

3. PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) March 31, 2011	(Audited) December 31, 2010
	———— Rupees in '000 ————	
Operating fixed assets (note 3.1)		
- owned	28,022,116	28,746,234
- leased	66,133,058	66,833,053
Capital work-in-progress	1,093,277	1,066,207
	<u>95,248,451</u>	<u>96,645,494</u>

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

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
	Rupees in '000	
Addition / transfers		
Owned		
Buildings on leasehold land	879	2,951
Renovation and improvements	131	5,158
Operating ground equipment, Catering Communication & meteorological equipment	180	29,464
Engineering equipment and tools	16,032	24,999
Motor transport	1,417	-
Traffic equipment	4,112	14,548
Furniture, fixture and fitting	1,058	10,762
P. E. C Equipments	-	36
Office equipment	105	116
Computer and office automation	10,487	3,873
Other equipment	1,826	1,249
Capital spares	22,931	54,693
	<u>59,158</u>	<u>147,849</u>
Deletions		
Owned		
Motor transport	(1,157)	(516)
Capital spares	(19,560)	-
Vehicles	(5,559)	-
	<u>(26,276)</u>	<u>(516)</u>
Grand Total	(26,276)	(516)

	Note	(Un-audited) March 31, 2011	(Audited) December 31, 2010
Rupees in '000			
4. LONG-TERM INVESTMENTS			
Investments in related parties - unquoted - at cost			
- Subsidiaries		4,415,712	4,415,712
- Associates		396	396
- Joint venture		2	2
		<u>4,416,110</u>	<u>4,416,110</u>
Other investments		26,243	29,462
		<u>4,442,353</u>	<u>4,445,572</u>
5. STORES AND SPARE PARTS			
Stores		774,353	837,340
Spares		5,610,119	5,526,969
Inventory held for disposal - adjusted to net realisable value		252,859	252,859
		<u>6,637,331</u>	<u>6,617,168</u>
Provision for slow moving and obsolete spares	5.1	(2,884,212)	(2,836,293)
		<u>3,753,119</u>	<u>3,780,875</u>
Stores and spares-in-transit		44,974	61,664
		<u>3,798,093</u>	<u>3,842,539</u>
5.1 Movement in provision is as follows:			
Balance at the beginning of the period		2,836,293	2,662,295
Provision for the period		47,919	173,998
Balance at the end of the period		<u>2,884,212</u>	<u>2,836,293</u>
6. TRADE DEBTS			
Considered good		10,169,783	8,283,109
Considered doubtful		929,104	929,104
Less: provision for doubtful debts	6.1	(929,104)	(929,104)
		<u>-</u>	<u>-</u>
		<u>10,169,783</u>	<u>8,283,109</u>
6.1 Movement in provision is as follows:			
Balance at the beginning of the period		929,104	623,200
Written off during the period		-	(59,055)
(Reversal) / provision for the period - net		-	364,959
Balance at the end of the period		<u>929,104</u>	<u>929,104</u>
6.2 Certain portion of trade debts is secured by cash and bank guarantees received from agents but due to very large number of agents all over the world the amount of secured trade debts is not determinable.			

(Un-audited) (Audited)
March 31, December 31,
2011 2010
Rupees in '000

7. ADVANCES

Considered good

Subsidiary - Skyrooms (Private) Limited

19,676

19,676

Others

- Employees

182,612

256,870

- Suppliers

139,139

183,025

- Others

812

5,811

322,563

445,706

Considered doubtful

Subsidiary - Skyrooms (Private) Limited

108,672

108,672

Others - Suppliers

31,915

31,915

140,587

140,587

Provision for doubtful advances

(140,587)

(140,587)

-

-

342,239

465,382

8. CASH AND BANK BALANCES

In hand

16,706

12,188

In transit

-

5,070

16,706

17,258

With banks

- in current accounts

1,650,736

796,999

- in short term deposit accounts

860,754

579,497

2,511,490

1,376,496

2,528,196

1,393,754

9. ADVANCE AGAINST EQUITY FROM GOVERNMENT OF PAKISTAN

This represents advance received from the Government of Pakistan as reimbursement of mark up payments on term finance and sukuk certificates. Ordinary shares @ Rs 10 each shall be issued thereagainst shortly.

10. LONG-TERM FINANCING

Financier	Type of Facility	Limit (million)	(Un-audited)	(Audited)
			March 31, 2011	December 31, 2010
			Rupees in '000	
From Banking Companies - secured				
Citibank, N.A.	Demand Finance	82 US\$	4,245,101	4,321,159
Royal Bank of Scotland	Demand Finance	59.5 US\$	2,797,552	3,078,475
National Bank of Pakistan	Syndicate Finance	120 US\$	10,224,000	10,296,000
Standard Chartered Bank (Pakistan) Limited	Syndicate Finance	3,600 PKR	-	163,271
National Bank of Pakistan - Bahrain	Demand Finance	70 US\$	3,976,000	4,754,750
National Bank of Pakistan - Bahrain	Demand Finance	30 US\$	2,023,500	2,359,500
National Bank of Pakistan - Bahrain	Demand Finance	US \$20 & SAR 75	3,194,869	1,287,000
Hong Kong Shanghai Banking Corporation	Demand Finance	850 PKR	300,000	450,000
Others - unsecured				
Long-term loan - GoP	Term Finance	8,000 PKR	8,000,000	8,000,000
Current maturity shown under current liabilities			(8,285,120)	(7,363,198)
			<u>26,475,902</u>	<u>27,346,957</u>

11. TERM FINANCE AND SUKUK CERTIFICATES

Security		(Un-audited)	(Audited)
		March 31, 2011	December 31, 2010
		Rupees in '000	
Term finance certificates	GoP Guarantee	12,789,760	12,792,320
Less: current maturity		(2,132,480)	(2,135,040)
		10,657,280	10,657,280
Sukuk certificates	GoP Guarantee	6,800,000	6,800,000
		<u>17,457,280</u>	<u>17,457,280</u>

12. LIABILITIES AGAINST ASSETS SUBJECT TO FINANCE LEASE

	(Un-audited)	(Audited)
	March 31, 2011	December 31, 2010
Rupees in '000		
Present value of minimum lease payments - aircraft fleet		
A-310-300	4,454,853	4,678,479
B-777 -200 ER	28,515,532	13,529,684
B-777 -200 LR	14,055,078	14,624,564
B-777 -300 ER	12,762,833	29,492,858
	59,788,296	62,325,585
Less: current maturity	(8,590,037)	(8,596,807)
	<u>51,198,259</u>	<u>53,728,778</u>

	Note	(Un-audited) March 31, 2011	(Audited) December 31, 2010
— Rupees in '000 —			
13. SHORT-TERM BORROWINGS - secured			
Short-term loans	13.1	15,848,800	14,304,200
Running finance under mark-up arrangements	13.2	8,264,797	8,360,909
		<u>24,113,597</u>	<u>22,665,109</u>

13.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Repayment period	(Un-audited) March 31, 2011	(Audited) December 31, 2010
— Rupees in '000 —					
From Banking Companies					
Habib Bank Limited	GoP Guarantee	2,000 PKR	3 months	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee and promissory notes amounting to Rs 2,133 million	1,600 PKR	12 months	1,600,000	1,600,000
Habib Allied International Bank Limited - London	EURO receivables	9 USD	1 month	766,800	772,200
Habib Bank Limited	GoP Guarantee and promissory note amounting to Rs. 2,400 million	2,000 PKR	12 months	2,000,000	2,000,000
National Bank of Pakistan	GoP Guarantee	1,500 PKR	12 months	1,500,000	1,500,000
Habib Bank Limited	GoP Guarantee and promissory note amounting to Rs. 1,334 million	1,000 PKR	12 months	1,000,000	1,000,000
Askari Bank Limited	GoP Guarantee	1,500 PKR	12 months	1,500,000	1,500,000
KASB Bank Limited	GoP Guarantee and promissory note amounting to Rs. 595 million	500 PKR	9 months	500,000	500,000
Faysal Bank Limited	GoP Guarantee and ranking hypothecation charge over all current assets	15 USD	12 months	1,278,000	1,287,000
National Bank of Pakistan - Bahrain	Charge over UK, Saudi Arabia, Bangladesh and Oman receivables	20 USD	6 months	426,000	858,000
National Bank of Pakistan - Bahrain	Charge over UK and Saudi Arabia receivables	60 USD	3 months	1,278,000	1,287,000
National Bank of Pakistan	Domestic Receivable	2,000 PKR	12 months	2,000,000	-
				<u>15,848,800</u>	<u>14,304,200</u>

13.1.2 The borrowings in PKR carry mark-up with a spread of 0.85% to 0.90% over 1 month and 3 months KIBOR (2010: spread of 0.85% to 0.90% over 1 month and 3 months KIBOR). The borrowings in foreign currencies carry mark-up with a spread of 2.0% to 5.25% over 1 month and 3 months LIBOR / SIBOR (2010: a spread of 2.0% to 5.25% over 1 month and 3 months LIBOR / SIBOR).

13.2 Running finance under mark-up arrangements

Financier	Security	Facility amount (million)	Unavailed credit (million)	Repayment period	(Un-audited) March 31, 2011	(Audited) December 31, 2010
Secured						
United Bank Limited - Karachi	Hypothecation charge of Rs. 3,427 million on all present and future stock and spares and assignment of receivables from Karachi and Lahore	PKR 2,570 & PKR 380	100 PKR	8 Months 1 Month	2,850,145	2,876,591
National Bank of Pakistan	First pari passu hypothecation charge on all present and future including local receivables routed through NBP current assets	PKR 575 PKR 925	281 PKR	7 Months 3 Months	1,218,806	1,474,122
Habib Allied International Bank Limited - London	EURO receivables	3 USD	-	On Demand	256,674	257,287
KASB Bank Limited	Domestic receivables	400 PKR	-	1 Year	400,000	400,000
United Bank Limited - Dubai	First pari passu hypothecation, charge on all present and future current assets	22 USD	-	8 Months	1,874,400	1,887,415
Summit Bank Limited (formerly Arif Habib Bank Limited)	Hypothecation charge on specific receivables of Mirpur Azad Kashmir Region.	300 PKR	Facility Expired	3 Months	-	163,043
United Bank Limited - Bahrain	First pari passu hypothecation charge on all present and future current assets	13 USD	-	8 Months	1,030,828	1,112,192
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables	350 PKR	203 PKR	1 Year	-	95,879
Bank of Punjab	Domestic Receivable	550 PKR	10 PKR	On Demand	539,564	-
Un-secured						
Habib American Bank	-	1.5 USD	0.4 USD	On Demand	94,380	94,380
					<u>8,264,797</u>	<u>8,360,909</u>

14. CONTINGENCIES AND COMMITMENTS

There has been no material change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2010.

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
	Rupees in '000	
15. REVENUE - net		
Passenger	23,197,765	20,492,611
Cargo	1,390,326	1,278,565
Excess baggage	289,628	269,689
Charter	477,002	78,700
Engineering services	222,323	158,079
Handling and related services	149,965	128,291
Mail	101,542	90,112
Others	353,903	351,747
	<u>26,182,454</u>	<u>22,847,794</u>
16. COST OF SERVICES - others		
Salaries, wages and allowances	2,463,986	2,422,200
Welfare and social security costs	197,740	187,945
Retirement benefits	250,281	353,488
Compensated absences	39,258	25,751
Legal and professional charges	9,729	10,647
Stores and spares consumed	775,471	692,585
Maintenance and overhaul	1,155,721	1,344,729
Flight equipment rental	308,690	297,161
Landing and handling	3,139,039	2,659,492
Passenger services	936,044	821,590
Crew layover	860,305	651,998
Staff training	17,445	15,676
Utilities	5,612	5,038
Communication	13,709	14,657
Insurance	358,273	398,098
Rent, rates and taxes	226,538	221,885
Repair and maintenance	35,311	39,655
Printing and stationery	36,975	34,510
Depreciation	1,382,435	1,373,163
Amortisation	913	831
Others	59,373	64,555
	<u>12,272,848</u>	<u>11,635,654</u>
17. FINANCE COSTS		
Mark-up on long-term financing	431,727	429,670
Profit on term finance certificate	444,501	418,490
Profit on sukuk certificates	250,836	241,447
Interest on liabilities against assets subject to finance lease	334,013	369,150
Mark-up on short-term borrowings	709,170	597,314
Interest to pension / provident fund	102,055	55,587
Arrangement, agency and commitment fee	54,405	173,857
Bank charges	66,166	9,929
	<u>2,392,873</u>	<u>2,295,444</u>

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
Rupees in '000		
18. CASH (USED IN) / GENERATED FROM OPERATIONS		
Loss before tax	(3,982,642)	(2,415,067)
Adjustments for:		
Depreciation	1,467,435	1,410,518
Gain on disposal of fixed assets	(3,550)	(6)
Amortization	6,000	5,823
Provision for employees' benefits	389,088	478,757
Finance costs	2,392,873	2,295,444
Profit on bank deposits	(3,902)	(6,057)
	<u>265,302</u>	<u>1,769,412</u>
Working capital changes		
(Increase) in stores and spares	44,446	(913,727)
(Increase) in trade debts	(1,886,674)	(182,589)
Decrease / (increase) in advances	123,143	834,747
Decrease / (increase) in trade deposits and prepayments	257,258	47,637
Decrease / (increase) in other receivables	(438,434)	(220,667)
Increase in trade and other payables	4,296,992	1,949,293
	<u>2,396,731</u>	<u>1,514,694</u>
Cash generated from / (used in) operations	<u><u>2,662,033</u></u>	<u><u>3,284,106</u></u>

19. TRANSACTIONS WITH RELATED PARTY

The related parties comprise of subsidiaries, associates, joint ventures, directors, key management personnel and employee benefit funds. The Corporation in the normal course of business carries out transactions with various related parties. Material transactions with related parties, other than those relating to issuance of tickets at concessional rates to employees and directors according to the terms of employment / regulations and those not mentioned elsewhere in these condensed interim financial statements are as follows:

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
Rupees in '000		
Retirement funds		
Contribution to Provident fund	100,448	100,330
Advance against future dividend (PIAIL)	856,000	-
Advance against equity from GoP	1,042,423	1,177,679

The Corporation's sales of transportation services to subsidiaries, associates, joint ventures, directors and key management personnel are not determinable.

20. DATE OF AUTHORISATION FOR ISSUE

These condensed interim financial statements were authorised for issue on April 28, 2011 by the Board of Directors of the Corporation.

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Quarterly Summary

		2011 1st Quarter	2010 1st Quarter	2010 2nd Quarter	2010 3rd Quarter	2010 4th Quarter	2009 1st Quarter
Quarterly Summary							
Traffic Operations							
Available Seat Kilometers (million)	International	4,377	3,789	4,548	4,725	4,262	3,429
	Domestic	627	571	625	644	623	629
	Hajj	-	15	-	-	1,417	295
	Total	5,004	4,375	5,173	5,369	6,302	4,353
Revenue Passenger Kilometers (million)	International	3,266	2,983	3,359	3,490	3,221	2,589
	Domestic	484	429	492	483	500	416
	Hajj	-	6	1	-	693	143
	Total	3,750	3,418	3,852	3,973	4,414	3,148
Seat Factor (%)	International	74.62	78.73	73.86	73.86	75.57	75.50
	Domestic	77.19	75.13	78.72	75.00	80.26	66.14
	Hajj	0.00	40.00	0.00	0.00	48.91	48.47
	Total	74.94	78.13	74.46	74.00	70.04	72.32
Available Freight Tonne Kilometers (million)	International	110	96	109	113	110	109
	Domestic	17	15	15	17	16	17
	Total	127	111	124	130	126	126
Revenue Freight Tonne Kilometers (million)	International	61	60	75	94	73	45
	Domestic	5	5	8	7	7	5
	Total	66	65	83	101	80	50
Load Factor (%)	International	55.45	62.50	68.81	83.19	66.36	41.28
	Domestic	29.41	33.33	53.33	41.18	43.75	29.41
	Total	51.97	58.56	66.94	77.69	63.49	39.68
Financial							
Rupees in million							
Operating Revenue		26,182	22,848	26,459	25,053	33,172	21,247
Operating Expenses		28,480	23,318	26,535	27,003	29,408	19,275
Operating profit/(loss)		(2,298)	(470)	(76)	(1,950)	3,764	1,972
Profit/(loss) before taxation		(3,983)	(2,415)	(3,987)	(4,543)	2,365	(2,049)
Profit/(loss) after taxation		(4,244)	(2,529)	(4,372)	(4,794)	(9,090)	(2,049)
Fixed Assets		95,312	132,648	131,624	130,318	96,715	113,395
Current Assets		19,445	19,575	17,103	20,494	16,410	15,256
Current Liabilities		82,679	72,269	72,936	80,552	75,507	70,140
Long-term Debts		95,131	104,410	103,580	100,730	98,533	97,580
Net Worth		(65,315)	(51,483)	(54,575)	(57,924)	(62,244)	(48,028)
Jet Fuel Prices (Rs. Per US Gallon)		234.67	183.2	194.22	191.63	205.69	122.53



consolidated
financial statements

Interim Condensed Consolidated Balance Sheet (Unaudited)

As at March 31, 2011

		(Un-audited) March 31, 2011	(Audited) December 31, 2010	(Un-audited) March 31, 2011	(Audited) December 31, 2010
	Note	Rupees in '000		US\$ in '000	
ASSETS					
NON CURRENT ASSETS					
Fixed assets					
Property, plant and equipment	3	145,528,738	146,169,547	1,708,084	1,703,608
Intangibles		2,864,504	2,856,378	33,621	33,291
		148,393,242	149,025,925	1,741,705	1,736,899
Long-term investments		137,925	141,144	1,619	1,645
Receivable from Centre Hotel		643,619	648,116	7,554	7,554
Long-term loans		14,860	14,107	174	164
Long-term deposits and prepayments		9,516,873	9,409,373	111,700	109,666
		158,706,519	159,238,665	1,862,752	1,855,928
CURRENT ASSETS					
Stores and spare parts	4	3,832,504	3,873,673	44,982	45,148
Trade debts	5	10,601,648	8,698,030	124,432	101,376
Short-term loans and advances		350,351	456,624	4,112	5,322
Trade deposits and prepayments		1,120,170	1,587,327	13,148	18,500
Other receivables		1,924,934	1,438,007	22,593	16,760
Short-term investments		492,982	847,453	5,786	9,877
Taxation - net		84,867	83,048	996	968
Cash and bank balances		6,503,526	5,927,994	76,332	69,091
		24,910,982	22,912,156	292,381	267,042
		183,617,501	182,150,821	2,155,133	2,122,970
TOTAL ASSETS					
EQUITY AND LIABILITIES					
SHARE CAPITAL AND RESERVES					
Share capital		25,774,948	25,774,948	302,523	300,407
Reserves		(87,993,404)	(82,333,026)	(1,032,786)	(959,592)
Attributable to the Holding company's shareholders		(62,218,456)	(56,558,078)	(730,263)	(659,185)
Non-controlling interest		1,029,315	1,191,149	12,081	13,883
Total equity		(61,189,141)	(55,366,929)	(718,182)	(645,302)
SURPLUS ON REVALUATION OF FIXED ASSETS					
		22,951,453	21,059,425	269,383	245,448
NON CURRENT LIABILITIES					
Advance against equity from GoP	6	1,079,465	-	12,670	-
Long-term financing	7	28,594,013	29,437,736	335,610	343,097
Term finance and sukuk certificates	8	17,457,280	17,457,280	204,898	203,465
Liabilities against assets subject to finance lease		51,221,360	53,757,595	601,190	626,545
Long-term deposits		398,895	384,293	4,682	4,478
Deferred liabilities		24,824,487	24,281,277	291,367	282,999
		123,575,500	125,318,181	1,450,417	1,460,584
CURRENT LIABILITIES					
Trade and other payables including provisions		36,290,122	31,857,333	425,940	371,298
Accrued interest / mark-up / profit		3,411,422	3,096,164	40,040	36,086
Provision for taxation		1,741,364	1,640,243	20,439	19,117
Short-term borrowings	9	24,113,597	22,665,109	283,023	264,162
Current maturities of:					
Long-term financing		21,980,928	21,129,942	257,992	246,270
Term finance and sukuk certificates		2,132,480	2,135,040	25,029	24,884
Liabilities against assets subject to finance lease		8,609,776	8,616,313	101,054	100,423
		98,279,689	91,140,144	1,153,517	1,062,240
CONTINGENCIES AND COMMITMENTS 10					
TOTAL EQUITY AND LIABILITIES					
		183,617,501	182,150,821	2,155,135	2,122,970

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Interim Condensed Consolidated Profit and Loss Account (Unaudited)

For the first quarter ended March 31, 2011

	Note	(Un-audited) March 31, 2011 Rupees in '000	(Un-audited) March 31, 2010 Rupees in '000	(Un-audited) March 31, 2011 US\$ in '000	(Un-audited) March 31, 2010 US\$ in '000
REVENUE - net	11	28,109,933	24,699,393	329,929	294,391
COST OF SERVICES					
Aircraft fuel		(13,106,903)	(8,476,249)	(153,837)	(101,028)
Others	12	(14,116,050)	(13,307,449)	(165,681)	(158,611)
		<u>(27,222,953)</u>	<u>(21,783,698)</u>	<u>(319,518)</u>	<u>(259,639)</u>
GROSS PROFIT		886,980	2,915,695	10,411	34,752
Distribution costs		(1,604,145)	(1,650,292)	(18,828)	(19,670)
Administrative expenses		(1,503,238)	(1,687,687)	(17,644)	(20,115)
Other provisions and adjustments - net		(67,778)	-	(796)	-
Exchange gain (loss) - net		730,143	335,439	8,570	3,998
Other operating income		46,981	15,720	551	187
		<u>(2,398,037)</u>	<u>(2,986,820)</u>	<u>(28,147)</u>	<u>(35,600)</u>
PROFIT/(LOSS) FROM OPERATIONS		<u>(1,511,057)</u>	<u>(71,125)</u>	<u>(17,736)</u>	<u>(848)</u>
Finance costs	13	(2,474,567)	(2,373,011)	(29,044)	(28,284)
LOSS BEFORE TAXATION		<u>(3,985,624)</u>	<u>(2,444,136)</u>	<u>(46,780)</u>	<u>(29,132)</u>
Taxation		(298,154)	(139,456)	(3,499)	(1,662)
LOSS FOR THE QUARTER		<u>(4,283,778)</u>	<u>(2,583,592)</u>	<u>(50,279)</u>	<u>(30,794)</u>
Attributable to:					
Attributable to the Holding company's shareholders		(4,289,561)	(2,592,336)	(50,347)	(30,898)
Non-controlling interest		5,783	8,744	68	104
		<u>(4,283,778)</u>	<u>(2,583,592)</u>	<u>(50,279)</u>	<u>(30,794)</u>
		(Rupees)	(Rupees)	(US\$)	(US\$)
EARNINGS PER SHARE - BASIC AND DILUTED					
'A' class Ordinary shares of Rs.10 each		<u>(1.73)</u>	<u>(1.21)</u>	<u>(0.02)</u>	<u>(0.01)</u>
'B' class Ordinary shares of Rs. 5 each		<u>(0.86)</u>	<u>(0.61)</u>	<u>(0.01)</u>	<u>(0.01)</u>

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Interim Condensed Consolidated Statement of **Comprehensive Income (Unaudited)**

For the first quarter ended March 31, 2011

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
	Rupees in '000		US\$ in '000	
Loss for the quarter	(4,283,778)	(2,583,592)	(50,279)	(30,794)
OTHER COMPREHENSIVE INCOME				
Unrealised loss on re-measurement of investments	(3,221)	-	(38)	-
Exchange differences on translation of foreign operations	-	(435,342)	-	(5,189)
TOTAL COMPREHENSIVE INCOME FOR THE QUARTER	<u>(4,286,999)</u>	<u>(3,018,934)</u>	<u>(50,317)</u>	<u>(35,983)</u>
Attributable to:				
Attributable to the Holding company's shareholders	(4,292,782)	(3,027,678)	(50,385)	(36,087)
Non controlling interest	5,783	8,744	68	104
	<u>(4,286,999)</u>	<u>(3,018,934)</u>	<u>(50,317)</u>	<u>(35,983)</u>

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Interim Condensed Consolidated Cash Flow Statement (Unaudited)

For the first quarter ended March 31, 2011

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
Note	Rupees in '000		US\$ in '000	
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash generated from / (used in) operations after working capital changes	14 3,364,953	3,560,023	39,495	42,432
Profit on bank deposits received	3,902	6,057	46	72
Finance costs paid	(2,159,143)	(2,195,530)	(25,342)	(26,168)
Taxes paid	(190,322)	(102,683)	(2,234)	(1,224)
Staff retirement benefits paid	(99,881)	(3,116)	(1,172)	(37)
Long-term deposits and prepayments - net	(97,477)	-	(1,144)	-
Net cash used in operating activities	822,032	1,264,751	9,649	15,075
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(135,562)	(453,373)	(1,591)	(5,404)
Proceeds from sale of property, plant and equipment	4,528	8,840	53	105
Long term receivable	(44,459)	(10,127)	(522)	(120)
Proceeds from short-term investments	180	62,607	2	746
Net cash used in investing activities	(175,313)	(392,053)	(2,058)	(4,673)
CASH FLOWS FROM FINANCING ACTIVITIES				
Advance against Equity	1,042,423	1,177,679	12,235	14,037
Proceeds from long-term financing	14,602	(1,014,554)	171	(12,092)
Redemption of term finance certificates (Repayment) of / proceeds from obligations under finance lease - net	(2,560)	(2,560)	(30)	(31)
Net cash generated from financing activities	(1,487,969)	(2,073,702)	(17,465)	(24,716)
Increase / (decrease) in cash and cash equivalents	(841,250)	(1,201,004)	(9,874)	(14,314)
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE QUARTER	(16,768,821)	(19,290,939)	(196,817)	(229,928)
CASH AND CASH EQUIVALENTS AT THE END OF THE QUARTER	(17,610,071)	(20,491,943)	(206,691)	(244,242)
CASH AND CASH EQUIVALENTS				
Cash and bank balances	6,503,526	6,853,171	76,332	81,683
Short-term borrowings	(24,113,597)	(27,345,114)	(283,023)	(325,925)
	<u>(17,610,071)</u>	<u>(20,491,943)</u>	<u>(206,691)</u>	<u>(244,242)</u>

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Interim Condensed Consolidated Statement of **Change in Equity (Unaudited)** For the first quarter ended March 31, 2011

	Issued, subscribed, and paid-up capital	Capital reserves	Revenue reserves	Unrealised loss on remeasurement of investments	Foreign currency translation reserves	Accumulated losses	Other reserves	Total	Non controlling interest	Total
Rupees in '000										
Balance as at January 1, 2010 - restated	23,280,356	2,501,038	1,779,674	29,278	2,662,017	(70,813,143)	2,950	(40,557,830)	972,553	(39,585,277)
	23,280,356	2,501,038	1,779,674	29,278	2,662,017	(70,813,143)	2,950	(40,557,830)	972,553	(39,585,277)
Total comprehensive income for the year										
Loss for the year - restated	-	-	-	-	-	(20,076,056)	-	(20,076,056)	27,233	(20,048,823)
Other comprehensive income										
Currency translation difference	-	-	-	-	(91,594)	-	(2,377)	(93,971)	(1,466)	(105,437)
Unrealised loss on re-measurement	-	-	-	(1,379)	-	-	-	(1,379)	-	(1,379)
Total comprehensive income for the year transferred to equity	-	-	-	(1,379)	(91,594)	(20,076,056)	(2,377)	(20,171,406)	15,767	(20,155,639)
Surplus on revaluation	-	-	-	-	-	-	-	-	202,829	202,829
Surplus on revaluation of fixed assets realized during the year on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	1,676,566	-	1,676,566	-	1,676,566
Mandatory statutory reserve	-	-	-	-	-	-	-	-	-	-
Transactions with owners										
Issue of share capital 'A' class ordinary shares	2,494,592	-	-	-	-	-	-	2,494,592	-	2,494,592
Balance as at December 31, 2010	25,774,948	2,501,038	1,779,674	27,899	2,570,423	(89,212,633)	573	(56,558,078)	1,191,149	(55,366,929)
Total comprehensive income for the quarter	-	-	-	-	(1,501,771)	-	-	(1,501,771)	(167,617)	(1,669,388)
Total comprehensive income for the quarter transferred to equity	-	-	-	(3,221)	-	(4,289,561)	-	(4,292,782)	5,783	(4,286,999)
Surplus on revaluation of fixed assets realized during the quarter on account of incremental depreciation charged thereon - net of tax	-	-	-	-	-	-	134,175	134,175	-	134,175
Balance as at March 31, 2011	25,774,948	2,501,038	1,779,674	24,678	1,068,652	(93,502,194)	134,748	(62,218,456)	1,029,315	(61,189,141)

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director

Consolidated Notes to and Forming Part of the Condensed Interim Financial Statements (Unaudited) For the first quarter ended March 31, 2011

1. THE GROUP AND ITS OPERATIONS

The "Group" consists of:

Pakistan International Airlines Corporation (the Holding company)

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

Following Subsidiaries companies have been consolidated in the Financial Statements of Pakistan International Airlines Corporation (Holding Company)

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 BASIS OF PREPARATION

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

These interim condensed consolidated financial statements are being presented in condensed form in accordance with the requirements of International Accounting Standards (IAS) 34 'Interim Financial Reporting' as applicable in Pakistan and shall be read in conjunction with the annual audited consolidated financial statements of the Corporation for the year ended December 31, 2010.

The accounting policies, estimates and methods of computation 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, 2010.

3. PROPERTY, PLANT AND EQUIPMENT

	(Un-audited) March 31, 2011	(Audited) December 31, 2010
	Rupees in '000	
Operating fixed assets (note 3.1)	144,339,818	145,040,401
Capital work-in-progress	1,188,920	1,129,146
	<u>145,528,738</u>	<u>146,169,547</u>

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

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
Rupees in '000		
Additions / transfers		
Owned		
Buildings on leasehold land	879	2,951
Renovation and improvements	9,667	15,810
Communication & meteorological equipment	180	29,464
Engineering equipment and tools	16,032	24,999
Motor transport	2,909	-
Traffic equipment	4,112	14,548
Furniture, fixture and fitting	20,759	36,325
P.E.C. equipment	-	36
Office equipment	105	116
Computer and office automation	10,487	3,873
Other equipment	1,826	1,249
Capital spares	22,931	54,693
	<u>89,887</u>	<u>184,064</u>
Deletions		
Owned		
Motor transport	1,157	516
Traffic equipment	19,560	-
Furniture, fixture and fitting	5,559	8,324
	<u>26,276</u>	<u>8,840</u>

4. STORES AND SPARES

	(Un-audited) March 31, 2011	(Audited) December 31, 2010
Rupees in '000		
Stores	808,764	867,722
Spares	5,610,119	5,526,969
	<u>6,418,883</u>	<u>6,394,691</u>
Inventory held for disposal - adjusted to net realisable value	252,859	252,859
Less: provision for slow moving stores and spares	4.1 (2,884,212)	(2,836,293)
	<u>3,787,530</u>	<u>3,811,257</u>
Goods-in-transit	44,974	62,416
	<u>3,832,504</u>	<u>3,873,673</u>
4.1 Movement in provision is as follows:		
Balance at the beginning of the period	2,836,293	2,662,295
Provision made during the period	47,919	173,998
Balance at the end of the period	<u>2,884,212</u>	<u>2,836,293</u>

(Un-audited) (Audited)
March 31, December 31,
2011 2010
Rupees in '000

5. TRADE DEBTS

Considered good

10,601,648 8,698,030

Considered doubtful

942,814 942,814

Less: Provision for doubtful debts

5.1

(942,814) (942,814)

- -

10,601,648 8,698,030

5.1 Movement in provision is as follows:

Balance at the beginning of the period

942,814 640,326

Written off during the period

- (59,353)

(Reversal)/provision made during the period

- 361,697

Exchange translation

- 144

Balance at the end of the period

942,814 942,814

5.2 Trade debts include debts due from Government agencies, other airlines and International Air Transport Association's (IATA) approved agents. Certain portion of trade debts is secured by bank guarantees received from agents but due to very large number of agents all over the world the amount of secured trade debts is not determinable.

6. ADVANCE AGAINST EQUITY FROM GoP

This represents the amount received from GoP towards equity contribution under the terms of financial package whereby GoP had agreed to provide equity contribution to the Parent Corporation to cover interest/profit payments on TFCs.

7. LONG-TERM FINANCING

Financier	Type of Facility	Limit (million)	(Un-audited) March 31, 2011	(Audited) December 31, 2010
From Banking Companies - secured				
Citibank, N.A.	Demand Finance	82 US\$	4,245,101	4,321,159
Royal Bank of Scotland	Demand Finance	59.5 US\$	2,797,552	3,078,475
National Bank of Pakistan	Syndicate Finance	120 US\$	10,224,000	10,296,000
Standard Chartered Bank (Pakistan) Limited	Syndicate Finance	3,600 PKR	-	163,271
National Bank of Pakistan - Bahrain	Demand Finance	70 US\$	3,976,000	4,754,750
National Bank of Pakistan - Bahrain	Demand Finance	30 US\$	2,023,500	2,359,500
National Bank of Pakistan - Bahrain	Demand Finance	US \$20 & SAR 75	3,194,869	1,287,000
Hong Kong Shanghai Banking Corporation	Demand Finance	850 PKR	300,000	450,000
Subsidiary - PIAIL				
JP Morgan Chase	Loan		8,233,783	8,291,767
JP Morgan Chase	Mezzanine Finance		5,112,000	5,148,000
Hong Kong Shanghai Banking Corporation	Loan		2,468,136	2,417,756
Others - unsecured				
Long-term loan - GoP	Term Finance	8,000 PKR	8,000,000	8,000,000
Current maturity shown under current liabilities			50,574,941 (21,980,928)	50,567,678 (21,129,942)
			<u>28,594,013</u>	<u>29,437,736</u>

8. TERM FINANCE AND SUKUK CERTIFICATES

	Security	(Un-audited) March 31, 2011	(Audited) December 31, 2010
Rupess in '000			
Term finance certificates	GoP Guarantee	12,789,760	12,792,320
Less: current maturity		(2,132,480)	(2,135,040)
		10,657,280	10,657,280
Sukuk certificates	GoP Guarantee	6,800,000	6,800,000
		<u>17,457,280</u>	<u>17,457,280</u>

9. SHORT-TERM BORROWINGS - secured

Short-term loans
Running finance under mark-up arrangements

Note	(Un-audited)	(Audited)
	March 31, 2011	December 31, 2010
—Rupees in '000—		
9.1	15,848,800	14,304,200
9.2	8,264,797	8,360,909
	<u>24,113,597</u>	<u>22,665,109</u>

9.1 Short-term loans - secured

Financier	Security	Facility amount (million)	Repayment period	(Un-audited) March 31, 2011	(Audited) December 31, 2010
—Rupees in '000—					
From Banking Companies					
Habib Bank Limited	GoP Guarantee	2,000 PKR	3 months	2,000,000	2,000,000
Habib Bank Limited	GoP Guarantee and promissory notes amounting to Rs 2,133 million	1,600 PKR	12 months	1,600,000	1,600,000
Habib Allied International Bank Limited - London	EURO receivables	9 USD	1 month	766,800	772,200
Habib Bank Limited	GoP Guarantee and promissory note amounting to Rs. 2,400 million	2,000 PKR	12 months	2,000,000	2,000,000
National Bank of Pakistan	GoP Guarantee	1,500 PKR	12 months	1,500,000	1,500,000
Habib Bank Limited	GoP Guarantee and promissory note amounting to Rs. 1,334 million	1,000 PKR	12 months	1,000,000	1,000,000
Askari Bank Limited	GoP Guarantee	1,500 PKR	12 months	1,500,000	1,500,000
KASB Bank Limited	GoP Guarantee and promissory note amounting to Rs. 595 million	500 PKR	9 months	500,000	500,000
Faysal Bank Limited	GoP Guarantee and ranking hypothecation charge over all current assets	15 USD	12 months	1,278,000	1,287,000
National Bank of Pakistan - Bahrain	Charge over UK, Saudi Arabia, Bangladesh and Oman receivables	20 USD	6 months	426,000	858,000
National Bank of Pakistan - Bahrain	Charge over UK and Saudi Arabia receivables	60 USD	3 months	1,278,000	1,287,000
National Bank of Pakistan	Domestic receivables	2,000 PKR	12 months	2,000,000	-
				<u>15,848,800</u>	<u>14,304,200</u>

9.1.2 The borrowings in PKR carry mark-up with a spread of 0.85% to 0.90% over 1 month and 3 months KIBOR (2010: spread of 0.85% to 0.90% over 1 month and 3 months KIBOR). The borrowings in foreign currencies carry mark-up with a spread of 2.0% to 5.25% over 1 month and 3 months LIBOR / SIBOR (2010: a spread of 2.0% to 5.25% over 1 month and 3 months LIBOR / SIBOR).

9.2 Running finance under mark-up arrangements

Financier	Security	Facility amount (million)	Unavailed credit (million)	Repayment period	(Un-audited) March 31, 2011	(Audited) December 31, 2010
					Rupees in '000	
Secured						
United Bank Limited - Karachi	Hypothecation charge of Rs. 3,427 million on all present and future stock and spares and assignment of receivables from Karachi and Lahore	PKR 2,570 & PKR 380	100 PKR	8 Months 1 Month	2,850,145	2,876,591
National Bank of Pakistan	First pari passu hypothecation charge on all present and future including local receivables routed through NBP current assets	PKR 575 PKR 925	281 PKR	7 Months 3 Months	1,218,806	1,474,122
Habib Allied International Bank Limited - London	EURO receivables	3 USD	-	On Demand	256,674	257,287
KASB Bank Limited	Domestic receivables	400 PKR	-	1 Year	400,000	400,000
United Bank Limited - Dubai	First pari passu hypothecation, charge on all present and future current assets	22 USD	-	8 Months	1,874,400	1,887,415
Summit Bank Limited (formerly Arif Habib Bank Limited)	Hypothecation charge on specific receivables of Mirpur Azad Kashmir Region.	300 PKR	Facility Expired	3 Months	-	163,043
United Bank Limited - Bahrain	First pari passu hypothecation charge on all present and future current assets	13 USD	-	8 Months	1,030,828	1,112,192
Habib Bank Limited	Hypothecation charge on all present and future spare parts, accessories of aircraft assets and on domestic receivables	350 PKR	203 PKR	1 Year	-	95,879
Bank of Punjab	Domestic receivables	550 PKR	10 PKR	On Demand	539,564	-
Un-secured						
Habib American Bank	N/A	1.5 USD	0.4 USD	On Demand	94,380	94,380
					<u>8,264,797</u>	<u>8,360,909</u>

10. CONTINGENCIES AND COMMITMENTS

There has been no material change in the status of contingencies and commitments as disclosed in the annual financial statements of the Corporation for the year ended December 31, 2010.

11. TURNOVER - net

	(Un-audited) March 31, 2011	(Audited) March 31, 2010
	— Rupees in '000 —	
Passenger	23,197,765	20,492,611
Cargo	1,390,326	1,278,565
Excess baggage	289,628	269,689
Charter	477,002	78,700
Handling and related services	491,578	128,291
Mail	101,542	90,112
Rooms, food and beverages sales	1,762,975	1,811,641
Others	399,117	391,705
	<u>28,109,933</u>	<u>24,699,393</u>

12. COST OF SERVICES - others

Salaries, wages and allowances	3,571,341	3,415,575
Welfare and social security costs	204,867	195,024
Retirement benefits	250,281	353,488
Compensated absences	39,258	25,751
Legal and professional charges	48,556	10,647
Stores and spares consumed	775,471	692,585
Maintenance and overhaul	1,155,721	1,344,729
Flight equipment rental	308,690	297,161
Landing and handling	3,139,039	2,659,492
Passenger services	936,044	821,590
Crew layover	860,305	651,998
Hotel running expenses	522,132	465,701
Staff training	17,445	15,676
Food cost	8,964	8,761
Utilities	8,294	10,769
Communication	13,789	14,723
Insurance	378,601	417,414
Rent, rates and taxes	228,026	223,410
Repair and maintenance	38,163	47,642
Printing and stationery	37,089	34,842
Amortization	1,336	1,254
Depreciation	1,491,975	1,496,147
Others	80,663	103,070
	<u>14,116,050</u>	<u>13,307,449</u>

13. FINANCE COSTS

Mark-up on long term financing	513,421	507,237
Profit on term finance certificates	444,501	418,490
Profit on term Sukuk certificates	250,836	241,447
Interest on liabilities against assets subject to finance lease	334,013	369,150
Mark-up on short-term borrowings	709,170	597,314
Interest to pension / provident funds	102,055	55,587
Arrangement, agency and commitment fee	54,405	173,857
Bank charges, guarantee commission and other related charges	66,166	9,929
	<u>2,474,567</u>	<u>2,373,011</u>

14. CASH (USED IN) / GENERATED FROM OPERATIONS

	(Un-audited) March 31, 2011	(Un-audited) March 31, 2010
	Rupees in '000	
Loss before tax	(3,985,624)	(2,444,136)
Adjustments for:		
Depreciation	1,577,015	1,524,529
Scrappage	-	-
Gain on disposal of fixed assets	(3,550)	(6)
Provision of employees benefits	390,438	479,657
Amortization	6,423	6,246
Provision for stores and spares	-	-
Finance costs	2,474,566	2,372,396
Profit on bank deposits	(3,902)	(6,057)
	4,440,990	4,376,765
Working capital changes		
(Increase) in stores and spares	40,041	(914,496)
(Increase) in trade debts	(1,894,476)	34,933
(Increase) / decrease in advances	121,272	701,096
(Increase) / decrease in trade deposits and prepayments	(382,443)	47,637
(Increase) / decrease in other receivables	(440,458)	(234,756)
Increase (decrease) in trade and other payables	5,465,651	1,992,980
	2,909,587	1,627,394
Cash (used in) / generated from operations	3,364,953	3,560,023

15. AUTHORIZATION OF FINANCIAL STATEMENTS

These financial statements were authorized for issue in the Board of Directors meeting held on April 28, 2011.

16. GENERAL

The US\$ amounts in Balance Sheet have been translated into US\$ at the rate of Rs.85.20 = US\$ 1 (December 31, 2010: Rs. 85.80 = US\$ 1). The US\$ amounts in profit & loss account, statement of comprehensive income and cash flow statement have been translated into US\$ at the rate of Rs.85.20 = US\$ 1 (March 31, 2010: Rs.83.90 = US\$1).

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

Ch. Ahmed Mukhtar
Chairman

Husain Lawai
Director