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BOARD OF DIRECTORS

Chairman PTCL Board

Akhlaq Ahmad Tarar

Members PTCL Board

Abdulrahim A. Al Nooryani
Dr. Waqar Masood Khan
Jamal Saif Al Jarwan
Serkan Okandan
Fadhil Al Ansari
Dr. Daniel Ritz
Amjad Ali Khan
Mudassar Hussain

Company Secretary PTCL

Farah Qamar

CORPORATE INFORMATION

Management

Walid Irshaid

President & Chief Executive Officer

Muhammad Nehmatullah Toor

Chief Financial Officer

Syed Mazhar Hussain

Chief Human Resource Officer

Muhammad Nasrullah

Chief Business Operations Officer

Hamid Farooq

Chief Business Development Officer

Furqan Habib Qureshi

Chief Marketing Officer

Kamal Ahmed

Chief Digital Services Officer

Jamil A. Khwaja

Chief Customer Care Officer

Tariq Salman

Chief Technical Officer

Raed Yousef Ali Abdel Fattah

Chief Information Officer

Jamal Abdalla Salim Hussain Al Suwaidi

Chief Procurement Officer

Muhammad Shehzad Yousuf

Chief Internal Auditor

Company Secretary

Farah Qamar

Legal Affairs

Zahida Awan

Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Citibank Limited

Dubai Islamic Bank

Faysal Bank Limited

Habib Bank Limited

Habib Metropolitan Bank Limited

Industrial & Commercial Bank China

JS Bank Limited

MCB Bank Limited

Meezan Bank Limited

National Bank of Pakistan

NIB Bank Limited

Silkbank Limited

SME Bank Limited

Standard Chartered Bank (Pakistan) Limited

Sindh Bank Limited

Soneri Bank Limited

United Bank Limited

Registered Office

PTCL Headquarters,

Sector G-8/4,

Islamabad-44000, Pakistan.

Tel: +92-51-2263732 & 34

Fax: +92-51-2263733

E-mail: company.secretary@ptcl.net.pk

Web: www.ptcl.com.pk

Auditors

A.F. Ferguson & Co.

Chartered Accountants

Share Registrar

M/s FAMCO Associates (Pvt.) Limited

8-F, Next to Hotel Faran, Nursery,

Block-6, P.E.C.H.S., Shakra-e-Faisal,

Karachi.

Tel: +92-21-34380101-2

Fax: +92-21-34380106

info.shares@famco.com.pk

DIRECTORS' REPORT

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the un-audited financial information of the Company for the three months' period ended 31st March 2014.

With the advent of 3G / 4G era prompting major change in telecom sector in Pakistan, data offerings by telecom operators are expected to gain significance in foreseeable future. Cognizant of this challenge, your Company is already following a dynamic business strategy to fully capitalize on the opportunities that will emerge in the market for the benefit of consumers.

The succeeding paragraphs cover a few aspects of the said strategy along with performance of your Company for the first three months of current financial year of 2014.

Financial Performance

The PTCL Group revenue of Rs. 33.4 billion during the period under review registered a 4% increase over the same period last year. Of these, the revenues earned by PTCL of Rs. 21.1 billion increased by 9% mainly on account of growth in Broadband segment.

The growth in revenues as well as effective cost optimization measures resulted in increased profitability for PTCL Group by 31%. PTCL's profitability for the period under review registered 15% increase compared to corresponding period of last year.

Products and Services

During the first quarter of the year 2014, the growth momentum continued resulting in enhanced subscribers' base, increased revenues and improved profitability. Several innovative Broadband (wireline and wireless both) and PSTN campaigns were successfully undertaken during the period. These campaigns were duly supported by various upgrade promotions and creative product packaging. The most significant achievement during the quarter was 'Broadband 4Mbps for ALL' – a campaign launched on the Pakistan Day- 23rd March 2014 which was received by the customers with enthusiasm as it fulfills the penchant for higher bandwidth of our esteemed subscribers.

a. Broadband

Being the largest and the fastest growing broadband service provider in Pakistan, PTCL launched several new broadband packages, both for wireline and wireless customers, which resulted in an increased subscribers' base coupled with improved customer satisfaction resulting in 11% increase in customers during the first quarter of 2014 with 42% growth in revenue over same period last year.

Fixed-Wireline

Recognizing the customers' demand to subscribe for higher broadband data rates, 'Broadband 4Mbps for ALL' promotion was launched on the 23rd March 2014 providing liberty to PTCL customers to avail broadband internet services at the unprecedented speed of 4Mbps. PTCL is the only service provider in Pakistan to set the 4Mbps benchmark as the minimum broadband speed for its customers. Under this campaign, all existing 1Mbps and 2Mbps Regular / Student broadband users with feasible lines were upgraded to 4Mbps without any extra charges for a limited period. The objective of offering this promotion is to connect Pakistan to the world at higher speeds and enable our subscribers to have the pleasure of using seamless, uninterrupted, and speedy internet.

Based on the successful 1Mbps Economy package, a new 2Mbps Economy package for broadband users was launched at the start of the year. The campaign provides higher speed for capped package users whilst maintaining the element of affordability. Under the package, all feasible 1Mbps Economy package subscribers were also upgraded to 2Mbps Economy package without paying any extra charges for specific period. Taking cue from the success of past upgrade campaigns, there is a high probability that a large percentage of subscribers will continue with the higher data rate of 2Mbps.

EVO - 3G Wireless Broadband

'EVO' – PTCL's 3G enabled wireless broadband service, empowering the customers with high-speed mobile internet, continued to grow during the period under consideration. Due to various innovative campaigns and premium quality products and services, 'EVO' customers' base increased by 16% during the first quarter of 2014.

DIRECTORS' REPORT

The promotion campaigns were designed for users of all the 'EVO' products. The subscribers using 'EVO' 3.1 USB were facilitated with attractive discount offers with usage cap. The Wingle Upgrade Offer provided opportunity to EVO 3.1 USB users to opt for the Wingle with Wi-Fi facility at nominal price. Similarly, the existing and potential DSL broadband users were offered free of cost EVO 3.1 USB at economical monthly rent with 10GB package as a back-up connection or for usage on-the-go. An unbundled 'EVO' Wi-Fi package option with discounted monthly rent was also introduced. For the inactive 'EVO' users, a win back offer was made with complimentary 2GB usage along with nominal charges for limited period. Besides, an innovative 2-in-1 facility i.e. CDMA voice connectivity for V-fone and data connectivity through built-in 'EVO' service was introduced for V-fone users. The related device comes with Wi-Fi hot spot capability allowing up to five users at a time to enjoy data services. All the offerings were received well by the intended customers' segments and were instrumental in achieving the stated growth.

b. Voice

PTCL landline continues to be the backbone of the telecom and internet industry of Pakistan. The period under review witnessed a positive growth in landline voice customers' base. One of the reason for the growth was further optimization in international calling tariff encompassing major destinations covering about two third of total international outgoing traffic.

c. International Business and Carrier Services

Your Company remains the only telecom operator in Pakistan having a network of three redundant and resilient submarine cable systems and thus offers its customers unparalleled quality of service. In order to cater for internal / external customers' ever growing bandwidth requirements, PTCL along with 17 international telecommunication carriers recently signed Construction and Maintenance Agreement (C&MA) of a new ultra high capacity international submarine cable system named as Asia-Africa-Europe-1 (AAE1) Cable. This new submarine cable will further augment the capabilities being currently offered through existing submarine cables.

Carrier Services segment provides wholesale products and services to communication service providers with access to our platforms, skills and technology, making PTCL's investments and economies of scale work for their benefit. In furtherance of business in this direction, your Company plans to introduce Wi-Fi hot spots in major urban areas, which will not only extend the existing broadband services but will also serve the cellular mobile operators.

Support Functions

a. Network infrastructure

Cognizant of the introduction of 3G / 4G era in Pakistan, your Company further enhanced its broadband services in terms of higher data rates by introducing 'Broadband 4Mbps for ALL' to its valued customers. In this direction, PTCL significantly expanded and upgraded all network elements viz. access, metro, aggregation, transmission and core domains. More than 150K broadband ports were added in the network by deploying Multi Service Access Gateway (MSAG) nodes nearer to the customer premises, to ensure that high speed with quality parameters becomes possible in every network packet. Twenty five new transmission nodes in the aggregation domain further strengthened the backhaul network capability for ensuring high speed connection at all times. Existing backhauling of Digital Subscriber Line Access Multiplexer (DSLAM) was augmented with the additions of interface boards, while expansion in metro Ethernet nodes was also carried out to support different existing MSAG nodes. On Dense Wave Division Multiplexing (DWDM) side, 62 lambdas were added to carry the higher traffic streams from access layers up to backbone network. To meet envisaged multi-fold increase in demand of internet traffic volume in foreseeable future, your Company became part of an international consortium for a new submarine cable system viz. Asia-Africa-Europe-1(AAE-1), which will be in addition to the existing three submarine cable systems. Further, the PIE & MMBB core networks were also expanded by adding new nodes and expanding existing core and edge routers, in order to achieve the target of 'Broadband 4Mbps for ALL'.

Your Company also proactively expanded the 'EVO' wireless broadband infrastructure in terms of capacity and capability. New BTSs were deployed in metro and far-flung areas along with the capacity expansion in existing BTS sites.

Additionally, PTCL also provided expanded media connectivity to Ufone to meet their envisaged post 3G data traffic requirements. Accordingly, 121 Ufone hub sites were successfully upgraded for higher data rates, while further expansion on inter and intra MSC routes is also being carried out.

DIRECTORS' REPORT

Moreover, to ensure smooth availability of services to our esteemed customer base in the wake of prevailing power crisis in the country, various out-of-box solutions such as fast charging batteries at BTS and MSAG sites, ATS panel deployment and periodic replacement of backup batteries on outdoor broadband cabinets and indoor sites were successfully deployed.

b. Market and Corporate Communication

During the period under review, focus on research-based marketing was enhanced to add more value to PTCL's brand value. Recognizing the evolving customer expectations, your Company also expanded non-traditional communication channels and targeted new market segments to build a strong brand image.

A strategic and aligned approach towards increasing the marketability of products was pursued during the period. Numerous promotional campaigns, as outlined in earlier paragraphs, were initiated in the wireline and wireless business that successfully augmented the business growth of your Company.

These campaigns have positioned PTCL Broadband as a catalyst for change and propelled its role in country's progress by the opportunities created by Information and Communications Technology (ICT) services for the citizens. All the campaigns remained successful resulting in growth in the subscribers' base.

Further, your Company's business objectives were effectively communicated through a diverse range of media strategies and provisioning of timely information to its key audiences. In this regard, PTCL actively undertook reputation management, communicating key organizational messages successfully to all internal and external stakeholders through print, electronic and social media.

The management and employees of PTCL remain committed to provide quality service at competitive prices through concentrated efforts for achieving increased revenue, enhanced customer satisfaction and improved shareholders' value.

On behalf of the Board,



Akhlaq Ahmad Tarar
Chairman



Walid Irshaid
President & CEO PTCL

Islamabad: April 22, 2014



**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2014**

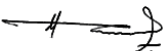
**CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT MARCH 31, 2014 (UN-AUDITED)**

	Note	March 31, 2014	December 31, 2013
		(Un-Audited)	(Audited)
(Rupees in '000)			
EQUITY AND LIABILITIES			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,958,336	2,958,336
General reserve		30,500,000	30,500,000
Unappropriated profit		19,687,533	16,324,138
		53,145,869	49,782,474
Unrealized gain on available for sale investments		110,480	89,785
		104,256,349	100,872,259
Liabilities			
Non-current liabilities			
Long term security deposits		532,947	529,358
Deferred income tax		3,202,420	3,749,739
Employees' retirement benefits		34,032,042	33,050,773
Deferred government grants		5,349,839	5,123,099
		43,117,248	42,452,969
Current liabilities			
Trade and other payables		40,377,994	38,583,250
TOTAL EQUITY AND LIABILITIES		187,751,591	181,908,478

Contingencies and commitments

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The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Chairman

**CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION**
AS AT MARCH 31, 2014 (UN-AUDITED)

	Note	March 31, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment	5	86,500,564	87,219,249
Intangible assets		5,013,006	5,157,172
		91,513,570	92,376,421
Long term investments		7,791,296	7,791,296
Long term loans and advances	6	8,051,326	6,784,020
Investment in finance lease		35,435	38,781
		107,391,627	106,990,518
Current assets			
Stores, spares and loose tools		3,705,926	3,675,314
Trade debts		18,890,404	18,596,301
Loans and advances		6,340,427	6,541,852
Investment in finance lease		12,927	12,927
Accrued interest		618,747	667,024
Recoverable from tax authorities		13,542,171	15,586,424
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		1,026,859	910,116
Short term investments		28,500,051	22,405,669
Cash and bank balances		5,558,380	4,358,261
		80,359,964	74,917,960
TOTAL ASSETS		187,751,591	181,908,478

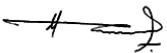


President & CEO

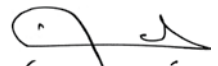
**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Note	Three months period ended	
		March 31, 2014	March 31, 2013
		(Rupees in '000)	
Revenue		21,113,232	19,379,469
Cost of services		(13,532,899)	(12,760,344)
Gross profit		7,580,333	6,619,125
Administrative and general expenses		(2,491,948)	(2,116,812)
Selling and marketing expenses		(762,039)	(697,428)
		(3,253,987)	(2,814,240)
Operating profit		4,326,346	3,804,885
Other income	8	1,091,410	932,729
Finance costs		(162,451)	(190,354)
Profit before tax		5,255,305	4,547,260
Provision for income tax			
- Current		(2,439,229)	(1,835,412)
- Deferred		547,319	204,470
		(1,891,910)	(1,630,942)
Profit for the period		3,363,395	2,916,318
Other comprehensive income for the period			
Items that may be reclassified subsequently to profit and loss:			
Unrealized gain arising during the period		34,498	17,639
Gain on disposal transferred to income for the period		(13,803)	(49,295)
Unrealized gain / (loss) on available for sale investments			
- net of tax		20,695	(31,656)
Total comprehensive income for the period		3,384,090	2,884,662
Earnings per share - basic and diluted (Rupees)		0.66	0.57

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Chairman

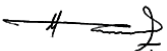


President & CEO

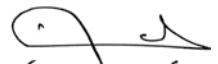
**CONDENSED INTERIM
STATEMENT OF CASH FLOWS**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Note	Three months period ended	
		March 31, 2014	March 31, 2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	10,110,545	10,836,480
Long term security deposits		3,589	3,121
Payment to Pakistan Telecommunication Employees' Trust (PTET)		-	(6,774,000)
Employees' retirement benefits paid		(435,706)	(159,447)
Income tax paid		(394,976)	(284,720)
Net cash inflows from operating activities		9,283,452	3,621,434
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(2,395,131)	(2,135,717)
Acquisition of intangible assets		-	(399,570)
Proceeds from disposal of property, plant and equipment		5,051	418
Investment in finance lease		3,426	-
Long term loans and advances		(2,247,523)	(692,163)
Return on long term loans and short term investments		955,839	697,582
Government grants received		315,076	1,073,171
Repayments of subordinated loans		1,375,000	375,000
Net cash outflows from investing activities		(1,988,262)	(1,081,279)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(689)	(163)
Net increase in cash and cash equivalents		7,294,501	2,539,992
Cash and cash equivalents at the beginning of the period		26,763,930	13,947,548
Cash and cash equivalents at the end of the period	10	34,058,431	16,487,540

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Chairman



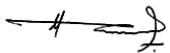
President & CEO

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY

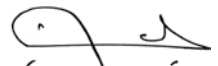
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves			Unrealized gain on available for sale investments	Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit		
	(Rupees in '000)						
Balance as at December 31, 2012							
- restated	37,740,000	13,260,000	2,678,728	30,500,000	12,498,296	51,789	96,728,813
Total comprehensive income for the year							
Profit for the year	-	-	-	-	12,696,133	-	12,696,133
Other comprehensive (loss) / income	-	-	-	-	(3,490,683)	37,996	(3,452,687)
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
Interim dividend for the year ended							
December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	279,608	-	3,825,842	37,996	4,143,446
Balance as at December 31, 2013	37,740,000	13,260,000	2,958,336	30,500,000	16,324,138	89,785	100,872,259
Total comprehensive income for the period							
Profit for the period	-	-	-	-	3,363,395	-	3,363,395
Other comprehensive income	-	-	-	-	-	20,695	20,695
	-	-	-	-	3,363,395	20,695	3,384,090
Balance as at March 31, 2014	37,740,000	13,260,000	2,958,336	30,500,000	19,687,533	110,480	104,256,349

The annexed notes 1 to 14 form an integral part of this condensed interim financial information.



Chairman



President & CEO

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

1. THE COMPANY AND ITS OPERATIONS

Pakistan Telecommunication Company Limited (the Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 01, 1996. The Company, which is listed on the Karachi, Lahore and Islamabad stock exchanges, was established to undertake the telecommunication business formerly carried on by the Pakistan Telecommunication Corporation (PTC). PTC's business was transferred to the Company on January 01, 1996 under the Pakistan Telecommunication (Reorganization) Act, 1996, on which date, the Company took over all the properties, rights, assets, obligations and liabilities of PTC, except those transferred to the National Telecommunication Corporation (NTC), the Frequency Allocation Board (FAB), the Pakistan Telecommunication Authority (PTA) and the Pakistan Telecommunication Employees' Trust (PTET). The registered office of the Company is situated at PTCL Headquarters, G-8/4, Islamabad.

The Company provides telecommunication services in Pakistan. It owns and operates telecommunication facilities and provides domestic and international telephone services and other communication facilities throughout Pakistan. The Company has also been licensed to provide such services in territories of Azad Jammu and Kashmir and Gilgit-Baltistan.

2. STATEMENT OF COMPLIANCE

This condensed interim financial information of the Company for the three months period ended March 31, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgment in the process of applying the Company's accounting policies. Estimates and judgments are continually evaluated and are based on historic experience including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgments made by the management in the preparation of this condensed interim financial information are the same as those used in the preparation of audited financial statements of the Company for the year ended December 31, 2013.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed interim financial information are consistent with those followed in the preparation of the Company's audited financial statements for the year ended December 31, 2013.

	Note	March 31,	December 31,
		2014	2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	77,036,861	78,951,084
Capital work-in-progress		9,463,703	8,268,165
		86,500,564	87,219,249

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Note	March 31, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
5.1 Operating fixed assets			
Opening net book amount		78,951,084	74,262,561
Additions during the period / year at cost	5.2	1,199,594	16,849,872
		80,150,678	91,112,433
Disposals during the period / year			
- at net book amount		-	(256)
Depreciation for the period / year		(3,113,817)	(12,001,093)
Impairment for the period / year		-	(160,000)
		(3,113,817)	(12,161,349)
Closing net book amount		77,036,861	78,951,084
5.2 Detail of additions during the period / year:			
Freehold land		-	4,160
Buildings on freehold land		-	348,318
Lines and wires		234,712	3,450,147
Apparatus, plant and equipment		933,932	12,123,970
Office equipment		1,825	32,592
Computer equipment		28,432	475,279
Furniture and fittings		693	32,402
Vehicles		-	123,927
Submarine cables		-	259,077
		1,199,594	16,849,872

6. LONG TERM LOANS AND ADVANCES

These include unsecured loans of Rs 7,125,000 thousand (December 31, 2013: Rs 8,500,000 thousand) to Pak Telecom Mobile Limited (PTML), a wholly owned subsidiary of the Company, under subordinated debt agreements. These loans are recoverable in eight equal quarterly installments commencing after a grace period of 3 to 4 years maturing latest by November 2015 and carrying mark-up at the rate of three month KIBOR plus 82 to 180 basis points.

7. CONTINGENCIES AND COMMITMENTS

7.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Company for the year ended December 31, 2013, except the followings:

- For the tax year 2008, taxation officer amended the assessment under section 122 (5A) and disallowed certain expenses with tax demand of Rs 7,818 thousand. Besides the rectification application, the Company has also filed an appeal before CIR- Appeals which is pending for disposal.
- For FED of Rs. 2,782,660 thousand on local interconnect revenue paid earlier under the amnesty scheme of Federal Board of Revenue (FBR), Appellate Tribunal Inland Revenue (ATIR) disposed off the pending appeal in Company's favour.

NOTES TO AND FORMING PART OF THE CONDENSED INTERIM FINANCIAL INFORMATION

FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

7.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 9,529,621 thousand (December 31, 2013: Rs 10,184,640 thousand).

	Three months period ended	
	March 31, 2014	March 31, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
8. OTHER INCOME		
Mark up on long term loans	212,176	285,891
Return on bank deposits	695,387	399,736
Others	183,847	247,102
	1,091,410	932,729
9. CASH GENERATED FROM OPERATIONS		
Profit before tax	5,255,305	4,547,260
Adjustments for non-cash charges and other items:		
Depreciation and amortization	3,257,984	3,088,804
Impairment	-	110,000
Provision for obsolete stores, spares and loose tools	-	50,000
Provision against doubtful trade debts	519,926	479,000
Employees' retirement benefits	1,422,362	995,348
Gain on disposal of property, plant and equipment	(5,051)	(418)
Return on bank deposits	(695,387)	(399,736)
Imputed interest on long term loans	-	142,337
Interest on finance lease	(80)	-
Markup on long term loans	(212,176)	(285,891)
Gain on disposal of available for sale investments	(13,803)	(49,295)
Unrealized gain on available for sale investments	34,498	17,639
Amortization of government grants	(88,337)	(56,113)
	9,475,241	8,638,935
Effect on cash flows due to working capital changes: (Increase) / decrease in current assets:		
Stores, spares and loose tools	(30,613)	(264,045)
Trade debts	(814,030)	(1,618,842)
Loans and advances	(181,307)	418,188
Prepayments and other receivables	(128,796)	30,414
	(1,154,746)	(1,434,285)
Increase in current liabilities:		
Trade and other payables	1,790,050	3,631,830
	10,110,545	10,836,480
10. CASH AND CASH EQUIVALENTS		
Short term investments	28,500,051	12,916,880
Cash and bank balances	5,558,380	3,570,660
	34,058,431	16,487,540

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

		Three months period ended	
		March 31, 2014	March 31, 2013
		(Un-Audited)	(Un-Audited)
		(Rupees in '000)	
11. TRANSACTIONS AND BALANCES WITH RELATED PARTIES			
Relationship with the Company	Nature of transaction		
i. Shareholders	Technical services assistance fee - note 11.1	682,073	641,254
ii. Subsidiary	Sale of goods and services	1,625,442	1,103,308
	Purchase of goods and services	876,810	478,075
	Mark up on long term loans	211,123	285,891
iii. Associated undertakings	Sale of goods and services	29,452	18,771
	Purchase of goods and services	446,441	389,918
iv. Employees' retirement benefit plans	Contribution to Pakistan Telecommunication Employees' Trust (PTET)	-	6,774,000
v. Employees' contribution plan	Payment to PTCL employees on behalf of GPF Trust	39,284	12,464
vi. Other related parties	Charges under license obligation	325,419	340,345
vii. Directors, Chief Executive and Executives	Fee and remuneration including benefits and perquisites	422,450	296,332
		March 31, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
Period-end balances			
Receivables from related parties			
	Long-term loans to subsidiary	7,125,000	8,500,000
	Trade debts		
	- Subsidiary	664,302	1,287,800
	- Associated undertakings	56,968	59,678
	- The Government of Pakistan and its related entities	1,701,153	1,768,148
	Accrued interest receivable		
	- Subsidiary	144,118	167,456
	Other receivables		
	- Subsidiary	371,786	332,017
	- Associated undertakings	74,409	75,876
	- PTCL Employees' GPF Trust	146,632	107,349
	- Pakistan Telecommunication Employees' Trust (PTET)	121,836	118,209

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	March 31, 2014	December 31, 2013
	(Un-Audited)	(Audited)
	(Rupees in '000)	
Payables to related parties		
Trade creditors		
- Subsidiary	749,381	704,671
- Associated undertakings	623,852	522,118
- The Government of Pakistan and its related entities	7,667,606	8,371,083
Retention money payable to associated undertaking	2,446	4,103
Technical services fee payable to Etisalat	682,073	652,061
Pakistan Telecommunication Employees' Trust (PTET)	13,912,548	13,381,633

11.1 This represents the Company's share of fee payable to Emirates Telecommunication Corporation (Etisalat) under an agreement for technical services at the rate of 3.5% of Pakistan Telecommunication Group's consolidated annual revenue.

12. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Trade debts presented in the statement of financial position include aggregate receivable of Rs 4,432,711 thousand (December 31, 2013: Rs 7,991,017 thousand) set off against aggregate payable of Rs 1,669,961 thousand (December 31, 2013: Rs 5,383,315 thousand).

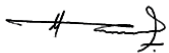
Trade and other payables presented in the statement of financial position include aggregate payable of Rs 4,457,159 thousand (December 31, 2013: Rs 10,143,887 thousand) set off against aggregate receivable of Rs 2,077,444 thousand (December 31, 2013: Rs 7,678,683 thousand).

13. DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED INTERIM FINANCIAL INFORMATION

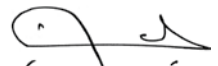
This condensed interim financial information for the three months period ended March 31, 2014 was authorized for issue by the Board of Directors of the Company on April 22, 2014.

14. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.



Chairman



President & CEO



**CONDENSED
CONSOLIDATED INTERIM
FINANCIAL INFORMATION
FOR THE PERIOD ENDED MARCH 31, 2014**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014 (UN-AUDITED)

	Note	March 31,	December 31,
		2014	2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
EQUITY AND LIABILITIES			
Equity			
Share capital and reserves			
Share capital		51,000,000	51,000,000
Revenue reserves			
Insurance reserve		2,958,336	2,958,336
General reserve		30,500,000	30,500,000
Unappropriated profit		39,167,212	34,815,636
		72,625,548	68,273,972
Unrealized gain on available for sale investments		110,480	89,785
		123,736,028	119,363,757
Liabilities			
Non-current liabilities			
Liability against assets subject to finance lease		54,964	58,438
License fee payable		88,833	93,847
Long term security deposits		1,493,802	1,494,253
Deferred income tax		13,936,782	14,864,399
Employees' retirement benefits		34,250,702	33,320,384
Deferred government grants		5,349,839	5,123,099
Long term vendor liability		8,221,551	6,584,473
		63,396,473	61,538,893
Current liabilities			
Trade and other payables		51,037,455	49,435,746
Interest accrued		223,330	120,251
Short term running finance		11,820	605,487
Current portion of:			
Liability against assets subject to finance lease		31,977	31,977
License fee payable		48,290	51,151
Long term vendor liability		5,235,685	6,109,004
Unearned income		2,518,621	2,432,129
		59,107,178	58,785,745
TOTAL EQUITY AND LIABILITIES		246,239,679	239,688,395

Contingencies and commitments

5

The annexed notes from 1 to 10 form an integral part of this condensed consolidated interim financial information.



Chairman

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2014 (UN-AUDITED)

	Note	March 31,	December 31,
		2014	2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment		155,355,791	156,428,185
Intangible assets		6,104,321	6,191,581
		161,460,112	162,619,766
Long term investments		109,259	109,259
Long term loans and advances		6,211,522	3,955,888
Investment in finance lease		35,435	38,781
		167,816,328	166,723,694
Current assets			
Stores, spares and loose tools		3,705,926	3,675,813
Stock in trade		340,464	453,665
Trade debts		18,747,274	17,864,435
Loans and advances		1,687,140	1,387,119
Deposits		84,600	78,809
Investment in finance lease		12,927	12,927
Accrued interest		491,311	509,512
Recoverable from tax authorities		13,020,695	15,861,583
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		3,109,445	2,782,281
Short term investments		28,792,708	22,950,405
Cash and bank balances		6,266,789	5,224,080
		78,423,351	72,964,701
TOTAL ASSETS		246,239,679	239,688,395

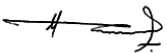


President & CEO

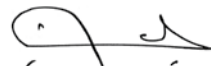
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF COMPREHENSIVE INCOME**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Three months period ended	
	March 31, 2014	March 31, 2013
	(Rupees in '000)	
Revenue	33,375,217	32,144,882
Cost of services	(20,410,580)	(20,726,562)
Gross profit	12,964,637	11,418,320
Administrative and general expenses	(4,790,155)	(4,275,971)
Selling and marketing expenses	(2,254,377)	(1,962,402)
	(7,044,532)	(6,238,373)
Operating profit	5,920,105	5,179,947
Other income	1,282,914	1,212,478
Finance costs	(390,208)	(1,069,807)
Profit before tax	6,812,811	5,322,618
Provision for income tax		
- Current	(3,390,642)	(1,907,670)
- Deferred	929,407	(83,271)
	(2,461,235)	(1,990,941)
Profit for the period	4,351,576	3,331,677
Other comprehensive income for the period		
Items that may be reclassified subsequently to profit and loss:		
Unrealized gain arising during the period	34,498	17,639
Gain on disposal transferred to income for the period	(13,803)	(49,295)
Unrealized gain / (loss) on available for sale investments		
- net of tax	20,695	(31,656)
Total comprehensive income for the period	4,372,271	3,300,021
Earnings per share - basic and diluted (Rupees)	0.85	0.65

The annexed notes from 1 to 10 form an integral part of this condensed consolidated interim financial information.



Chairman

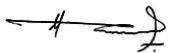


President & CEO

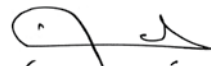
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CASH FLOWS**
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Note	Three months period ended	
		March 31, 2014	March 31, 2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	6	14,525,978	14,621,611
Long term security deposits		(451)	(11,553)
Payment made to Pakistan Telecommunication Employees' Trust (PTET)		-	(6,774,000)
Employees' retirement benefits paid		(523,372)	(165,938)
Finance costs paid		(240,897)	(1,256,160)
Income tax paid		(547,964)	(453,547)
Net cash inflows from operating activities		13,213,294	5,960,413
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(5,125,467)	(3,423,704)
Acquisition of intangible assets		(153,325)	(226,364)
Proceeds from disposal of property, plant and equipment		27,026	45,289
Long term loans and advances		(2,249,605)	(449,524)
Investment in finance lease		3,426	-
Government grants received		315,077	1,073,172
PTA license fee paid		(49,275)	-
Return on short term investments		742,075	1,221,005
Net cash outflows from investing activities		(6,490,068)	(1,760,126)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan paid		-	(2,500,000)
Long term vendor liability		763,759	1,462,970
Liability against assets subject to finance lease		(8,306)	(2,703)
Net cash inflows / (outflows) from financing activities		755,453	(1,039,733)
Net increase in cash and cash equivalents		7,478,679	3,160,554
Cash and cash equivalents at the beginning of the period		27,568,998	37,656,842
Cash and cash equivalents at the end of the period	7	35,047,677	40,817,396

The annexed notes from 1 to 10 form an integral part of this condensed consolidated interim financial information.



Chairman



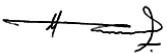
President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY

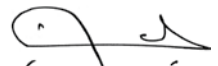
FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves			Unrealized gain on available for sale investments	Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit		
	(Rupees in '000)						
Balance as at December 31, 2012							
- restated	37,740,000	13,260,000	2,678,728	30,500,000	27,936,755	51,789	112,167,272
Total comprehensive income for the year							
Profit for the year	-	-	-	-	15,752,775	-	15,752,775
Other comprehensive (loss) / income	-	-	-	-	(3,494,286)	37,996	(3,456,290)
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
Interim dividend for the year ended							
December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	279,608	-	6,878,881	37,996	7,196,485
Balance as at December 31, 2013	37,740,000	13,260,000	2,958,336	30,500,000	34,815,636	89,785	119,363,757
Total comprehensive income for the period							
Profit for the period	-	-	-	-	4,351,576	-	4,351,576
Other comprehensive income	-	-	-	-	-	20,695	20,695
	-	-	-	-	4,351,576	20,695	4,372,271
Balance as at March 31, 2014	37,740,000	13,260,000	2,958,336	30,500,000	39,167,212	110,480	123,736,028

The annexed notes from 1 to 10 form an integral part of this condensed consolidated interim financial information.



Chairman



President & CEO

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

1. CONSTITUTION AND OWNERSHIP

The condensed consolidated interim financial information of the Pakistan Telecommunication Company Limited and its subsidiaries ("the Group") comprises of the financial information of:

Pakistan Telecommunication Company Limited (PTCL)

Pakistan Telecommunication Company Limited (the Holding Company) was incorporated in Pakistan on December 31, 1995 and commenced business on January 1, 1996. The Holding Company, which is listed on Karachi, Lahore and Islamabad stock exchanges, was established to undertake the telecommunication business formerly carried on by Pakistan Telecommunication Corporation (PTC). PTC's business was transferred to the Holding Company on January 1, 1996 under the Pakistan Telecommunication (Re-organization) Act, 1996, on which date, the Holding Company took over all the properties, rights, assets, obligations and liabilities of PTC, except those transferred to the National Telecommunication Corporation (NTC), the Frequency Allocation Board (FAB), the Pakistan Telecommunication Authority (PTA) and the Pakistan Telecommunication Employees Trust (PTET). The registered office of the Holding Company is situated at PTCL Headquarters, G-8/4, Islamabad.

The Holding Company provides telecommunication services in Pakistan. It owns and operates telecommunication facilities and provides domestic and international telephone services and other communication facilities throughout Pakistan. The Company has also been licensed to provide such services in territories of Azad Jammu and Kashmir and Gilgit-Baltistan.

Pak Telecom Mobile Limited (PTML)

PTML was incorporated in Pakistan on July 18, 1998, as a public limited company to provide cellular mobile telephony services in Pakistan. PTML commenced its commercial operations on January 29, 2001, under the brand name of Ufone. It is a wholly owned subsidiary of PTCL. The registered office of PTML is situated at Ufone Tower, Jinnah Avenue, Blue Area, Islamabad.

U Microfinance Bank Limited (U Bank)

The Holding Company acquired 100% ownership of U Microfinance Bank Limited (U Bank) on August 30, 2012 to offer services of digital commerce and branchless banking. U Bank was incorporated on October 29, 2003 as a public limited company. The registered office of U Bank is situated at Razia Sharif Plaza, Jinnah Avenue, Blue Area, Islamabad.

2. STATEMENT OF COMPLIANCE

This condensed consolidated interim financial information of the Group for the three months period ended March 31, 2014 has been prepared in accordance with the requirements of International Accounting Standard 34 - Interim Financial Reporting and provisions of and directives issued under the Companies Ordinance, 1984. In case where requirements differ, the provisions of or directives issued under the Companies Ordinance, 1984 shall prevail.

3. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of this condensed consolidated interim financial information in conformity with approved accounting standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience, including expectations of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in the preparation of this condensed consolidated interim financial information are the same as those used in the preparation of annual audited consolidated financial statements of the Group for the year ended December 31, 2013.

4. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies and the methods of computations adopted in the preparation of this condensed consolidated interim financial information are consistent with those followed in the preparation of the consolidated annual audited financial statements for the period ended December 31, 2013.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

5. CONTINGENCIES AND COMMITMENTS

5.1 Contingencies

There has been no material change in contingencies as disclosed in the last audited financial statements of the Group for the year ended December 31, 2013, except the followings:

- For the tax year 2008, taxation officer amended the assessment of PTCL under section 122 (5A) and disallowed certain expenses with tax demand of Rs 7,818 thousand. Besides the rectification application, the Company has also filed an appeal before CIR-Appeals which is pending for disposal.
- For FED of Rs. 2,782,660 thousand on local interconnect revenue paid earlier under the amnesty scheme of Federal Board of Revenue (FBR) by PTCL, Appellate Tribunal Inland Revenue (ATIR) disposed off the pending appeal in PTCL's favour.

5.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs. 15,045,142 thousand (December 31, 2013: Rs. 17,657,353 thousand).

	Three months period ended	
	March 31, 2014	March 31, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
6. CASH GENERATED FROM OPERATIONS		
Profit before tax	6,812,811	5,322,618
Adjustments for non-cash charges and other items:		
Depreciation and amortization	6,429,294	6,143,640
Impairment	-	110,000
Provision against doubtful trade debts and other receivables	534,778	492,118
Provision for non performing advances	518	-
Provision for obsolete stores, spares and loose tools	-	50,000
Employees' retirement benefits	1,453,690	1,024,656
Imputed interest on long term loans and advances	(6,029)	142,337
Interest on finance lease	(80)	-
Interest on Long term loan from Banks	-	(285,891)
Gain on disposal of property, plant and equipment	(17,874)	(21,512)
Gain on disposal of available for sale investments	(42,290)	(49,295)
Unrealized gain on available for sale investments	34,498	17,639
Return on bank deposits	(695,387)	(939,999)
Amortization of government grants	(88,337)	(56,113)
Finance costs	390,208	1,213,270
	14,805,800	13,163,468

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

	Three months period ended	
	March 31, 2014	March 31, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	(30,113)	(263,767)
Stock in trade	113,201	15,530
Trade debts	(1,417,617)	(1,267,465)
Loans and advances	(300,539)	226,468
Deposits	(5,791)	83,446
Prepayments and other receivables	(327,164)	(64,003)
	(1,968,023)	(1,269,791)
Increase / (decrease) in current liabilities:		
Trade and other payables	1,601,709	2,826,610
Unearned income	86,492	(98,676)
	1,688,201	2,727,934
	14,525,978	14,621,611

7. CASH AND CASH EQUIVALENTS

Short term investments	28,792,708	35,387,907
Cash and bank balances	6,266,789	5,429,489
Short term running finance	(11,820)	-
	35,047,677	40,817,396

8. SEGMENT INFORMATION

For Management purposes, the Group is organised into two operating segments i.e. fixed line communications (Wire line) and wireless communications (Wireless). The reportable operating segments derive their revenue primarily from voice, data and other services.

8.1 Segment information for the reportable segments is as follows:

	Note	Wire line	Wireless	Total
		(Rupees in '000)		
Three months period ended March 31, 2014				
Segment revenue		18,831,538	16,653,328	35,484,866
Inter segment revenue	8.1.1	(1,625,442)	(484,207)	(2,109,649)
Revenue from external customers		17,206,096	16,169,121	33,375,217
Segment results		2,647,409	1,704,167	4,351,576
Three months period ended March 31, 2013				
Segment revenue		17,929,780	15,796,485	33,726,265
Inter segment revenue	8.1.1	(1,103,308)	(478,075)	(1,581,383)
Revenue from external customers		16,826,472	15,318,410	32,144,882
Segment results		2,016,520	1,315,157	3,331,677

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE THREE MONTHS PERIOD ENDED MARCH 31, 2014 (UN-AUDITED)

8.1.1 Inter segment revenues are eliminated on consolidation.

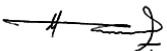
	Wire line	Wireless	Total
	(Rupees in '000)		
As at March 31, 2014 (Un-Audited)			
Segment assets	157,973,594	88,266,085	246,239,679
Segment liabilities	82,695,160	39,808,491	122,503,651
As at December 31, 2013 (Audited)			
Segment assets	152,509,735	87,178,660	239,688,395
Segment liabilities	80,264,007	40,060,631	120,324,638

9. DATE OF AUTHORISATION FOR ISSUE OF FINANCIAL INFORMATION

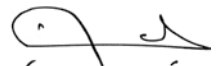
This condensed consolidated interim financial information for the three months period ended March 31, 2014 was authorised for issue by the Board of Directors of the Holding Company on April 22, 2014.

10. GENERAL

Figures have been rounded off to the nearest thousand rupees, unless otherwise specified.



Chairman



President & CEO