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# Vision, Mission & Core Values

## Corporate Vision

To be the leading Information and Communication Technology Service Provider in the region by achieving customers' satisfaction and maximizing shareholders' value.

## Mission

To achieve our vision by having:

- An organizational environment that fosters professionalism, motivation and quality
- An environment that is cost effective and quality conscious
- Services that are based on the most optimum technology
- 'Quality' and 'Time' conscious customer services
- Sustained growth in earnings and profitability

## Core Values

- Professional Integrity
- Teamwork
- Customer Satisfaction
- Loyalty to the Company

# ENJOY non stop connectivity with



# board of directors



Dr. Zafar Iqbal Qadir  
Chairman PTCL Board

Abdulrahim A. Al Nooryani  
Member PTCL Board

Abdul Wajid Rana  
Member PTCL Board

Serkan Okandan  
Member PTCL Board

Jamil Ahmed Khan  
Member PTCL Board



Kamran Ali  
Member PTCL Board

Fadhil Al Ansari  
Member PTCL Board

Dr. Daniel Ritz  
Member PTCL Board

Jamal Saif Al Jarwan  
Member PTCL Board

Walid Irshaid  
President & Chief Executive Officer, PTCL

# Corporate Information

## Management

Walid Irshaid  
President & Chief Executive Officer

Muhammad Nehmatullah Toor  
SEVP (Finance) / CFO

Syed Mazhar Hussain  
SEVP (Human Resources)

Muhammad Nasrullah  
SEVP (Business Zones)

Naveed Saeed  
SEVP (Corporate Development)

Hamid Farooq  
SEVP (Business Development)

Furqan Habib Qureshi  
SEVP (Commercial)

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  
SEVP (Procurement & Supply Chain)

Farah Qamar  
Company Secretary

Zahida Awan  
EVP (Legal Affairs)

## Bankers

Allied Bank Limited

Askari Bank Limited

Bank Alfalah Limited

Bank Al Habib Limited

The Bank of Punjab

Dubai Islamic Bank

Faysal Bank Limited

Habib Bank Limited (HBL)

Habib Metropolitan 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

United Bank Limited

## Auditors

A.F. Ferguson & Co.,  
Chartered Accountants

## 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](mailto:company.secretary@ptcl.net.pk)  
Web: [www.ptcl.com.pk](http://www.ptcl.com.pk)

## Share Registrar

M/s FAMCO Associates (Pvt.) Limited  
Ground Floor,  
State Life Building No. 1-A,  
I.I. Chundrigar Road, Karachi- 74000,  
Pakistan

Tel: +92-21-32422344, 32467406 &  
32420755  
Fax: +92-21-32428310

3G  
evo  
wingle  
Wireless Broadband

Wingle to Mingle  
The power of instant sharing

Connects to your Laptop/PC

Connects in your Car

Connects in any Power Socket

Speeds up to  
**9.3** Mbps  
Wireless broadband

# m

# anagement



Walid Irshaid  
President & Chief Executive Officer

Muhammad Nehmatullah Toor  
SEVP (Finance) / Chief Financial Officer (CFO)

Syed Mazhar Hussain  
SEVP (Human Resources)

Muhammad Nasrullah  
SEVP (Business Zones)

Naveed Saeed  
SEVP (Corporate Development)

Hamid Farooq  
SEVP (Business Development)

Furqan Habib Qureshi  
SEVP (Commercial)

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  
SEVP (Procurement & Supply Chain)

# financial highlights

Year ended June 30		Six months period ended Dec 31, 2012	2012	2011	2010	2009	2008
<b>Key Indicators</b>							
<b>Operating</b>							
EBIT margin	%	(3.46)	19.13	21.03	25.68	25.20	(5.45)
Net margin	%	(2.00)	12.01	13.44	16.26	15.45	(4.26)
<b>Performance</b>							
Fixed assets turnover	Times	0.49	0.80	0.75	0.75	0.74	0.81
Debtors' turnover	Times	3.07	6.69	5.71	5.46	4.91	5.35
Return on equity	%	(0.71)	7.08	7.50	9.33	9.28	(2.71)
Return on capital employed	%	(0.58)	6.11	6.40	7.40	7.20	(2.21)
Retention	%	100.00	100.00	(20.15)	3.97	16.40	100.00
<b>Leverage</b>							
Debt:Equity	Ratio	19:81	18:82	18:82	15:85	14:86	14:86
Leverage	%	36.36	33.53	35.38	33.87	35.66	27.48
Time interest earned	Times	9.44	23.85	56.00	36.42	16.43	(4.26)
<b>Liquidity</b>							
Current	Times	2.03	2.30	1.39	1.51	1.50	1.81
Quick	Times	1.92	2.16	1.27	1.37	1.36	1.58
<b>Valuation</b>							
Earnings per share	Rs.	(0.15)	1.41	1.46	1.82	1.79	(0.55)
Breakup value per share	Rs.	20.55	20.69	19.27	19.56	19.49	19.19
Dividend payout ratio	%	-	-	120.15	96.03	83.60	-
Price earnings ratio	Times	(119.15)	9.68	9.76	9.77	9.61	(69.76)
Market price to breakup value	Times	0.84	0.66	0.74	0.91	0.88	2.01
Dividend per share	Rs.	-	-	1.75	1.75	1.50	-
Dividend yield	%	-	-	12.31	9.83	8.70	-
Dividend cover ratio	Times.	-	-	0.83	1.04	1.20	-
Market value per share (as on Dec 31 / June 30)	Rs.	17.35	13.69	14.22	17.80	17.24	38.64
<b>Historical Trends</b>							
<b>Operating results</b>							
Revenue	Rs. (m)	37,139	60,038	55,254	57,175	59,239	66,336
Profit / (loss) before tax	Rs. (m)	(1,148)	11,006	11,414	14,281	14,021	(4,463)
Profit / (loss) after tax	Rs. (m)	(743)	7,212	7,428	9,294	9,151	(2,825)
Dividend	Rs. (m)	-	-	8,925	8,925	7,650	-
<b>Financial position</b>							
Share capital	Rs. (m)	51,000	51,000	51,000	51,000	51,000	51,000
Reserves	Rs. (m)	53,731	54,474	47,262	48,759	48,390	46,888
Shareholders' equity	Rs. (m)	104,783	105,537	98,292	99,759	99,390	97,888
EBITDA	Rs. (m)	3,143	17,032	15,656	22,006	23,454	4,863
Working capital	Rs. (m)	29,067	26,811	10,991	15,257	18,134	17,689
Current assets	Rs. (m)	57,358	47,359	39,012	45,450	54,220	39,603
Total assets	Rs. (m)	164,856	156,949	152,520	150,768	154,048	140,104
Non current liabilities	Rs. (m)	31,781	30,863	26,207	20,816	18,572	17,646
<b>Operational</b>							
ALIS as on June 30 *	No (000)	4,035	4,144	4,393	4,370	4,681	5,181
Average ALIS per employee	No	165	153	153	155	168	118

\* Exclusive of primary and basic rate interface



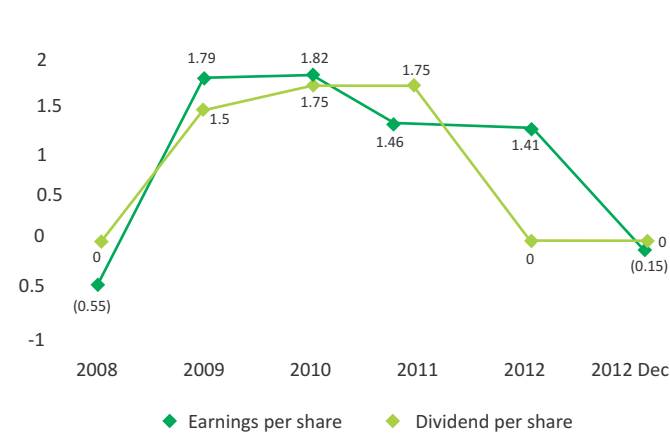
# SMARTTV



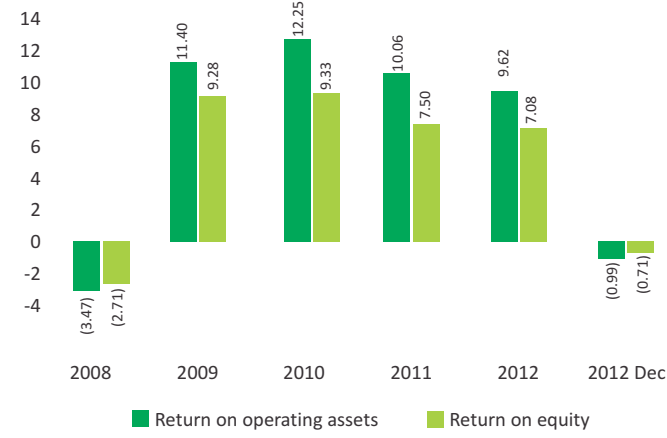
Rewind and Watch your favourite Live Programme or TV Show at your convenience

# Operating highlights-graphs

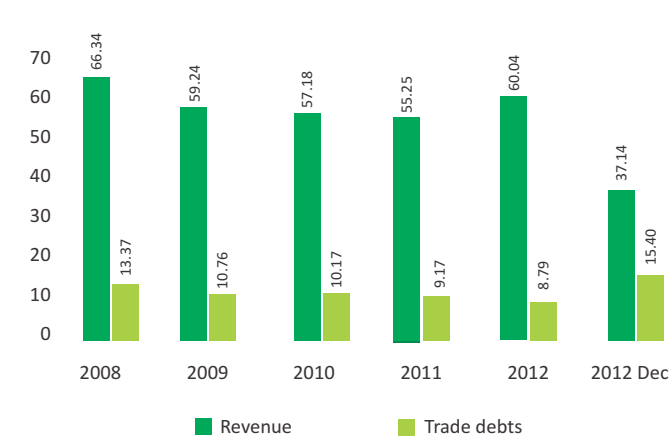
Dividend payout per share (Rupees)



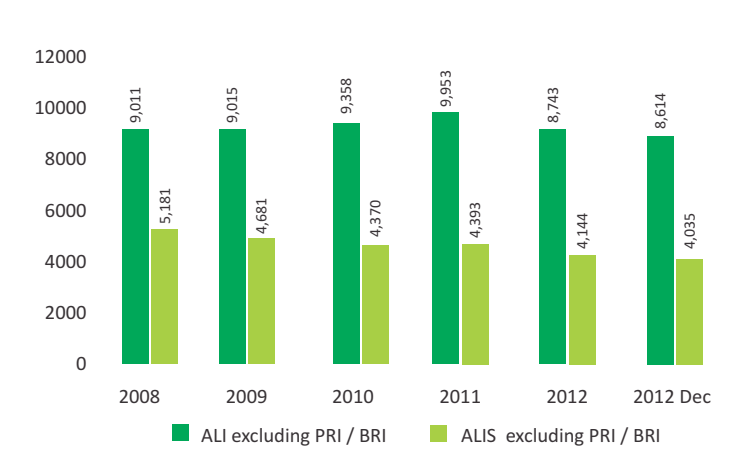
Return on operating assets and equity (Percentage)



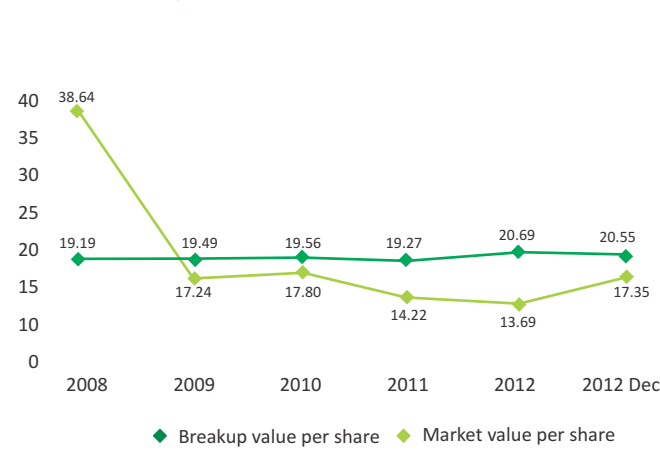
Revenue and trade debts (Rupees in billion)



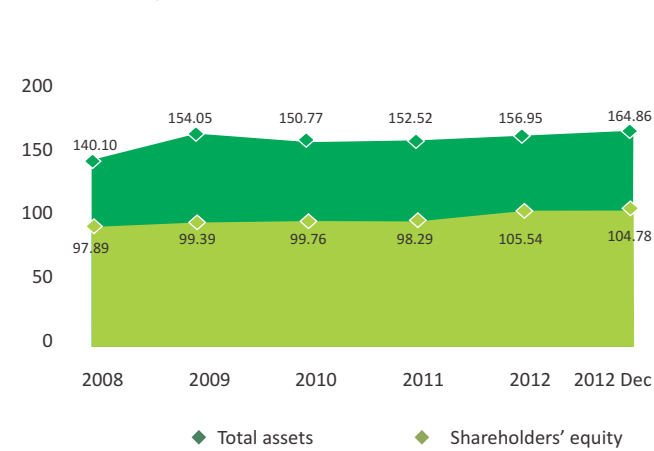
Capacity: Installed vs in service (Number in thousand)



Break up value vs market value (Rupees)



Total assets vs shareholders' equity (Rupees in billion)



Profit before and after tax (Rupees in billion)



Current assets and current liabilities (Rupees in billion)



# Group CEO's Message



“Our business strategy and ensuing endeavors have enabled the PTCL Group to sustain the leadership position in the ICT industry in Pakistan.”

Our business strategy and ensuing endeavors have enabled the PTCL Group to sustain the leadership position in the ICT industry in Pakistan. Our constant pursuit to induct the best of breed technology, that delivers solutions to our customers needs, has kept us at the forefront of supporting the ICT revolution in the country. This is evident by the significant growth in our Data business culminating in revenue and profit growth, whilst we continue to support and enhance service levels for our legacy Voice business.

Our focus on enhancing the customers' experience bundled

with innovative products and customer service enablement initiatives, is a step towards fulfilling the dream of a Broadband Enabled Pakistan. It is our commitment to reduce the digital divide in the country by expanding our network in collaboration with institution like Universal Service Fund to enable social inclusion of under-served segments of our society. Our diverse portfolio of services and products, facilitates the enterprise customers segment as well as the household consumers by offering them multiple solutions for their ICT needs. Our ability to collaborate with telecom

operators in our industry renders use of our infrastructure and services which enables vital services for the telecom service providers in the country.

Our wireline and wireless broadband services continue to maintain 90% of the market share spanning over 2,000 cities and towns in the country. The demand for our 3G EVO wireless services has witnessed unprecedented growth during the period. The confidence of our enterprise and SME customers in our services has demonstrated good growth and identified new avenues for us to introduce new services and products for this segment of our business.

While the national economy and the overall security environment in the country remained under pressure, the demand for our broadband services has positioned us the second largest growth geography in Asia. We remain cognizant of our environment and despite the odds, we continue to relentlessly focus on enhancing our customers' service experience. Our efforts to re-engineer our customer service delivery processes, supported by technological and business model innovation, we have been able to increase customer retention. On the technology aspect, we will continue to invest in wireline and wireless platforms for all segments of our customer base. Especially, we plan to graduate from a circuit provider to a telecom systems integrator for our enterprise business segment customers.

Good corporate citizenship has always been paramount to our business ethics. Our Corporate Social Responsibility (CSR) initiatives continued to focus on social initiatives. Some of the significant ones are the establishment of a Broadband E-Health network to help health professionals render medical services to citizens of Pakistan who until now did not have access to specialized medical care. Another CSR initiative was to induct 500 fresh graduates into a One Year Paid Internship Program with the goal to enable this young and budding talent to experience technology, processes, and intricacies of the business world while rubbing shoulders with the best of professionals in the industry.

No company progresses without astute and competent leadership. At PTCL we understand the importance of developing future leaders. Several HR initiatives in this context were implemented including Succession Planning, Leadership Development Program, Service Leadership Workshops to name a few. People alignment in a large organization like PTCL is a challenge that we pursue with tenacity and prudence. This was amply demonstrated through successful implementation of Voluntary Separation Scheme that allowed us to achieve our objectives of aligning employee skill sets with our business priorities, managing operations and expenses and bringing the requisite change within the organization.

During the period under review our subsidiary Ufone successfully posted higher revenue and profit growth despite the difficult overall economic conditions. Ufone extended its full support to the Government of Pakistan in its attempt to counter terrorism by suspending services as and when required, despite the negative impact on revenue streams. Ufone's unstinted rendition for enhancing customer service experience through process automation, employee empowerment and technological innovation resulted in customer acquisition growth.

Ufone continued to increase its network coverage footprint by extending its Priority Services to additional cities in collaboration with PTCL. Special emphasis was laid on Data products taking an early start to embrace the impending 3G license regime. The company continued to invest in improving overall operational efficiency, combined with network modernization and expansion projects. 730 new sites were added to the network. For improved cost efficiency new features of intelligent shut down and half rate features were implemented in the network. The tower sharing initiative resulted in substantial savings on operational and capital expenditures.

Ufone continued with its efforts on CSR front with primary focus on working with under privileged children, environment awareness, health and sports.

The world we live in and the way we communicate are changing and at PTCL Group we believe in progress, growth and maximizing opportunity. Our passion to gain customer loyalty impels us to innovate and introduce new services and products for our customers. Concurrently, we strive to ensure that our customer find it convenient to interact and conduct business with us. The expanse and robustness of our network encourages us to undertake new initiatives with focus on sustained long term growth while consolidating the Group's position as the leading integrated telecom service provider in the region.

I would like to extend sincere thanks and appreciation to all our shareholders, including the Government of Pakistan and Etisalat Group, for their continued and unabated support throughout this period. I would also like to thank our employees as well as all our customers, across all market segments, whose patronage, support and confidence in our services has encouraged us to strive harder to match their aspirations and expectations, and to deliver the experiences of the future today.

**Walid Irshaid**  
President & Chief Executive Officer



# directors' report

On behalf of the Board of Directors of Pakistan Telecommunication Company Limited, we are pleased to present an overview of your Company's performance along with the audited financial information for the six months' period ended 31<sup>st</sup> December 2012 together with auditors' report thereon.

The period under review represents the specific accounting period of six months ended 31<sup>st</sup> December 2012 in the wake of change of financial year of PTCL Group from 30<sup>th</sup> June to 31<sup>st</sup> December. The change was necessitated to bring the financial year in line with that of Emirates Telecommunication Corporation (Etisalat), UAE as well as of other major operators in telecom industry of Pakistan.



## 1. Industry Outlook

Pakistan's economy showed modest growth despite difficult challenges. The telecom industry, particularly mobile operators, has been witnessing slow growth in recent months. Impact of economic challenges, political instability, law and order issues, new regulatory mandate for verification of customer credentials for issuance of SIMs, and the energy crisis, has been the major impediments to growth. The latter having an adverse impact on the operational expense while the depreciating currency affected the capital expenditures plans, of the entire industry.

The telecommunications industry is gearing up for the next technology wave worldwide, to meet the ever growing demand of users for a multitude of services. This demand is being driven by the exponential growth in devices like Smartphones, Tablets, etc. that are making access to content convenient for the customers. The growth in demand for content is placing pressure on networks to transport the content anytime and anywhere. Such is the impact of this phenomenon that telecom operators are planning for investments in new technologies to meet customer demand and grow revenue. This new wave will change the customer service equation impelling the industry to graduate from customer service to customer value management. Content being primarily digital data, which is growing in demand, we expect to witness significant change in voice business management by telecom operators.

Pakistan will witness the change as and when the much anticipated 3G/4G licenses see the light of the day. Therefore the demand for high speed broadband will continue to grow as will the demand for new devices. The progressive implementation of the Government's reform plans over a number of years had triggered a period of strong growth in the local telecom market. The second wave will be visible in Pakistan soon, with one exception. The growth of mobile services was driven by voice service, while future growth in the industry will come from the data market.

High-speed broadband expansion has propelled Pakistan to become the fourth fastest growing broadband market in the world and the second fastest in Asia, according to a recent industry report. PTCL has maintained the leadership position, and is playing a significant role in proliferation of broadband services and offers both wireline and wireless broadband services across the country. It is our privilege to be the only national operator with the largest wireline footprint for broadband services thus positioning us to meet the growing demand of our customers for data services.

Meanwhile, with slowing subscriber growth, telecommunication companies have started to shift their focus to value-added services. In this regard, the operators have been waiting to see the issuance of 3G licenses. The continued delay in 3G license issue and consequently non-availability of related services may prove detrimental to further expansion of mobile sector.

## 2. Financial Performance

Compared to same period of last year, financial performance of PTCL remained impressive during the six months under review. With 27% growth in revenues, gross profit for the period increased by 65%. Broadband services, specially the wireless segment, was the main contributors for the growth as during the six months period, subscriber base of wireless broadband product 'EVO', increased by 38%.

### a. Profitability

For the period under review, PTCL Group's profit after tax was Rs. 1.2 billion incorporating PTCL's loss after tax of Rs. 0.754 billion. This loss was due to one-time cost of Rs. 9.5 billion on account of Voluntary Separation Scheme (VSS) implemented with the objective to optimize the human resources in line with current business needs.

In view of the foregoing, the Board of Directors decided not to recommend dividend for the period under review.

### b. Revenues

PTCL Group revenue for the six months' period was Rs. 62.6 billion with 14% increase over same period last year. Of this, PTCL's revenue at Rs. 37.1 billion was 27% higher than the corresponding period. The growth was contributed by 40% increase in revenues from Broadband services as well as stabilization of termination rates for incoming calls based upon the directives issued by the regulators in this regard. Revenue from Corporate services also increased by 14% during the period.

### c. Operating Costs

Despite the inflationary pressures, continued devaluation of Pakistani currency and increasing energy cost, the overall operating cost (excluding VSS expenses) of PTCL Group during the period increased by 8% as compared to corresponding period last year. PTCL's cost of services at Rs. 24.5 billion i.e. 13% higher, mainly because of reciprocal increase in termination rates applicable to outgoing international traffic as well as enhanced cost of stores consumption necessitated to support the growth in

Broadband subscribers' base. The administrative and general expenses of PTCL at Rs. 4.2 billion rose by 13% due to increased cost of technical services assistance fee on account of growth in revenues. Further, the increased volume of advertisement and publicity, to propel the afore-said growth momentum in Broadband increased the selling and marketing expense of PTCL by 20%.

### 3. Products & Services

The range of services and products introduced by PTCL for its wireline and wireless services provided the impetus to establish the Company as the foremost Information Communication Technology (ICT) service provider of the country. PTCL is facilitating both enterprise and household consumers by offering them multiple solutions for their ICT needs. Our focus continues, to enhance customer experience through innovative and futuristic suite of products and services as we take the lead in driving the digital revolution in the country.

An overview of the main products and services offered by PTCL and related performance is provided in succeeding paragraphs.

#### a. Broadband

##### Fixed-Wireline

As the fastest and the largest growing Fixed Line Broadband service provider in the country, PTCL has more than 90% market share. Introduction of new broadband technologies, promotional rewards, innovating products and services that match customer needs, announcing new packages and innovative upgrade promotions convinced customers to move to higher data rate packages; all of these gave impetus to Broadband growth.

Broadband Ramadhan promotion which offered 4 megabits per second (Mbps) at the price of 2Mbps for a limited time was successful in attracting new customers and convincing existing customers to upgrade at increased bandwidth. For the Student Package, free Wi-Fi modem with every new connection was offered. Also, a limited time offer upgraded Student Basic package subscribers of 1Mbps to 2Mbps without any increase in the package fee. These promotions resulted in enhanced subscribers' base staying at higher data packages delivering higher ARPU and revenue to the Company.

PTCL Smart TV performance and product profile showed improvement with 24% increase in its customer base. Initiatives instrumental in this increase include Smart TV



system upgrade with enhanced features including Personal Video Recording, Video On-Demand, enhanced Electronic Program Guide (EPG), launch of standalone Smart TV and applications for EVO wireless broadband subscribers.

#### EVO - 3G Wireless Broadband

'EVO' – the 3G flagship wireless broadband service of PTCL achieved fast growth through strong understanding of its target audience and introduction of relevant and superior quality products and services. This helped to achieve a notable increase of 38% in 'EVO' subscribers' base during the period under review.

New services and products introduced during the period included 3G 'EVO'Wingle, country's first Wi-Fi enabled USB device with attractive pricing that seamlessly connects multiple Wi-Fi devices simultaneously at speeds up to 9.3 Mbps. Another product is 3G Nitro Cloud with speeds up to 9.3 Mbps - a mobile wireless hotspot with capability to connect five Wi-Fi devices at the same time.

A promotional campaign bundling free Nitro device to new subscribers on advance payment of line rent helped increase sales substantially. 3G EVO Tab special Eid offer allowed customers three months unlimited internet access on purchase of a 3G EVO Tab. A win-back promotion inviting dormant subscribers to reactivate their devices generated fruitful results.

#### b. Voice

##### Landline

Maintaining the tradition of introducing affordable and simple packages, PTCL revised its international call packages offering more value to subscribers. Special packages designed for high volume traffic international destinations at fixed monthly rate helped increase the revenue. 'Freedom Package' with unlimited on-net calls at fixed monthly rate with no line rent further stabilized on-net calls revenue stream. Also, a synergy initiative offering reduced rates for mobile calls to all Ufone subscribers was undertaken resulting in increased PTCL Group revenue.

##### V-fone

Various win-back and customer retention initiatives at regional and country level were introduced. These included A-ME-WE3 and Double Balance Promotion, Islamic Portal VAS Services, Eid offer, Hello Ufone Offer, V-fone Family package, air time incentives on purchase of V-fixed wireless

phones and various regional packages. These initiatives helped in customer retention and consequent revenue stabilization.

#### c. International Business & Carrier Services

PTCL maintained its leading position in attracting higher volumes of international incoming as well as outgoing calls resulting in increased revenues from international segment. Another factor contributing to increase in revenue was stabilization of rates for incoming international calls subsequent to directives issued by Pakistan Telecommunication Authority. Besides Pakistan, PTCL also continued to serve neighboring countries for international traffic and media provisioning.

In order to cater for enhanced bandwidth requirements due to growth in Broadband services as well as requirements of cellular operators, additional IP bandwidth was procured at reduced cost. Keeping in view the vulnerability of frequent cuts experienced on the western side of submarine cables, increased bandwidth capacity is arranged through the eastern hemisphere to ensure uninterrupted service availability to our valued customers. The IP bandwidth procurement has been spread on each of our existing three (03) submarine Cables namely I-ME-WE, SEA-ME-WE3 and SEA-ME-WE4.

In Carrier & Wholesale services, PTCL continued the transformation from a traditional product-based business to one focused on managed voice, data and infrastructure services, as well as delivering long-term interconnect services to its customers.

#### a. Corporate Services

Revenues from Corporate Services witnessed a healthy 14% growth. This was made possible through sustainable sales to public and private sectors. The focus remained to consolidate the Company's position by expanding the relationship with existing customers through provisioning of products and services such as Managed Services, IP Surveillance, Data Center Hosting and MPLS (Multi Protocol Label Switching), commensurate with their business needs.

Further, communication needs of Financial and SME (Small and Medium Enterprises) segments were successfully addressed resulting in addition of many new customers to our portfolio. Besides, continued efforts were made to improve quality of service and after sales support to corporate customers ensuring smooth and un-interrupted services for their business critical applications.

#### 4. Support Functions

The succeeding paragraphs summarize performance of various support functions during the period under review.

##### a. Network Infrastructure

Your Company continued to strengthen the network infrastructure through deployment of latest technologies in line with the revenue growth strategy to provide cutting edge telecommunication products and services to a wide range of customers, addressing their diversified needs.

Consistent with the growth in Broadband services, the related footprint in wire line and wireless segments were further augmented through deployment of additional MSAGs (Multi Service Access Gateways) and BTSs (Base-station Transceiver Subsystem) while, at the same time, enhancing capability of Broadband core systems. As a result, the DSL coverage reached 1,400 cities and town across Pakistan with a total 1.7 million DSL enabled lines. With 1,556 sites across the country, the 'EVO' is now available in 254 cities.

Capabilities of existing core network were further improved with the provisioning of new media gateways and soft switches thus enabling more efficient handling of international VoIP (Voice over Internet Protocol) traffic. Further, with addition of 950 STM-1s (Synchronous Transport Module) on submarine cable I-ME-WE, increased international traffic for voice and data is being handled smoothly.

Similarly, the Transmission network was also improved by addition of 600 Km optical fiber taking the total fiber deployed network in the country to 31,900 Km. This includes backbone, long-haul, subsidiary, metro and OFAN (Optic Fiber Access Network). Further, in remote areas, the IP based Digital Radio System (DRS) and VSAT network was strengthened with addition of 190 DRS links.

PTCL also entered into the fiber BTS backhaul business by successfully shifting the traffic of hub BTS sites of Ufone in ten major cities from radio to optical fiber there by paving the way for your Company to become a leading BTS back haul service provider in Pakistan in post 3G scenario.

##### a. Information Technology

Capabilities of earlier deployed state-of-the-art IPCC (IP based solution for Contact Centers) and CRM (Customer Relationship Management) systems were upgraded

enabling the field staff to handle customer complaints more efficiently, enhancing the customer experience with PTCL. The EVO sales and provisioning system (PCRM) was upgraded including hardware, software framework and new version of database Oracle 11G.



##### b. Human Resource Development

With the objective to optimize PTCL's human resources in line with current business needs, your Company implemented the second Voluntary Separation Scheme (VSS), after the first one executed in 2008. The scheme provided the employees having inactive careers and obsolete skill-sets with a chance to opt for attractive monetary gains in exchange for separation. The VSS implementation was followed by an extensive program of post-VSS training and development and human capital rationalization activities, aimed to utilize PTCL's human capital in most effective manner while bringing a cultural change in the organization.



To promote service culture initiative, characterized by an engaged and committed workforce, your Company organized two Service Leadership Workshops, one each at Islamabad and Karachi, conducted by the internationally-acclaimed trainer, Ron Kaufman. These workshops, attended

by middle and senior management cadres, focused primarily on uplifting service culture to help transform PTCL to a customer-centric organization by adopting best practices and strategies.



An elaborate Leadership Development assessment program was designed and implemented in order to cater to the future leadership capacity requirements of the Company. Based on the improvement areas identified via this process, a comprehensive development program has been developed, planned to be implemented soon.

PTCL is also a member of the EFQM HR Excellence Program 2012, developed by Etisalat Group, aimed at developing and measuring the effectiveness of Human Resource function.

##### d. Market and Corporate Communication

During the period, your Company continued to maintain its presence in electronic and print media with the objective to enhance corporate brand equity through promotions relating to growing business segments of Broadband, both wireline and wireless, along with landline promoted as the telecommunication lifeline for its users.

Apart from the traditional electronic and print media, corporate activities, accomplishments and special initiatives of the Company were also leveraged on popular social and digital media platforms

PTCL was rated among the top two companies in electronic and print media by Aurora, a Dawn Media Group Publication on Ideas and Marketing Approaches, based on data provided by Gallup.

##### e. Customer Care

With the philosophy of 'Customer First' at the forefront, modern and hi-tech Sales & Customer Care Centers were inaugurated in major cities of Pakistan while ten more centers are being revamped. This will help to further improve

on-ground visibility and corporate image of the Company while providing improved customer experience. To provide ease of access to Customer Care Centers, a UAN (Universal Access Number) was activated.

Complaints Management using Siebel CRM was implemented nationwide. CRM brings more transparency in terms of customer interaction and better experience in complaints handling. Customer Document Management System facilitates identifying customer credentials through verification, scanning and storage of customer documents. Cross verification of customer information against their data in NADRA database is an ongoing exercise for effective control of customers' information, eliminating chances of misuse of PTCL services.

'Voice of Customer' facilitates in measuring Net Promoter Score for PTCL by conducting different surveys. Data enrichment and cleansing process is also in place.

Emphasis on reduction of service provisioning time by reengineering the whole process resulted in decrease of service provisioning time by 40% in PSTN and 22% in Broadband, improving customer satisfaction.

Customer Value Management Program was launched in coordination with Etisalat Group. Major focus of the program is to reduce disconnections and identify avenues to increase revenue by targeting right customer segments based on their historical behavior. Besides, initiatives like on-line real-time updates of bill collections over the bank counters with various banks as well as bill collections through OSS and PCPM (Public Cash Payment Machines) are helping to improve customer experience with PTCL.

##### Contact Centers

PTCL Contact Centers in Lahore, Karachi and Rawalpindi provide a range of services to subscribers through inbound and outbound contacts. Expansion of facilities at Lahore and Karachi Contact Centers is under way to ensure that calls from increasing customer base are responded in minimum possible time frame. Complaints and support help lines were successfully migrated to Siebel CRM and IPCC technologies. Presales/sales help line Outbound Center are also being converted to these technologies thus providing a single technology platform. Through collective efforts of Contact Centers and field staff, the service provisioning time has improved. Tele-sales from Outbound Contact Center and sales help line are generating sales orders with 7% increase in net sales orders through this channel. Continuous training of staff at Contact Centers is also being conducted to improve service quality.

#### f. Regulatory Affairs

During the period under review, based upon directives of the regulators, termination rate for international incoming voice traffic were stabilized. Further, your Company also contributed in deployment of unified monitoring system meant to curb the menace of grey traffic.

Your Company continued to support the Universal Service Fund (USF) scheme of Government of Pakistan, meant to provide modern telecommunication service to under-developed areas by implementing the USF projects in hand.

Further, Ministry of Information Technology (MoIT) issued the directive to Pakistan Telecommunication Authority (PTA) endorsing PTCL's stance that PTCL is obligated to deposit annual contribution for USF effective from 1st July, 2009 and not from 1st January, 2009.

#### g. Quality Assurance

Function of quality assurance, being an integral part of PTCL processes, continuously provides guidance to development and operational teams to help achieve enhanced levels of customer satisfaction. PTCL successfully achieved ISO 9001:2008 certification for its eight departments and ISO certification for Institute of Communication Technologies (ICT). Certification of Corporate Customers Helpline (1260) is in progress, expected to be completed soon.

Your Company rigorously monitors CDMA WLL network performance by conducting Radio Frequency drive testing and physical inspections of clusters in all business zones on regular intervals to ensure delivery of quality service to wireless customers. Customer Satisfaction Surveys (CSS) and Mystery Shopping is being carried out on monthly basis with the aim to determine customer satisfaction index and reduce churn.

#### h. Synergy

Based on the strength of its subsidiaries and other associated companies in their respective business domains, your Company identified and successfully implemented areas of cooperation like collocations, fiber backhauling, shared procurement strategies, joint contact centers, technological standardization, joint trainings, synergized commercial policies, sharing of information technologies and secondment of human resources, all aimed to maximize the business opportunities with minimum possible cost.

In line with global trends and, for meeting emerging demand, major initiatives have been taken by PTCL to

upgrade its network, introduce a range of new value added services and develop a portfolio of information technology, internet and bandwidth related services to enhance revenue potential of the company. In view of these developments, synergy initiatives among PTCL and its subsidiaries viz. Ufone and U Microfinance Bank, will yield operational successes for PTCL Group.

PTCL enjoys market leadership in local loop, wireless local loop and fixed telephony with Ufone strongly catering to mobile service segment. Your Company remains focused on finding opportunities that exist between PTCL and Ufone and to monetize these in the areas of cost rationalization, revenue enhancement and the ones that are of strategic nature. In this regard, several backend initiatives have been taken to optimize costs and synergize commercial activities, with the aim to gain competitive advantage in the market for both the companies.

Further, internal organizational and business processes of PTCL Group companies are being revamped with focus to offer mobile banking services to Ufone's customers and PTCL services to Ufone customers, within the current financial year.

### 5. Corporate Social Responsibility

For the community welfare, PTCL launched a One-Year Paid Internship Program for the fresh graduates in domains of Business, Finance, Human Resources and Engineering. This program is successfully functioning offering five hundred (500) fresh graduate internships. Drawn from across the country, these candidates are gaining hands-on experience of business operations and practices thus nurturing their professional skills and competencies and preparing them for future opportunities. Moreover, a comprehensive Triple E – Intern Engagement Program was put into practice to encourage and professionally develop the internees during their tenure at PTCL. Our contribution is to develop a capable work force from our society to benefit the graduates who find it difficult to secure jobs in the market.

Your Company remains committed to make a sustainable economic and social impact on lives of the people and communities in which it operates creating a shared value for the Company and the society at large. Through business-integrated corporate responsibility, PTCL aims to extend wider benefits of Information Communications Technology (ICT) to under served groups, provide safer user experiences and minimize impact on the environment.

Cognizant of the importance of E-Health, PTCL partnered with PharmEvo – a pharmaceutical company, to develop



**Come on people**

**Come on people**



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**RECONNECT  
LANDLINE LINK**

'Wi-Fi Zones' across Pakistan in public and private hospitals to provide uninterrupted internet facility to health care professionals. This unique initiative allowed doctors and health professionals access to telemedicine, health screening and assessment information online.

PTCL organized an awareness campaign for its employees on 'Prevention of Heart Disease among Women & Children' on World Heart Day. A seminar on 'Prevention of Breast Cancer' for female employees of the Company was organized to build awareness about early diagnosis for successful treatment. Seminars for employees on 'Prevention of Diabetes' were organized across Pakistan. During the period, forty employees were sent on Company's expense to perform Hajj. Aligning personal welfare of employees with business sustainability, PTCL is providing motorcycles on ownership basis to CSR/MM&BB technicians on easily recoverable installments basis.



PTCL also sponsored Kainat Public School sports day, highlighting the importance of extracurricular and sports activities amongst the youth.

## 6. Awards and Achievements

PTCL won the prestigious "3rd Global HR Excellence Award 2012" for its outstanding achievements and organizational performance in HR.

A Certificate of Merit has been awarded to your Company's Annual Report 2011 based on the evaluation of the published annual reports of entries from South Asian Countries by the Committee for Improvement in Transparency, Accountability & Governance of the South Asian Federation of Accountants (SAFA), in the category of Communication and Information Technology Sector.

## 7. Subsidiaries

### Pak Telecom Mobile Limited –Ufone

Ufone continued to post growth in its revenue and profits during the period under review through customer centric innovation, clutter-breaking marketing communication, new VAS Products, segmented price plans, rewarding customer experience and placing utmost importance on customer trust. This has been achieved despite difficult economic conditions in the country and continuing energy and fuel crises. Ufone also extended full support to the Government of Pakistan in its attempt to counter terrorism by suspending services in different areas which had an impact of slowing down the revenue growth.

Ufone launched a new customer awareness campaign to improve customer experience and to eradicate pain points of cellular users in Pakistan. These industry leadership initiatives included a mass communication drive to create awareness about lucky-draw-based frauds done by deceitful elements under the garb of cellular company representatives. There has been major reduction in such frauds as a result of this ground breaking awareness campaign.



Ufone Customer Operations focused on improving customer experience by augmenting system and process automations, staff empowerment and process re-engineering drives. Ufone continued to increase its footprint by extending its Priority Services to additional cities, while in collaboration with PTCL the count of Mini Service Centers was also increased to eighteen cities nationwide.

Ufone also laid special emphasis on data products during the period in an effort to be prepared for the envisaged post 3G scenario in Pakistan. As a result, Ufone achieved 100% growth in data subscribers with substantial increase in related revenue. Continuing on its initiative to present its customers with the best mix of services, Ufone added various Value Added Services to its portfolio.

In order to increase customer value and enhance mobile voice usage during Ramadhan, which are historically low activity days, Ufone offered its customers a special Ramadhan offer. This offer received an overwhelming response with a subscription uptake of one million subscribers which helped in enhancing loyalty and retention.

Continuing its focus on handsets and devices, Ufone successfully negotiated a deal of 90,000 handsets with Ministry of Religious affairs as these bundled handsets were sold to people going on pilgrimage through the Ministry.

Ufone continued its efforts on CSR (Corporate Social Responsibility) front during the period. 'Ufone-Friends of the Environment' was initiated to educate and instill healthy environmental practices amongst the children aged 7-14 of SOS Village. Ufone also collaborated with LUMS Community Service Society for arranging volunteer visits to underprivileged children and cancer wards every alternate week.

Transportation for the volunteers was arranged by Ufone and gifts were distributed to bring the smile on their innocent faces. Competitions and sports events were arranged in order to foster the communitarian spirit.

Ufone continued its efforts for improving overall operational efficiency, combined with network modernization and expansion projects. 730 New Sites were added in the network during the period. These included complete modernization of BTS infrastructure, redesign and optimization of existing transmission network in major cities for improved reliability and performance. Capacity and coverage enhancement has also been done in line with the plans. Quality of service improvement features were implemented across the network. On cost efficiency front, new features of 'Intelligent Shutdown' and 'Half Rate' were implemented in network as well as continuation of tower sharing initiative resulted in further savings in operational costs and capital expenditure. Ufone continued on its enterprise architecture remodeling for mobile broadband and implemented a leading strategy for enhancing data subscribers and network readiness on the 3G front.

The challenge faced to comply with increasing regulatory requirements was successfully met. Ufone showed agility and responsiveness by ensuring timely compliance in a leading manner across the industry. The competitive landscape demands for innovative ways for customer retention and wallet share increase. Ufone deployed state-of-the-art solutions and carried out advanced analytics to fulfill these objectives.

Taking a step forward in the direction of strengthening employee communication and engagement, the platform of 'Voice Your Vision' was initiated, bringing senior leadership



and a cross section of the employee-base together to share and discuss strategic direction and obtain candid feedback for targeted action.

Conclusion of the succession planning exercise brought in focus a leadership development program targeted at mid-tier people managers across the organization for smooth talent management and pipeline development.

Ufone successfully completed the project-based summer internship program with 200 internee students who were also evaluated and graduated as part of the program. The initiative emphasized learning by assigning real life projects to students involving periodic evaluation, reporting and recognition.

### U Microfinance Bank Limited (formerly Rozgar Microfinance Bank)

With the objective to provide mobile branchless banking and digital commerce services based on the strength of PTCL Group, your Company acquired Rozgar Microfinance Bank. Acquisition of the bank was an economic and cost-effective measure to comply with the requirements of State Bank of Pakistan in this regard. At the time of acquisition, the bank possessed a district-level license with almost dormant operations.

After acquiring shareholding of the bank, PTCL undertook a challenging task to make it a bank with nation-wide operations. Cognizant of the regulators' requirements, specially relating to the inherent risks involved in banking

operations, the task entailed hiring of professional management, obtaining required regulatory approvals, putting in place the required policies and procedures and deployment of suitable technologies. Most of these requirements are completed and, accordingly, the bank is poised to initiate the country-wide mobile banking operations in near future.

### 8. Financial Reporting Frame Work:

The Company has complied with all the material requirements of the Code of Corporate Governance and Directors are pleased to confirm the following:

- The financial information prepared by the management of the Company present fairly its state of affairs, the results of its operations, its cash flows and its changes in equity.
- Proper books of accounts of the Company have been maintained.
- Appropriate accounting policies have been consistently applied in the preparation of financial information and accounting estimates are based on reasonable and prudent judgment.
- International Accounting Standards, as applicable in Pakistan, have been followed in the preparation of financial information and if any departure there from, the same has been adequately disclosed.



- The system of internal control is sound in design and has been effectively implemented and monitored.
- There are no significant doubts about the Company's ability to continue as a going concern.
- There has been no material departure from the best practices of corporate governance, as detailed in listing regulations.
- The Audit Committee has recommended the appointment of M/s A.F. Ferguson & Co., as auditors of the Company for the financial year ending December 31, 2013.
- Information regarding outstanding taxes and levies is given in notes to the accounts of the financial information.
- The audited value of Pension Assets as per audited accounts amounted to Rs. 62.9 billion at December 31, 2012 (June 30, 2012: Rs. 60.2 billion).
- During the period from July 01 to December 31, 2012, no training program for certification of Directors was arranged.

On behalf of the Board,

Dr. Zafar Iqbal Qadir  
Chairman PTCL Board

Walid Irshaid  
President & Chief Executive Officer

Islamabad: February 13, 2013

- Historic business indicators, composition of Audit Committee, Human Resource & Remuneration (HR&R) Committee, number of Board Meetings, attendance of Directors and Shareholding Pattern are part of this report and appear in the following pages.

### 9. Acknowledgments

The Board of Directors of the Company would like to thank all our customers, suppliers, contractors, service providers, stakeholders and shareholders for their continued support.

We would also like to appreciate the hard work, diligence and dedicated efforts of our employees across the country which enabled the Company to successfully face the challenges of a highly competitive operating environment. We would also like to express our special thanks to the Government of Pakistan and Etisalat Group for their continued support and encouragement in striving to achieve the objective of enhancing shareholders' value.

# Composition

of audit committee

Chairman  
Mr. Serkan Okandan

Members  
Mr. Abdulrahim A. Al Nooryani  
Mr. Kamran Ali  
Mr. Mohamed Zuhair

Secretary  
Farah Qamar

## Attendance of PTCL Board Members

Total 02 Meetings of the Audit Committee were held during the six months period ended December 31, 2012

Sr.#	Name of Board Members	Attendance
1	Mr. Serkan Okandan	2
2	Mr. Abdulrahim A. Al Nooryani	2
3	Mr. Kamran Ali	2

## Functions of Audit Committee

Assists the Board of Directors in approving the Company's financial statements and appointment of External Auditors. Reviews the scope of internal control, monitors statutory compliances, determines the appropriate measures to safeguard the Company's assets, evaluates placement/borrowing of funds and accordingly recommends the policies/suggestions to the Board. It also ensures the coordination between the internal and external auditors of the Company.

# Composition

of human resource & remuneration committee

Chairman  
Mr. Abdulrahim A. Al Nooryani

Members  
Mr. Fadhil Al Ansari  
Mr. Jamil Ahmed Khan  
Mr. Serkan Okandan  
Dr. Daniel Ritz  
Mr. Kamran Ali  
Mr. Walid Irshaid  
Syed Mazhar Hussain

Secretary  
Farah Qamar

## Attendance of PTCL Board Members

Total 02 Meetings of the HR & R Committee were held during the six months period ended December 31, 2012

Sr.#	Name of Board Members	Attendance
1	Mr. Abdulrahim A. Al Nooryani	2
2	Mr. Fadhil Al Ansari	2
3	Mr. Jamil Ahmed Khan	1
4	Mr. Serkan Okandan	2
5	Dr. Daniel Ritz	2
6	Mr. Kamran Ali	2

## Functions of Human Resource & Remuneration Committee

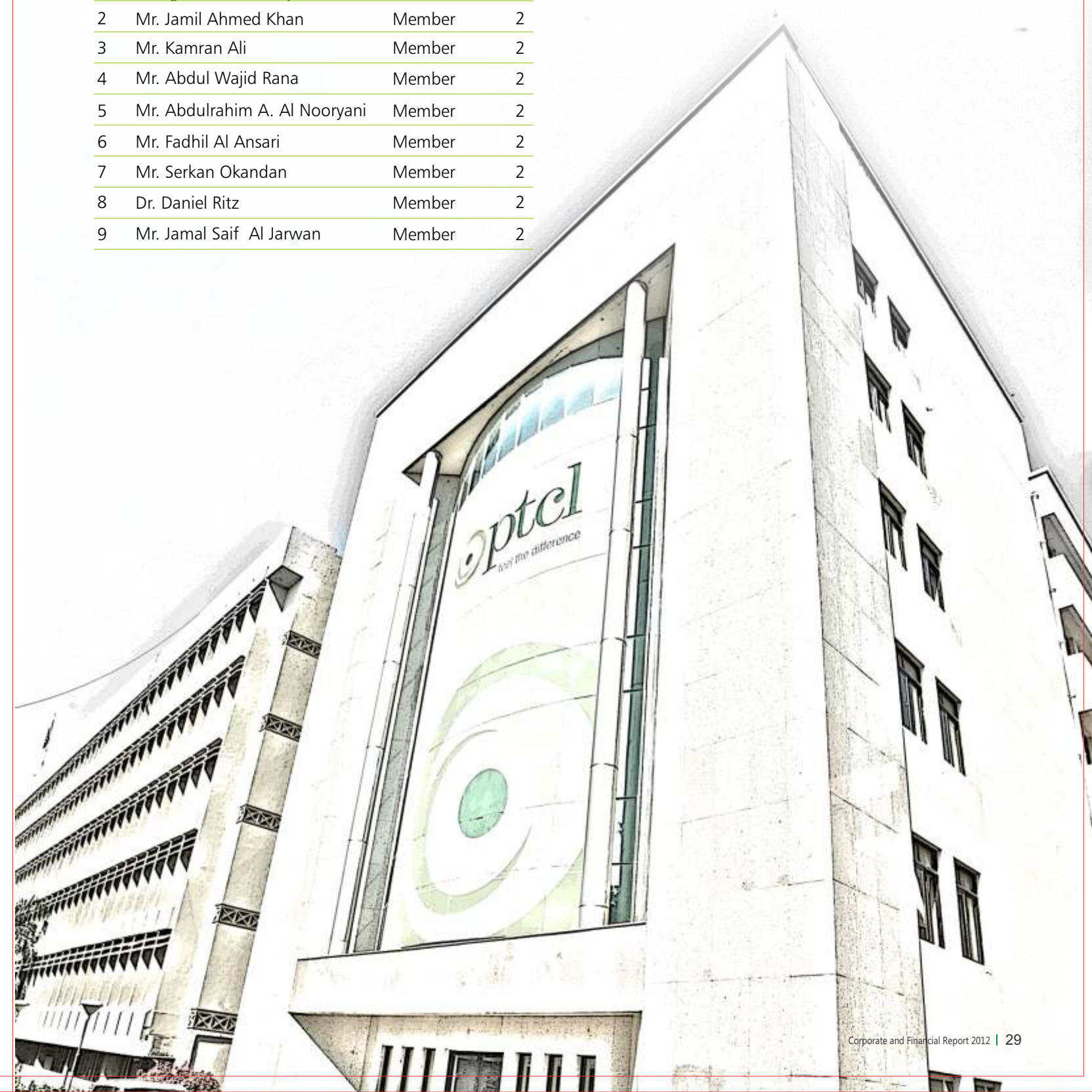
Reviews and recommends development and maintenance of long term HR Policies, effective employee development programs, appropriate compensation and benefit plans and good governance model in line with statutory requirements and best practices of good Corporate Governance. It ensures that the Governance and HR Policies & procedures are aligned with the strategic vision and core objectives of the Company. It also provides leadership and guidance for the organizational transformation required to achieve Company's corporate objectives.

# Attendance

of ptcl board members

Total 02 Board Meetings were held during the six months period ended December 31, 2012

Sr.#	Name of Board Members	Attendance
1	Mr. Amir Tariq Zaman Khan (Resigned in February 2013)	Chairman 2
2	Mr. Jamil Ahmed Khan	Member 2
3	Mr. Kamran Ali	Member 2
4	Mr. Abdul Wajid Rana	Member 2
5	Mr. Abdulrahim A. Al Nooryani	Member 2
6	Mr. Fadhil Al Ansari	Member 2
7	Mr. Serkan Okandan	Member 2
8	Dr. Daniel Ritz	Member 2
9	Mr. Jamal Saif Al Jarwan	Member 2



# Statement of Compliance

## with the Code of Corporate Governance (CCG)

for the six months period ended December 31, 2012

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 35 of Listing Regulations of the Karachi & Lahore Stock Exchange (Guarantee) Limited and Chapter XI of the Listing Regulations of the Islamabad Stock Exchange (Guarantee) Limited, for the purpose of establishing a framework of good governance, whereby a listed Company is managed in compliance with the best practices of corporate governance.

The Company has applied the principles contained in the CCG in the following manner:

1. The Board of Directors comprises of nine (09) Members. Pursuant to the provisions of the Share Purchase Agreement effected as per the provisions of the Privatization Commission Ordinance, 2000, between the Government of Pakistan (GoP) and the Strategic Investor, as well as under the Articles of Association of the Company, the GoP nominates four (04) Members while Etisalat International Pakistan/Strategic Investor nominates five (05) Members. The afore-said constitution of the PTCL Board is covered under the proviso to the clause of the CCG titled 'Composition of the Board'. PTCL is also exempt from the provisions contained in Section 178 of the Companies Ordinance, 1984 in terms of Section 37 of the Pakistan Telecommunication (Re-organization) Act, 1996.

2. The Directors have confirmed that none of them is serving as a director on more than seven listed companies, including this Company.

3. All the resident Directors of the Company are registered as tax payers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFII or, or being a member of a stock exchange, has been declared as a defaulter by that stock exchange.

4. Casual vacancies occurring on the Board on September 07, 2012 were filled up by the Directors within 30 days thereof.

5. The Company has prepared a "Code of Conduct" and has ensured that appropriate steps have been taken to disseminate it throughout the Company along with its supporting policies and procedures.

6. The Board has developed a vision/mission statement, overall corporate strategy and significant policies of the Company. A complete record of particulars of significant policies along with the dates on which they were approved or amended has been maintained.

7. All the powers of the Board have been duly exercised and decisions on material transactions, including appointment and determination of remuneration and terms and conditions of employment of the Chief Executive Officer and other executives have been taken by the Board.

8. The meetings of the Board were presided over by the Chairman and the Board met at least once in every quarter. Written notices of the Board meetings, along with agenda and working papers, were circulated at least seven days before the meetings. The minutes of the meetings were appropriately recorded and circulated.

9. During the six months period no training program for certification of the Directors was arranged.

10. The Board has approved appointment of Chief Financial Officer, Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, there were no new appointments of Chief Financial Officer, Company Secretary and Head of Internal Audit during the period ended December 31, 2012.

11. The Directors' report for this period has been prepared in compliance with the requirements of the CCG and fully describes the salient matters required to be disclosed.

12. The financial statements of the Company were duly endorsed by Chief Executive Officer and Chief Financial Officer before approval of the Board.

13. The Directors, Chief Executive Officer and executives do not hold any interest in the shares of the Company other than that disclosed in the pattern of shareholding.

14. The Company has complied with all the corporate and financial reporting requirements of the CCG.

15. The Board has formed an Audit Committee. It comprises of four (04) members and all Directors who are members, including the Chairman, are non-executive Directors of the Committee.

16. The meetings of the audit committee were held at least once every quarter prior to approval of interim and final results of the Company and as required by the CCG. The terms of reference of the committee have been formed and advised to the committee for compliance.

17. The Board has formed an Human Resource and Remuneration Committee. Six (06) Directors of the Board are members of this committee and all of them including the Chairman of the committee are non-executive Directors.

18. The Board has set up an effective internal audit function.

19. The statutory auditors of the Company have confirmed that they have been given a satisfactory rating under the quality control review program of the Institute of Chartered Accountants of Pakistan (ICAP), that they or any of the

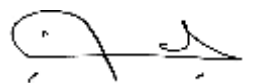
partners of the firm, their spouses and minor children do not hold shares of the Company and that the firm and all its partners are in compliance with International Federation of Accountants (IFAC) guidelines on code of ethics as adopted by the ICAP.

20. The statutory auditors or the persons associated with them have not been appointed to provide other services except in accordance with the listing regulations and the auditors have confirmed that they have observed IFAC guidelines in this regard.

21. The 'Closed Period', prior to the announcement of interim/final results was determined and intimated to Directors, employees and stock exchange(s).

22. Material/price sensitive information has been disseminated among all market participants at once through stock exchange(s).

23. We confirm that all other material principles enshrined in the CCG have been complied with.



Walid Irshaid  
President & Chief Executive Officer

Islamabad: February 13, 2013



# auditor's review report to the members

on statement of compliance with the Code of Corporate Governance

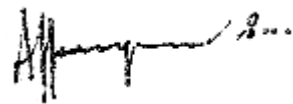
We have reviewed the Statement of Compliance with the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Telecommunication Company Limited (the Company) to comply with the listing Regulations of the Stock Exchange where the Company is listed.

The responsibility for compliance with the Code is that of the Board of Directors (the Board) of the Company. Our responsibility is to review, to the extent where such compliance can be objectively verified, whether the Statement of Compliance reflects the status of the Company's compliance with the provisions of the Code and report if it does not. A review is limited primarily to inquiries of the Company personnel and review of various documents prepared by the Company to comply with the Code.

As part of our audit of financial statements we are required to obtain an understanding of the accounting and internal control systems sufficient to plan the audit and develop an effective audit approach. We are not required to consider whether the Board's statement on internal control covers all risks and controls, or to form an opinion on the effectiveness of such internal controls, the Company's corporate governance procedures and risks.

Further, the Code requires the company to place before the audit committee and upon recommendation of the audit committee, before the Board for their review and approval related party transactions distinguishing between transactions carried out on terms equivalent to those that prevail in arm's length transactions and transactions which are not executed at arm's length price recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of requirement to the extent of approval of related party transactions by the Board upon recommendation of the audit committee. We have not carried out any procedures to determine whether the related party transactions were undertaken at arm's length price or not.

Based on our review, nothing has come to our attention which causes us to believe that the Statement of Compliance does not appropriately reflect the Company's compliance, in all material respects, with the Code.



**A. F. Ferguson & Co.**  
Chartered Accountants  
Islamabad  
Dated: February 13, 2013

**Engagement partner:**  
M. Imtiaz Aslam