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BOARD OF DIRECTORS

Chairman PTCL Board

Azmat Ali Ranjha

Members PTCL Board

Abdulrahim A. Al Nooryani
Dr. Waqar Masood Khan
Serkan Okandan
Fadhil Al Ansari
Dr. Daniel Ritz
Sardar Ahmad Nawaz Sukhera
Rainer Rathgeber
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 financial information of the Company for the half year ended 30th June 2014. The financial information has been reviewed by the statutory auditors.

The succeeding paragraphs briefly cover performance of your Company for the first half of current financial year of 2014.

Financial Performance

The PTCL Group revenue of Rs. 68.5 billion during the period under review registered a 5% increase over the same period last year. Of these, the revenues earned by PTCL of Rs. 42.8 billion increased by 7% 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 by 11%. PTCL's Group profitability for the period under review registered 5% increase compared to corresponding period of last year.

For the financial year 2014, the Directors have declared an interim dividend of Re. 1.00 per share.

Products and Services

Conscious of the changing telecom landscape in the wake of post-3G/4G spectrum era in the country, your Company continued to introduce innovative products, specially relating to data services, with focus on household market and family access to internet. Foremost of these measures was the 'Broadband 4mbps for All' campaign, which enhanced PTCL's brand image and generated positive feedback from subscribers. Over 800,000 Broadband customers across Pakistan are experiencing the 4mbps speed. Resultantly, the Broadband subscribers' base grew by 18% during period under review with 38% increase in corresponding revenues.

a. Broadband

Based upon its robust network strength as well as country-wide presence, your Company leads the Broadband market in Pakistan. During the period, various new products and services were introduced with the objective to provide reliable and faster, yet affordable, Broadband connectivity to our esteemed subscribers.

Fixed-Wireline

In line with the global trend of providing higher broadband data rates at faster speed, PTCL launched, 'Broadband 4Mbps for ALL' promotion on 23rd March 2014, liberalizing its customers to avail broadband internet services at the unprecedented speed of 4Mbps. Your Company is the only service provider in Pakistan to set the 4Mbps benchmark as the minimum broadband speed for its subscribers. Under this data upgrade promotion, all existing 1Mbps and 2Mbps Regular/Student broadband users with feasible lines were upgraded to 4Mbps without any extra charge for the prescribed limited time period. Customers' retention rate on the higher package after the trial period is quite encouraging.

Based on the successful 1Mbps Economy package, a new 2Mbps Economy package for broadband users was launched. 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 upgraded to 2Mbps Economy package without paying any extra charge for specific period. After the expiry of the promotion, 77% of the upgraded subscribers decided to remain on 2Mbps Economy package.

Catering to the needs of customers desiring even higher speed, PTCL also introduced 8Mbps economy package with 100GB download volume at attractive pricing during the period.

Besides, wireline customers were further facilitated through various other promotions e.g. 'Summer Promotion' and 'Reconnect Offer' undertaken during the period with benefits like unlimited on-net calls for limited period, discount on outstanding dues and free upgrade to next higher broadband data rate.

EVO - 3G Wireless Broadband

The brand of 'EVO' – PTCL's 3G enabled wireless broadband service, has become synonymous to high-speed mobile broadband internet in Pakistan. Based upon various innovative campaigns

DIRECTORS' REPORT

and premium quality products and services undertaken during the period, 'EVO' customers' base grew by 25%.

These promotion campaigns comprehensively addressed needs of users of all the 'EVO' products. The 'EVO' 3.1 USB subscribers were facilitated with attractive discount offers as well as Wingle Upgrade Offer with Wi-Fi option facility at nominal price. 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. 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. Besides, various other promotions offering devices at discounted pricing, limited time complimentary usages and discounted line rents were undertaken during the period not only to attract new customers but also to entice inactive customers to reconnect.

b. Voice

Your Company's landline network encompassing switching, transmission and access segments continues to provide backbone to the telecom and internet industry of Pakistan. In spite of the fierce competition from cellular operators, PTCL's landline voice customer base grew by over 3% during the period under review. 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. Smart TV

PTCL's Smart TV service was further enriched during the period under review through addition of various features encompassing latest technology trend in this regard.

Your Company finalized the deal to become partner of Dailymotion in Pakistan with its cache established in PTCL's network to promote Pakistan's content and content providers on Dailymotion – one of the largest video platforms in the world. To enrich the contents further, PTCL also commenced 'PTCL Icflix' – a multi-screen service with intelligent streaming feature. PTCL Smart TV android box was also launched which combines the benefit of PTCL Smart TV with internet browser and android functionality. Resultantly, the Smart TV customers' base witnessed 33% growth during the period.

d. Carrier Services and International Business

Your Company, being the only unified service provider in Pakistan, also caters to the needs of communication service providers with access to its platforms, skills and technology making PTCL's investments and economies of scale work for their benefit. In the post 3G / 4G era, PTCL recognizes the importance and possible magnitude of wholesale service offerings to meet the envisaged challenge of higher volume of data usage across the board. Besides offering the backhaul service using its optic fibre network, PTCL also intends to introduce Wi-Fi hot spots in major urban areas in collaboration with cellular mobile operators.

PTCL 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 ever-growing bandwidth requirements in the country, 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.

Support Functions

a. Network infrastructure

Acknowledging the opportunities as well as competition on the advent of 3G/4G era in Pakistan, your Company undertook timely initiatives to enhance its broadband footprint capability and to strengthen transmission backhaul network to gain from envisaged BTS backhaul business on account of contemplated increased data traffic in the country.

With the objective to materialize 'Broadband 4Mbps for ALL' initiative, PTCL expanded and up graded the network elements encompassing access, metro, aggregation, transmission and core. Over 200K broadband ports were added during the period by deploying Multi Services Access Gateways (MSAG) nodes nearer to the customer premises to enable provisioning of faster internet

DIRECTORS' REPORT

with High Definition (HD) contents. With addition of more than 75 new transmission nodes in the metro aggregation network, the backhaul network capability was further strengthened. Existing backhauling of DSLAM (Digital Subscriber Line Access Multiplexer) 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 DWDM (Dense Wave Division Multiplexing) side, 62 lambdas were added to carry the higher traffic streams from access layers up to backbone network. Further, the entire DWDM infrastructure was expanded from 40Gbps to 80Gbps capacity footprint.

To meet envisaged multi-fold increase in demand of internet traffic volume in near future, your Company also expanded the PIE & MMBB core networks by adding new nodes and expanding existing core and edge routers.

The above-stated expansion and up gradation of PTCL's network capabilities, not only ensures provisioning of uninterrupted high-quality and faster Broadband internet to our valued customers at higher data rates to successfully meet their growing needs but is also instrumental to enable your Company to offer high-speed backhaul services to cellular mobile operators to meet 3G / 4G network demands. Besides, through these network capabilities, connectivity requirements of PTCL's valued corporate customers are also being addressed effectively.

In order to offer internet packages at higher speed in fixed wireless broadband thus meeting the 3G/4G challenge successfully, PTCL 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.

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.

Further, to ensure smooth availability of services to our esteemed customer base in the wake of the 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. Customer Care

Your Company continued to expand the services to its valued customer base with the objective to achieve higher level of customer satisfaction. The initiative of on-line real-time collection of customers' bills was further augmented by addition of more banks and financial institutions thus ensuring that over 60% of the collection is realized through this modern mode with timely update of customers' record.

With the aim to ensure timely bill delivery, a sizeable customer base is being facilitated through 'E-Bill' and SMS alert services.

Communication skills of technical staff interfacing with the customer in provisioning of services and installation were further enhanced during the period by imparting soft skill courses designed in local languages. Besides, mystery shopping at various customer care locations helped to improve the processes further.

Moreover, capacity and capability of DR (Disaster Recovery) site encompassing customer care and provisioning systems were significantly improved to ensure round-the-clock uninterrupted service to PTCL's esteemed customer base spread all over the country.

c. Corporate Social Responsibility (CSR)

Your Company lived up to its tradition of reaching out to the fellow countrymen in their hour of need by providing assistance for the relief and rehabilitation of drought-stricken people in Thar as well as IDPs (Internally Displaced Persons) from the NWA (North Waziristan Agency) by providing food items as well as medicines and Mobile Medical Units to these areas. Employees also contributed generously for this cause through monetary assistance.

With the objective to help conserve the environment, PTCL collaborated with Worldwide Foundation for Nature (WWF) – the leading international nature conservation organization – for implementation of 'Green Office Program' at PTCL's corporate head office. A company-wide green office campaign was launched to fulfill the criteria for PTCL to be certified as a "Green Office" by WWF. PTCL also organized an 'Eco-Hike and Tree Plantation Drive' in Islamabad along with the launching of a tree plantation drive in collaboration with CDA (Capital Development Authority) to underline PTCL's 'Go Green' vision.

DIRECTORS' REPORT

Further, to provide opportunity and exposure to the unemployed youth of Pakistan as well as to build a sound talent pool database for PTCL, the second batch of 400 interns including engineers, IT, and business graduates joined PTCL for a rigorous year of on-the-job trainings, hands-on functional experience, career development programs, live projects, and job rotations under the auspices of PTCL's Triple E Internship Program.

d. Human Resources

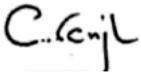
During the period under review, PTCL continued to fortify skill sets of different strata of its dedicated work force through various initiatives.

In furtherance of on-going 'Fuel: Future Leaders' program', a development activity titled 'Quest for Excellence' was conducted for the future leaders with the aim to develop a winning mindset through cultural change. For the benefit of employees and their families, 'PTCL Family Saving Program' offering discounts at various educational and recreational institutions was promulgated. Processes were further automated through the 'E-Office' application.

As recognition of efforts of your Company in improving its human resource, PTCL achieved various distinctions during the period like 2013 HR Excellence award (EFQM) for 'Most Improved HR' by Etisalat Group as well as third rank in the 'Employer of the Choice' award in telecom category by a renowned sourcing and survey organization.

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,



Azmat Ali Ranjha
Chairman



Walid Irshaid
President & CEO PTCL

Islamabad: July 15, 2014



**CONDENSED INTERIM
FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014**

AUDITOR'S REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL INFORMATION

INTRODUCTION

We have reviewed the accompanying condensed interim statement of financial position of Pakistan Telecommunication Company Limited as at June 30, 2014, and the related condensed interim statement of comprehensive income, condensed interim statement of cash flows, condensed interim statement of changes in equity and notes to the financial information for the six months then ended (here-in-after referred to as the "interim financial information"). Management is responsible for the preparation and presentation of this interim financial information in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting. Our responsibility is to express a conclusion on this interim financial information based on our review. The figures of the condensed interim statement of comprehensive income for the three months ended June 30, 2014 and June 30, 2013 have not been reviewed, as we are required to review only the cumulative figures for the six months ended June 30, 2014.

SCOPE OF REVIEW

We conducted our review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

CONCLUSION

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial information as of and for the six months ended June 30, 2014, is not prepared, in all material respects in accordance with approved accounting standards as applicable in Pakistan for interim financial reporting.



A.F. Ferguson & Co.

Chartered Accountants

Islamabad: July 15, 2014

Engagement Partner: S. Haider Abbas

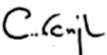
**CONDENSED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014 (UN-AUDITED)**

Note	June 30, 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	3,225,912	2,958,336
General reserve	30,500,000	30,500,000
Unappropriated profit	17,954,342	16,324,138
	51,680,254	49,782,474
Unrealized gain on available for sale investments	152,938	89,785
	102,833,192	100,872,259
Liabilities		
Non-current liabilities		
Long term security deposits	538,024	529,358
Deferred income tax	3,591,678	3,749,739
Employees' retirement benefits	34,985,343	33,050,773
Deferred government grants	6,437,155	5,123,099
	45,552,200	42,452,969
Current liabilities		
Trade and other payables	40,642,261	38,583,250
TOTAL EQUITY AND LIABILITIES	189,027,653	181,908,478

Contingencies and commitments

7

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 JUNE 30, 2014 (UN-AUDITED)**

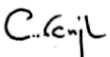
	Note	June 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment	5	91,490,151	87,219,249
Intangible assets		4,871,276	5,157,172
		96,361,427	92,376,421
Long term investments		7,791,296	7,791,296
Long term loans and advances	6	6,054,100	6,784,020
Investment in finance lease		35,770	38,781
		110,242,593	106,990,518
Current assets			
Stores, spares and loose tools		3,315,804	3,675,314
Trade debts		18,387,521	18,596,301
Loans and advances	6	5,654,186	6,541,852
Investment in finance lease		12,927	12,927
Accrued interest		678,492	667,024
Recoverable from tax authorities		12,634,359	15,586,424
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		894,074	910,116
Short term investments		29,522,131	22,405,669
Cash and bank balances		5,521,494	4,358,261
		78,785,060	74,917,960
TOTAL ASSETS		189,027,653	181,908,478


President & CEO

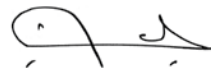
**CONDENSED INTERIM
STATEMENT OF PROFIT AND LOSS**
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

Note	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	(Rupees in '000)			
Revenue - net	21,735,856	20,613,037	42,849,088	39,977,656
Cost of services	(13,968,650)	(13,568,694)	(27,501,549)	(26,348,450)
Gross profit	7,767,206	7,044,343	15,347,539	13,629,206
Administrative and general expenses	(2,623,590)	(2,209,973)	(5,115,538)	(4,327,440)
Selling and marketing expenses	(811,926)	(726,181)	(1,573,965)	(1,409,322)
	(3,435,516)	(2,936,154)	(6,689,503)	(5,736,762)
Operating profit	4,331,690	4,108,189	8,658,036	7,892,444
Other income	8	1,493,802	1,076,946	2,580,161
Finance costs	(122,321)	(54,305)	(284,772)	(244,659)
(Loss) / gain on disposal of property, plant and equipment	(24,444)	5,548	(19,394)	5,548
Profit before tax	5,678,727	5,136,378	10,934,031	9,683,638
Provision for income tax				
- Current	(1,655,084)	(981,339)	(4,094,313)	(2,816,751)
- Deferred	(389,257)	(776,990)	158,062	(572,520)
	(2,044,341)	(1,758,329)	(3,936,251)	(3,389,271)
Profit for the period	3,634,386	3,378,049	6,997,780	6,294,367
Earnings per share - basic and diluted (Rupees)	0.71	0.66	1.37	1.23

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



Chairman

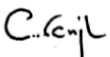


President & CEO

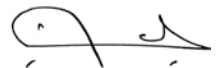
**CONDENSED INTERIM
STATEMENT OF COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	(Rupees in '000)			
Profit for the period	3,634,386	3,378,049	6,997,780	6,294,367
Other comprehensive gain / (loss) for the period				
Items that may be reclassified subsequently to profit and loss:				
Unrealized gain arising during the period	42,458	22,414	76,956	40,053
Gain on disposal transferred to income for the period	-	-	(13,803)	(49,295)
Unrealised gain / (loss) on available for sale investments - net of tax	42,458	22,414	63,153	(9,242)
Total comprehensive income for the period	3,676,844	3,400,463	7,060,933	6,285,125

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



Chairman

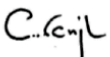


President & CEO

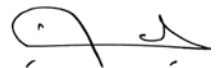
**CONDENSED INTERIM
STATEMENT OF CASH FLOWS**
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Note	Six months ended	
		June 30, 2014	June 30, 2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	9	20,310,563	17,403,288
Long term security deposits		8,666	9,231
Payment to Pakistan Telecommunication Employees' Trust (PTET)		-	(6,774,000)
Employees' retirement benefits paid		(559,134)	(408,525)
Income tax paid		(1,142,248)	(691,130)
Net cash inflows from operating activities		18,617,847	9,538,864
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(10,654,703)	(5,480,492)
Acquisition of intangible assets		-	(399,571)
Proceeds from disposal of property, plant and equipment		38,723	5,804
Investment in finance lease		6,012	-
Long term loans and advances		(1,315,338)	(619,826)
Return on long term loans and short term investments		1,896,371	1,372,299
Government grants received		1,492,835	833,171
Repayments of long term loans		2,750,000	750,000
Net cash outflows from investing activities		(5,786,100)	(3,538,615)
CASH FLOWS FROM FINANCING ACTIVITIES			
Dividend paid		(4,552,052)	-
Net increase in cash and cash equivalents		8,279,695	6,000,249
Cash and cash equivalents at the beginning of the period		26,763,930	13,947,547
Cash and cash equivalents at the end of the period	10	35,043,625	19,947,796

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



Chairman

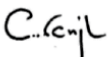


President & CEO

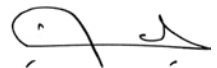
**CONDENSED INTERIM
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

	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 (Restated)		
	(Rupees in '000)						
Balance as at January 01, 2013	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 period							
Profit for the period	-	-	-	-	6,294,367	-	6,294,367
Other comprehensive loss	-	-	-	-	-	(9,242)	(9,242)
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
	-	-	279,608	-	6,014,759	(9,242)	6,285,125
Balance as at June 30, 2013	37,740,000	13,260,000	2,958,336	30,500,000	18,513,055	42,547	103,013,938
Total comprehensive income for the period							
Profit for the period	-	-	-	-	6,401,766	-	6,401,766
Other comprehensive (loss) / income	-	-	-	-	(3,490,683)	47,238	(3,443,445)
Interim dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	-	-	(2,188,917)	47,238	(2,141,679)
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	-	-	-	-	6,997,780	-	6,997,780
Other comprehensive income	-	-	-	-	-	63,153	63,153
Transfer to insurance reserve	-	-	267,576	-	(267,576)	-	-
Final dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	267,576	-	1,630,204	63,153	1,960,933
Balance as at June 30, 2014	37,740,000	13,260,000	3,225,912	30,500,000	17,954,342	152,938	102,833,192

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 SIX MONTHS ENDED JUNE 30, 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 six months ended June 30, 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	June 30,	December 31,
		2014	2013
		(Un-Audited)	(Audited)
(Rupees in '000)			
5. PROPERTY, PLANT AND EQUIPMENT			
Operating fixed assets	5.1	79,782,656	78,951,084
Capital work-in-progress		11,707,495	8,268,165
		91,490,151	87,219,249

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

	Note	June 30, 2014 (Un-Audited)	December 31, 2013 (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	7,215,373	16,849,872
		86,166,457	91,112,433
Disposals during the period / year			
- at net book amount		(58,117)	(256)
Depreciation for the period / year		(6,325,684)	(12,001,093)
Impairment for the period / year		-	(160,000)
		(6,383,801)	(12,161,349)
Closing net book amount		79,782,656	78,951,084
5.2 Detail of additions during the period / year:			
Freehold land		-	4,160
Buildings on freehold land		32,907	348,318
Lines and wires		1,669,693	3,450,147
Apparatus, plant and equipment		5,342,587	12,123,970
Office equipment		3,928	32,592
Computer equipment		62,365	475,279
Furniture and fittings		6,950	32,402
Vehicles		96,943	123,927
Submarine cables		-	259,077
		7,215,373	16,849,872

6. LONG TERM LOANS AND ADVANCES

These include unsecured loans of Rs 5,750,000 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:

- (a) 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 Commissioner Inland Revenue (CIR- Appeals) which is pending for disposal.

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

- (b) For the tax year 2010, taxation officer disallowed certain expenses under section 122(5A) and created tax demand of Rs 4,866,554 thousand. Besides the rectification application filed, the Company also filed an appeal before CIR- Appeals which is pending for disposal.
- (c) Based on an audit of the FED / sales tax records for the year 2008-09, tax authorities raised a demand of Rs 787,358 thousand on the premise of disallowance of input tax. The Company's appeal against the decision of CIR- Appeals is pending before ATIR.
- (d) The Company has filed appeal before the Customs Appellate Tribunal against the decisions of the Collector Customs imposing additional duties and other taxes amounting to Rs 1,686,409 thousand. The Company also obtained stay order from the Honorable Sindh High Court against the said decision.
- (e) With reference to ongoing litigation at various courts in Pakistan regarding pension increases and pertinent medical allowance cases, the Supreme Court of Pakistan suspended the operation of the related order passed by the divisional bench of Islamabad High Court by granting the stay order. Based on the advice from its legal counsel, management is confident that the matter would eventually be settled in the Company's favour and hence no provision has been recorded.

7.2 Commitments

Commitments, in respect of contracts for capital expenditure amount to Rs 8,604,607 thousand (December 31, 2013: Rs 10,184,640 thousand).

	Three months ended		Six months ended	
	June 30, 2014 (Un-Audited)	June 30, 2013 (Un-Audited)	June 30, 2014 (Un-Audited)	June 30, 2013 (Un-Audited)
	(Rupees in '000)			
8. OTHER INCOME				
Mark up on long term loans	176,918	282,338	389,094	568,229
Return on bank deposits	746,402	379,670	1,441,789	779,406
Others	570,482	414,938	749,278	682,670
	1,493,802	1,076,946	2,580,161	2,030,305

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

	Six months ended	
	June 30, 2014	June 30, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
9. CASH GENERATED FROM OPERATIONS		
Profit before tax	10,934,031	9,683,638
Adjustments for non-cash charges and other items:		
Depreciation and amortization	6,611,580	6,266,187
Impairment	-	160,000
Provision for obsolete stores, spares and loose tools	-	90,731
Provision against doubtful trade debts	1,029,926	981,000
Employees' retirement benefits	2,852,786	2,066,361
Loss / (gain) on disposal of property, plant and equipment	19,394	(5,548)
Return on bank deposits	(1,441,789)	(779,406)
Imputed interest on long term loans	69,557	139,906
Imputed interest on finance lease	(3,001)	-
Markup on long term loans	(389,094)	(568,229)
Gain on disposal of available for sale investments	(13,803)	(49,295)
Amortization of government grants	(178,779)	(126,587)
	19,490,808	17,858,758
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	359,510	(797,952)
Trade debts	(821,146)	(3,754,198)
Loans and advances	129,575	(541,468)
Prepayments and other receivables	(163)	187,859
	(332,224)	(4,905,759)
Increase in current liabilities:		
Trade and other payables	1,151,979	4,450,289
	20,310,563	17,403,288
10. CASH AND CASH EQUIVALENTS		
Short term investments	29,522,131	15,627,439
Cash and bank balances	5,521,494	4,320,357
	35,043,625	19,947,796

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

		Six months ended	
		June 30, 2014	June 30, 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	1,407,184	1,305,135
ii. Subsidiary	Sale of goods and services	2,745,914	2,812,347
	Purchase of goods and services	1,745,323	1,428,911
	Mark up on long term loans	389,094	568,229
iii. Associated undertakings	Sale of goods and services	69,472	1,714,097
	Purchase of goods and services	776,949	832,458
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	50,806	4,113
vi. Other related parties	Charges under license obligation	1,036,291	710,010
vii. Directors, Chief Executive and Executives	Fee and remuneration including benefits and perquisites	829,391	671,049
		June 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
Period-end balances			
Receivables from related parties			
	Long-term loans to subsidiary	5,750,000	8,500,000
	Trade debts		
	- Subsidiary	699,981	1,572,243
	- Associated undertakings	101,496	59,678
	- The Government of Pakistan and its related entities	1,785,720	1,768,148
	Accrued interest receivable		
	- Subsidiary	121,607	167,456
	Other receivables		
	- Subsidiary	30,087	332,017
	- Associated undertakings	72,191	75,876
	- PTCL Employees' GPF Trust	158,155	107,349
	- Pakistan Telecommunication Employees' Trust (PTET)	141,804	118,209
	Advance to associates	16,533	18,718

**NOTES TO AND FORMING PART OF THE
CONDENSED INTERIM FINANCIAL INFORMATION
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

	June 30, 2014	December 31, 2013
	(Un-Audited)	(Audited)
	(Rupees in '000)	
Payables to related parties		
Trade creditors		
- Subsidiary	570,313	989,114
- Associated undertakings	492,824	522,118
- The Government of Pakistan and its related entities	5,231,211	8,371,083
Security deposits from subsidiary	3,623	3,623
Retention money payable to associated undertaking	5,594	4,103
Technical services assistance fee payable to Etisalat	723,278	652,061
Pakistan Telecommunication Employees' Trust (PTET)	14,363,252	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 revenue.

12. OFFSETTING OF FINANCIAL ASSETS AND LIABILITIES

Trade debts presented in the statement of financial position include aggregate receivable of Rs 6,551,247 thousand (December 31, 2013: Rs 7,991,017 thousand) set off against aggregate payable of Rs 3,778,419 thousand (December 31, 2013: Rs 5,383,315 thousand).

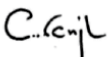
Trade and other payables presented in the statement of financial position include aggregate payable of Rs 5,245,044 thousand (December 31, 2013: Rs 10,143,887 thousand) set off against aggregate receivable of Rs 2,729,809 thousand (December 31, 2013: Rs 7,678,683 thousand).

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

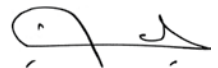
This condensed interim financial information for the six months ended June 30, 2014 was authorized for issue by the Board of Directors of the Company on July 15, 2014.

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 SIX MOTNHS ENDED JUNE 30, 2014

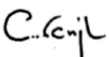
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014 (UN-AUDITED)**

Note	June 30, 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	3,225,912	2,958,336
General reserve	30,500,000	30,500,000
Unappropriated profit	37,685,446	34,815,636
	71,411,358	68,273,972
Unrealized gain on available for sale investments	153,028	89,785
	122,564,386	119,363,757
Liabilities		
Non-current liabilities		
Long term loans from banks	12,000,000	-
Liability against assets subject to finance lease	51,265	58,438
License fee payable	26,164,221	93,847
Long term security deposits	1,485,671	1,494,253
Deferred income tax	13,606,924	14,864,399
Employees' retirement benefits	35,231,543	33,320,384
Deferred government grants	6,437,155	5,123,099
Long term vendor liability	11,883,251	6,584,473
	106,860,030	61,538,893
Current liabilities		
Trade and other payables	50,971,897	49,435,746
Interest accrued	409,881	120,251
Short term running finance	-	605,487
Current portion of:		
Liability against assets subject to finance lease	31,977	31,977
License fee payable	4,311,829	51,151
Long term vendor liability	5,235,685	6,109,004
Unearned income	2,873,379	2,432,129
	63,834,648	58,785,745
TOTAL EQUITY AND LIABILITIES	293,259,064	239,688,395

Contingencies and commitments

6

The annexed notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.



Chairman

**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF FINANCIAL POSITION
AS AT JUNE 30, 2014 (UN-AUDITED)**

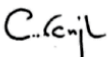
	Note	June 30, 2014	December 31, 2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
ASSETS			
Non-current assets			
Fixed assets			
Property, plant and equipment		163,284,202	156,428,185
Intangible assets	5	44,173,061	6,191,581
		207,457,263	162,619,766
Long term investments		109,259	109,259
Long term loans and advances		5,208,069	3,955,888
Investment in finance lease		35,770	38,781
		212,810,361	166,723,694
Current assets			
Stores, spares and loose tools		3,315,804	3,675,813
Stock in trade		209,630	453,665
Trade debts		18,738,063	17,864,435
Loans and advances		1,401,088	1,387,119
Deposits		84,846	78,809
Investment in finance lease		12,927	12,927
Accrued interest		591,160	509,512
Recoverable from tax authorities		14,212,011	15,861,583
Receivable from the Government of Pakistan		2,164,072	2,164,072
Prepayments and other receivables		3,129,417	2,782,281
Short term investments		29,866,789	22,950,405
Cash and bank balances		6,722,896	5,224,080
		80,448,703	72,964,701
TOTAL ASSETS		293,259,064	239,688,395


President & CEO

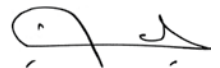
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF PROFIT AND LOSS**
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	(Rupees in '000)			
Revenue - net	35,133,976	33,256,487	68,509,193	65,437,467
Cost of services	(22,539,899)	(20,751,180)	(42,950,479)	(41,497,154)
Gross profit	12,594,077	12,505,307	25,558,714	23,940,313
Administrative and general expenses	(5,016,158)	(4,289,849)	(9,806,313)	(8,566,475)
Selling and marketing expenses	(2,402,183)	(1,927,949)	(4,656,560)	(3,927,012)
	(7,418,341)	(6,217,798)	(14,462,873)	(12,493,487)
Operating profit	5,175,736	6,287,509	11,095,841	11,446,826
Other income	1,185,363	1,154,551	2,468,277	2,387,659
Finance costs	(854,173)	(711,436)	(1,244,381)	(1,781,243)
Gain on disposal of property, plant and equipment	30,909	51,676	30,909	51,676
Profit before tax	5,537,835	6,782,300	12,350,646	12,104,918
Provision for income tax				
- Current	(1,981,927)	(1,788,745)	(5,372,569)	(3,696,415)
- Deferred	329,902	(461,150)	1,259,309	(544,421)
	(1,652,025)	(2,249,895)	(4,113,260)	(4,240,836)
Profit for the period	3,885,810	4,532,405	8,237,386	7,864,082
Earnings per share - basic and diluted (Rupees)	0.76	0.89	1.62	1.54

The annexed notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.



Chairman

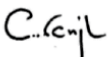


President & CEO

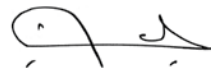
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF COMPREHENSIVE INCOME**
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Three months ended		Six months ended	
	June 30, 2014	June 30, 2013	June 30, 2014	June 30, 2013
	(Rupees in '000)			
Profit for the period	3,885,810	4,532,405	8,237,386	7,864,082
Other comprehensive gain /(loss) for the period				
Items that may be reclassified subsequently to profit and loss:				
Unrealized gain arising during the period	42,548	22,414	77,046	40,053
Gain on disposal transferred to income for the period	-	-	(13,803)	(49,295)
Unrealised gain / (loss) on available for sale investments - net of tax	42,548	22,414	63,243	(9,242)
Total comprehensive income for the period	3,928,358	4,554,819	8,300,629	7,854,840

The annexed notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.



Chairman

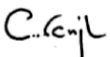


President & CEO

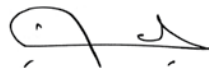
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CASH FLOWS**
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Note	Six months ended	
		June 30, 2014	June 30, 2013
		(Rupees in '000)	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash generated from operations	7	28,666,219	27,604,136
Long term security deposits		(8,582)	40,426
Payment to Pakistan Telecommunication Employees' Trust (PTET)		-	(6,774,000)
Employees' retirement benefits paid		(638,071)	(443,596)
Finance costs paid		(489,016)	(2,272,563)
Income tax paid		(3,721,163)	(988,192)
Net cash inflows from operating activities		23,809,387	17,166,211
CASH FLOWS FROM INVESTING ACTIVITIES			
Capital expenditure		(19,562,183)	(12,490,030)
Acquisition of intangible assets		(39,116,543)	(40,588)
Proceeds from disposal of property, plant and equipment		247,742	93,295
Investment in finance lease		6,012	-
Long term loans and advances		(1,321,738)	146,222
Return on long term loans and short term investments		1,437,188	1,589,591
Government grants received		1,492,835	833,172
Net cash outflows from investing activities		(56,816,687)	(9,868,338)
CASH FLOWS FROM FINANCING ACTIVITIES			
Long term loan received		12,000,000	-
Long term loan paid		-	(20,500,000)
PTA license fee payable		30,169,742	(41,222)
Long term vendor liability		4,425,459	785,379
Dividend paid		(4,552,052)	-
Liability against assets subject to finance lease		(15,162)	(5,582)
Net cash inflows / (outflows) from financing activities		42,027,987	(19,761,425)
Net increase / (decrease) in cash and cash equivalents		9,020,687	(12,463,552)
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	8	36,589,685	25,193,290

The annexed notes from 1 to 12 form an integral part of this condensed consolidated interim financial information.



Chairman

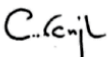


President & CEO

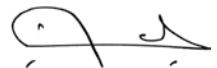
**CONDENSED CONSOLIDATED INTERIM
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)**

	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 (Restated)		
	(Rupees in '000)						
Balance as at January 01, 2013	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 period							
Profit for the period	-	-	-	-	7,864,082	-	7,864,082
Other comprehensive loss	-	-	-	-	-	(9,242)	(9,242)
Transfer to insurance reserve	-	-	279,608	-	(279,608)	-	-
	-	-	279,608	-	7,584,474	(9,242)	7,854,840
Balance as at June 30, 2013	37,740,000	13,260,000	2,958,336	30,500,000	35,521,229	42,547	120,022,112
Total comprehensive income for the period							
Profit for the period	-	-	-	-	7,888,693	-	7,888,693
Other comprehensive (loss) / income	-	-	-	-	(3,494,286)	47,238	(3,447,048)
Interim dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	-	-	(705,593)	47,238	(658,355)
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	-	-	-	-	8,237,386	-	8,237,386
Other comprehensive income	-	-	-	-	-	63,243	63,243
Transfer to insurance reserve	-	-	267,576	-	(267,576)	-	-
Final dividend for the year ended December 31, 2013 - Re 1 per share	-	-	-	-	(5,100,000)	-	(5,100,000)
	-	-	267,576	-	2,869,810	63,243	3,200,629
Balance as at June 30, 2014	37,740,000	13,260,000	3,225,912	30,500,000	37,685,446	153,028	122,564,386

The annexed notes from 1 to 12 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 SIX MONTHS ENDED JUNE 30, 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 six months period ended June 30, 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 year ended December 31, 2013.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Note	June 30,	December 31,
		2014	2013
		(Un-Audited)	(Audited)
		(Rupees in '000)	
5. INTANGIBLE ASSETS			
Opening net book value		6,191,581	3,936,746
Addition during the period / year - at cost	5.1	39,116,543	3,086,810
Amortization for the period / year		45,308,124	7,023,556
		(1,135,063)	(831,975)
Closing net book value		44,173,061	6,191,581

5.1 During the year, PTML acquired license for 3G cellular operations throughout Pakistan. Additions include aggregate cost of Rs. 14,604,000 thousand for acquisition of this license from Pakistan Telecommunication Authority (PTA), to be amortized over the license term of 15 years commencing from May 21, 2014.

The PTML license for 2G cellular operations throughout Pakistan was also renewed during the year effective from April 8, 2014. Additions include aggregate cost of 24,143,000 thousand for renewal of 2G license from PTA, to be amortized over the license term of 15 years.

6. CONTINGENCIES AND COMMITMENTS

6.1 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 Commissioner Inland Revenue (CIR- Appeals) which is pending for disposal.
- For the tax year 2010, taxation officer disallowed certain expenses of PTCL under section 122(5A) and created tax demand of Rs 4,866,554 thousand. Besides the rectification application filed, PTCL also filed an appeal before CIR- Appeals which is pending for disposal.
- Based on an audit of the FED / sales tax records of PTCL for the year 2008-09, tax authorities raised a demand of Rs 787,358 thousand on the premise of disallowance of input tax. The Company's appeal against the decision of CIR - Appeals is pending before Appellate Tribunal Inland Revenue (ATIR).
- PTCL has filed appeal before the Customs Appellate Tribunal against the decisions of the Collector Customs imposing additional duties and other taxes amounting to Rs 1,686,409 thousand. PTCL also obtained stay order from the Honorable Sindh High Court against the said decision.
- With reference to ongoing litigation at various courts in Pakistan regarding pension increases and pertinent medical allowance cases, the Supreme Court of Pakistan suspended the operation of the related order passed by the divisional bench of Islamabad High Court by granting the stay order. Based on the advice from its legal counsel, management is confident that the matter would eventually be settled in the PTCL's favour and hence no provision has been recorded.
- In relation to Federal Excise Duty on technical services fee to Etisalat PTML has received show cause notices for tax years 2012 and 2013 against which the Islamabad High Court has granted stay in favor of the PTML.
- The taxation authorities have raised demand amounting to Rs 1,378 million against PTML which represents the amount of advance income tax paid by PTML under section 148 at import stage on the premise that such tax paid fall under final tax regime. PTML has claimed adjustment of this amount against its tax liability for tax years 2008 to 2013. PTML is of the view that these demands are not based on sound principles as the Company is subject to normal tax regime since its inception and the equipment imported is used in-house for provision of telecom services and not sold as commercial importer to derive income. The Company has obtained stay order from Islamabad High Court and is contesting the matter with taxation authorities at appellate forum.
- Letters of guarantee have been issued in favour of PTA by PTML for USD 16.530 million (equivalent Rs. 1,632,000 thousand) in relation to the performance of the Company's obligation stipulated under the license agreements of 2G and 3G services.

6.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs. 24,268,639 thousand (December 31, 2013: Rs. 17,657,353 thousand).

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

	Six months ended	
	June 30, 2014	June 30, 2013
	(Un-Audited)	(Un-Audited)
	(Rupees in '000)	
7. CASH GENERATED FROM OPERATIONS		
Profit before tax	12,350,646	12,104,918
Adjustments for non-cash charges and other items:		
Depreciation and amortization	13,624,396	12,345,842
Impairment	-	160,000
Provision against doubtful trade debts and other receivables	1,070,944	1,008,533
Provision for non performing advances	1,032	-
Provision for obsolete stores, spares and loose tools	-	83,631
Provision for stock in trade	-	10,547
Employees' retirement benefits	2,916,359	2,125,922
Imputed interest on long term loans	69,557	139,906
Imputed interest on finance lease	(3,001)	-
Imputed interest on PTA license fee	161,310	-
Gain on disposal of property, plant and equipment	(30,909)	(51,676)
Gain on disposal of available for sale investments	(13,803)	(49,295)
Loss on fair value adjustment for forward exchange contracts	214,802	121,369
Return on short term investments	(1,441,789)	(1,702,485)
Amortization of government grants	(178,779)	(126,587)
Finance costs	786,634	2,209,341
Prior period adjustment	-	(6,776)
	29,527,399	28,373,190
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	360,009	(790,573)
Stock in trade	244,035	38,828
Trade debts	(1,944,572)	(3,938,324)
Loans and advances	(15,001)	(1,337,733)
Deposits	(6,037)	83,446
Prepayments and other receivables	(347,136)	300,838
	(1,708,702)	(5,643,518)
Increase / (decrease) in current liabilities:		
Trade and other payables	406,272	4,426,639
Unearned income	441,250	447,825
	847,522	4,874,464
	28,666,219	27,604,136
8. CASH AND CASH EQUIVALENTS		
Short term investments	29,866,789	17,837,205
Cash and bank balances	6,722,896	7,356,085
	36,589,685	25,193,290
9. 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.

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

9.1 Segment information for the reportable segments is as follows:

	Note	Wire line	Wireless	Total
(Rupees in '000)				
Six months period ended June 30, 2014				
Segment revenue		38,403,658	33,833,701	72,237,359
Inter segment revenue	9.1.1	(2,745,915)	(982,251)	(3,728,166)
Revenue from external customers		35,657,743	32,851,450	68,509,193
Segment results		5,004,320	3,233,066	8,237,386
Six months period ended June 30, 2013				
Segment revenue		36,873,909	32,808,816	69,682,725
Inter segment revenue	9.1.1	(2,812,347)	(1,432,911)	(4,245,258)
Revenue from external customers		34,061,562	31,375,905	65,437,467
Segment results		4,927,304	2,936,778	7,864,082

9.1.1 Inter segment revenues are eliminated on consolidation.

	Wire line	Wireless	Total
(Rupees in '000)			
As at June 30, 2014 (Un-Audited)			
Segment assets	160,020,484	133,238,580	293,259,064
Segment liabilities	85,561,009	85,133,669	170,694,678
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

	Six months ended	
	June 30, 2014	June 30, 2013
	(Un-Audited)	(Un-Audited)
(Rupees in '000)		

10. TRANSACTIONS AND BALANCES WITH RELATED PARTIES

Relationship with the Group	Nature of transaction		
i. Shareholders	Technical services fee	2,399,958	2,310,993
ii. Associated undertakings	Purchase of goods and services	818,679	1,732,223
	Sale of goods and services	78,390	1,736,952
	Prepaid rent	100,002	66,667
iii. Employees' benefit plans	PTCL Contribution to Pakistan Telecommunication Employees' Trust (PTET)	-	6,774,000
	PTML Gratuity Fund	40,359	42,518
iv. Employees' contribution plans	PTCL Payment to PTCL employees' on behalf of GPF Trust	50,806	4,113
	PTML Provident Fund	55,535	49,926
	U Bank Provident Fund	2,561	942
v. Other related parties	PTCL Charges under license obligation	1,036,291	710,010
	PTML Expenses reimbursed to Pakistan MNP Database (Guarantee) Limited	25,850	8,650
vi. Directors, Chief Executive and Executives	Fees and remuneration including benefits and perquisites	1,278,945	989,250

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE SIX MONTHS ENDED JUNE 30, 2014 (UN-AUDITED)

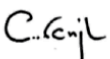
	June 30, 2014	December 31, 2013
	(Un-Audited)	(Audited)
	(Rupees in '000)	
Period-end balances		
Receivables from related parties		
Trade debts		
- Associated undertakings	251,695	179,313
- The Government of Pakistan and its related entities	1,785,720	1,768,148
Other receivables		
- Associated undertakings	72,191	75,876
- PTCL Employees' GPF Trust	158,155	107,349
- Pakistan Telecommunication Employees' Trust (PTET)	275,136	151,542
- Pakistan MNP Database (Guarantee) Limited	6,320	9,500
- Advances to Associates	16,533	18,718
PTML		
- Long term loans to executive and key management personnel	122,743	86,816
Payables to related parties		
Trade creditors		
- Associated Undertakings	607,956	650,045
- The Government of Pakistan and its related entities	5,231,211	8,371,083
- Technical services fee payable to Etisalat	1,234,473	1,124,997
- Retention money payable to associated undertaking	5,594	4,103
PTCL		
- Pakistan Telecommunication Employees' Trust (PTET)	14,363,252	13,381,633
PTML		
- Gratuity Fund	41,896	73,703
- Provident Fund	20,259	20,019
- Remuneration - Executive and key management personnel	3,139	1,579
U Bank		
- Provident Fund	887	532

11. DATE OF AUTHORIZATION FOR ISSUE OF CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION

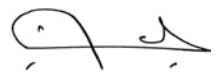
This condensed consolidated interim financial information for the six months ended June 30, 2014 was authorised for issue by the Board of Directors of the Holding Company on July 15, 2014.

12. GENERAL

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



Chairman



President & CEO