

ANNUAL REPORT 2014



COLORING THE FUTURE DIGITALLY



www.ptcl.com.pk





Transforming the Digital Canvas

In the new digital era, PTCL's products are painting the telecommunication landscape through countrywide coverage and multi-platform connectivity.

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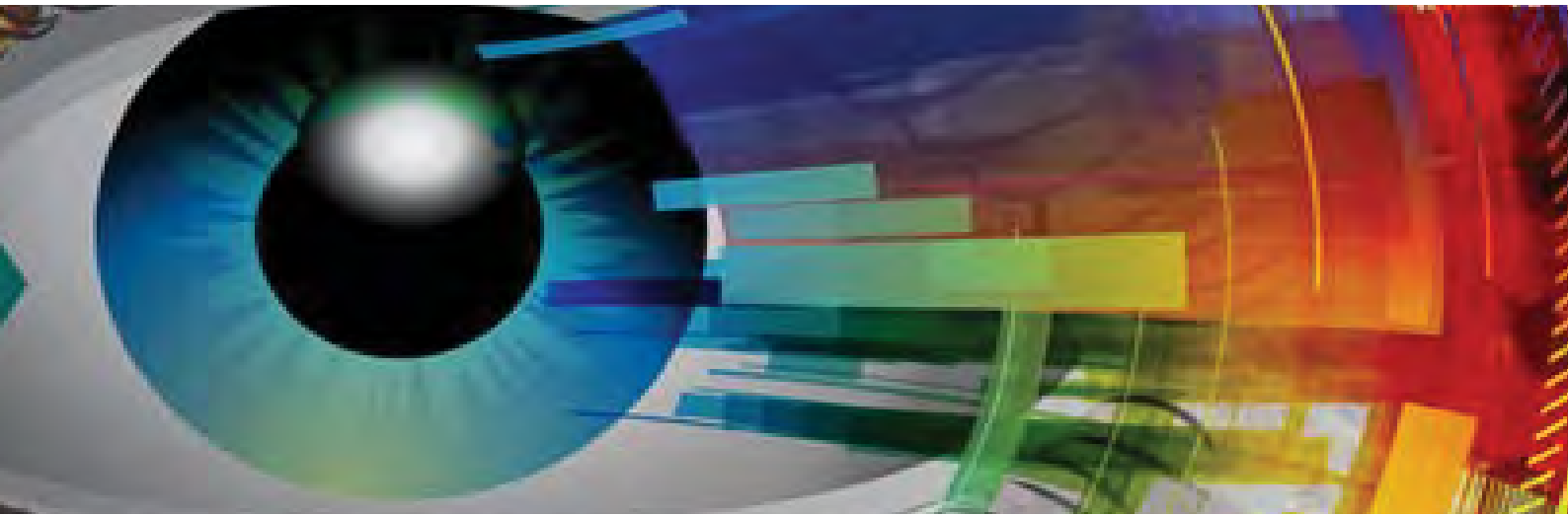
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VISION, MISSION & CORE VALUES



Corporate Vision

To be the leading ICT 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





The Stability of Green

PTCL Landline is a mark of consistency and stability; delivering convenience to the valued customers, who can always count on PTCL's Landline services.



BOARD OF DIRECTORS



RAINER RATHGEBER
Member PTCL Board

**SARDAR AHMAD NAWAZ
SUKHERA**
Member PTCL Board

AZMAT ALI RANJHA
Chairman PTCL Board

DR. DANIEL RITZ
Member PTCL Board

SERKAN OKANDAN
Member PTCL Board



ABDULRAHIM A. AL NOORYANI
Member PTCL Board

FADHIL AL ANSARI
Member PTCL Board

WALID IRSHAID
President & CEO

DR. WAQAR MASOOD KHAN
Member PTCL Board

MUDASSAR HUSSAIN
Member PTCL Board

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

Sikandar Naqi

Chief Business Development Officer

Adnan Shahid

Chief Commercial Officer

Kamal Ahmed

Chief Digital & Corporate Services Officer

Tariq Salman

Chief Technical Officer

Raed Yousef Ali Abdel Fattah

Chief Information Officer

Jamal Abdalla Salim Hussain Al Suwaidi

Chief Procurement Officer

Jahanzeb Taj

Chief Strategy Officer

Muhammad Shehzad Yousuf

Chief Internal Auditor

COMPANY SECRETARY

Farah Qamar

LEGAL AFFAIRS

Zahida Awan

AUDITORS

A.F. Ferguson & Co.

Chartered Accountants

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
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Standard Chartered Bank (Pakistan) Limited
United Bank Limited

REGISTERED OFFICE

PTCL Headquarters,
Block-E, Sector G-8/4,
Islamabad-44000, Pakistan.

Fax: +92-51-2263733
E-mail: company.secretary@ptcl.net.pk
Web: www.ptcl.com.pk

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 # 021- 34380101-2
Fax # 021-34380106
info.shares@famco.com.pk





The Reliability of Blue

PTCL Broadband the largest and fastest growing internet service in Pakistan, is an icon of reliability, catering to a diverse portfolio of customers offering high speed internet connectivity.



THE MANAGEMENT TEAM



WALID IRSHAID
President & CEO

SYED MAZHAR HUSSAIN
Chief Human Resource Officer

MUHAMMAD NASRULLAH
Chief Business Operations Officer

**MUHAMMAD
NEHMATULLAH TOOR**
Chief Financial Officer

KAMAL AHMED
Chief Digital & Corporate
Services Officer

JAHANZEB TAJ
Chief Strategy Officer



TARIQ SALMAN
Chief Technical Officer

SIKANDAR NAQI
Chief Business
Development Officer

JAMAL ABDALLA SALIM
HUSSAIN AL SUWAIDI
Chief Procurement Officer

RAED YOUSEF ALI
ABDEL FATTAH
Chief Information Officer

ADNAN SHAHID
Chief Commercial Officer

MUHAMMAD
SHEHZAD YOUSUF
Chief Internal Auditor

OPERATING & FINANCIAL HIGHLIGHTS

Financial Years

Year ended
Dec 31, 2014

Year ended
Dec 31, 2013

KEY INDICATORS

Operating

Pre tax margin (EBIT margin)	%	10.19	24.90
Net margin	%	6.39	15.66

Performance

Fixed assets turnover	Times	0.99	1.06
Debtor's turnover	Times	4.75	4.77
Return on equity	%	5.40	12.85
Return on capital employed	%	3.38	8.92
Retention	%	(144.84)	19.66

Leverage

Debt Equity	Ratio	30:70	28:72
Leverage	%	47.91	43.38
Time interest earned	Times	28.14	58.26

Liquidity

Current	Times	1.57	1.94
Quick	Times	1.51	1.85

Valuation

Earnings per share	Rs	1.02	2.49
Breakup value per share	Rs	18.07	19.78
Dividend payout ratio	%	244.84	80.34
Price earnings ratio	Times	22.55	11.42
Market price to breakup value	Times	1.27	1.44
Dividend per share	Rs	2.50	2.00
Dividend yield	%	10.86	7.03
Dividend cover ratio	Times	0.41	1.24
Market value per share (as on Dec 31 & June 30)	Rs	23.03	28.44

HISTORICAL TRENDS

Operating Results

Revenue	Rs (m)	81,513	81,061
Profit / (loss) before tax	Rs (m)	8,012	19,838
Profit / (loss) after tax	Rs (m)	5,207	12,696
Dividend	Rs (m)	12,750	10,200

Financial Position

Share Capital	Rs (m)	51,000	51,000
Reserves	Rs (m)	40,815	49,782
Shareholders' equity	Rs (m)	92,144	100,872
EBITDA	Rs (m)	17,825	28,311
Working Capital	Rs (m)	25,280	36,335
Current assets	Rs (m)	69,625	74,918
Total assets	Rs (m)	179,574	181,908
Non current liabilities	Rs (m)	43,085	42,453

Operational*

ALIS as on Dec 31 & June 30	No (000)	4,323	4,014
Average ALIS per employee	No	207	183

*Exclusive of Primary and Basic Rate interface

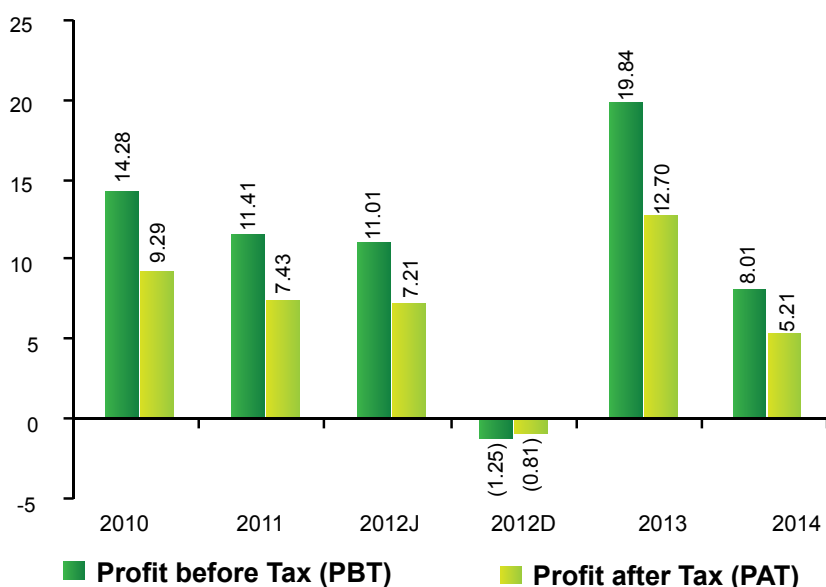


Six months ended Dec 31, 2012	Year ended June 30, 2012	Year ended June 30, 2011	Year ended June 30, 2010
(3.02)	19.13	21.03	25.68
(2.18)	12.01	13.44	16.26
0.49	0.80	0.75	0.75
3.06	6.69	5.71	5.46
(0.81)	7.19	7.50	9.33
(0.64)	6.11	6.40	7.40
100.00	100.00	(20.15)	3.97
28:72	21:79	18:82	15:85
40.03	32.13	33.36	32.51
(8.23)	23.85	56.00	36.42
2.05	2.30	1.39	1.51
1.95	2.16	1.27	1.37
(0.16)	1.41	1.46	1.82
18.97	20.07	19.27	19.56
-	-	120.15	96.03
(109.52)	9.68	9.76	9.77
0.91	0.68	0.74	0.91
-	-	1.75	1.75
-	-	12.31	9.83
-	-	0.83	1.04
17.35	13.69	14.22	17.80
37,033	60,038	55,254	57,175
(1,255)	11,006	11,414	14,281
(808)	7,212	7,428	9,294
-	-	8,925	8,925
51,000	51,000	51,000	51,000
45,677	51,312	47,262	48,759
96,729	102,375	98,292	99,759
3,482	16,840	15,656	22,006
29,067	26,811	10,991	15,257
56,688	47,359	39,012	45,450
164,185	156,949	152,520	150,768
39,835	34,025	26,207	20,816
4,035	4,144	4,393	4,370
165	153	153	155

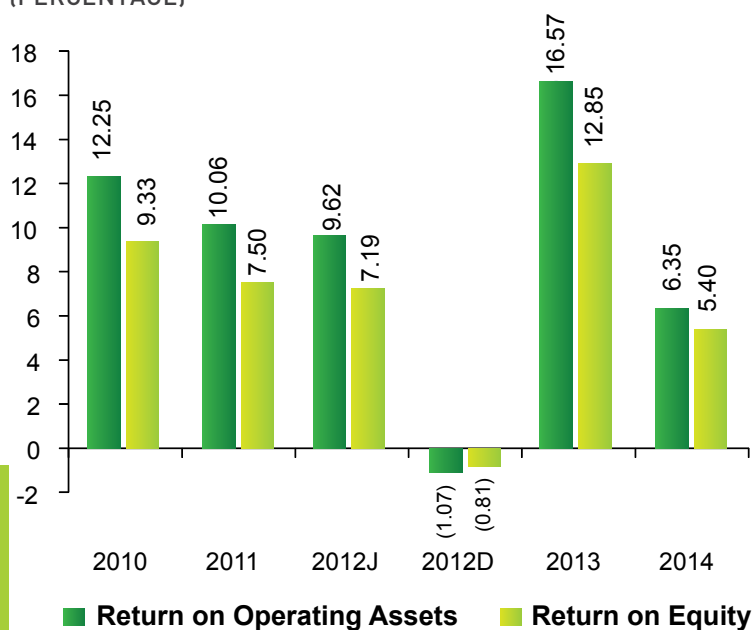
OPERATING & FINANCIAL HIGHLIGHTS

GRAPHICAL PRESENTATION

PROFIT BEFORE TAX AND PROFIT AFTER TAX
(RUPEES IN BILLION)



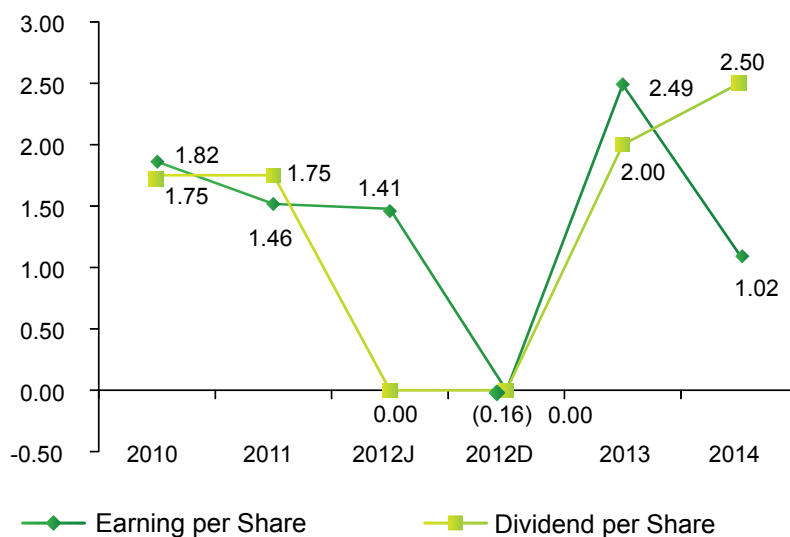
RETURN ON OPERATING ASSETS & EQUITY
(PERCENTAGE)



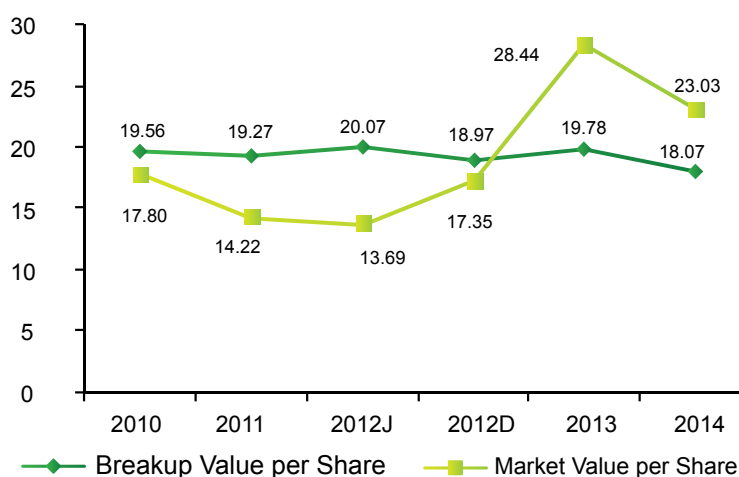
OPERATING & FINANCIAL HIGHLIGHTS

GRAPHICAL PRESENTATION

DIVIDEND PAYOUT PER SHARE (RUPEES)



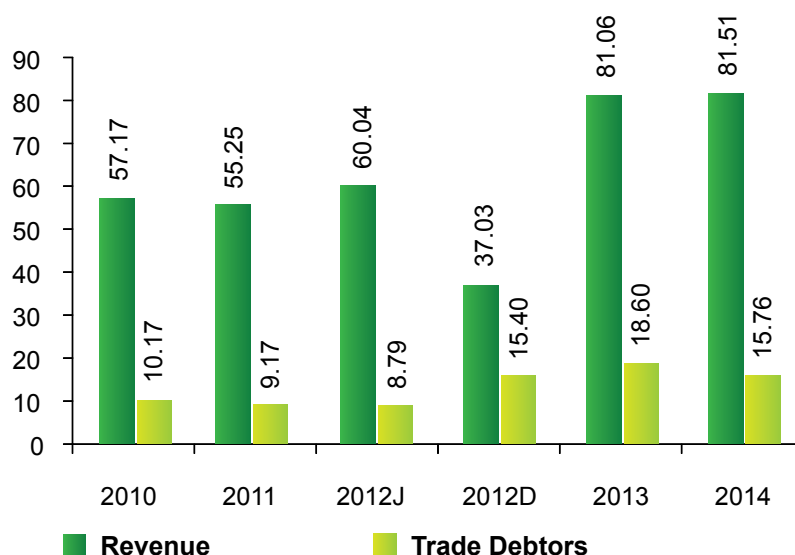
BREAKUP VALUE VS MARKET VALUE (RUPEES)



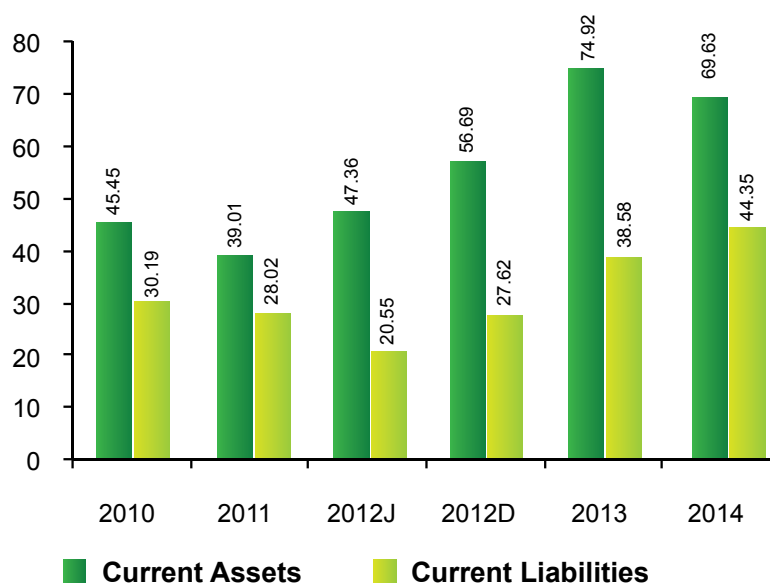
OPERATING & FINANCIAL HIGHLIGHTS

GRAPHICAL PRESENTATION

REVENUE AND TRADE DEBTS (RUPEES IN BILLION)



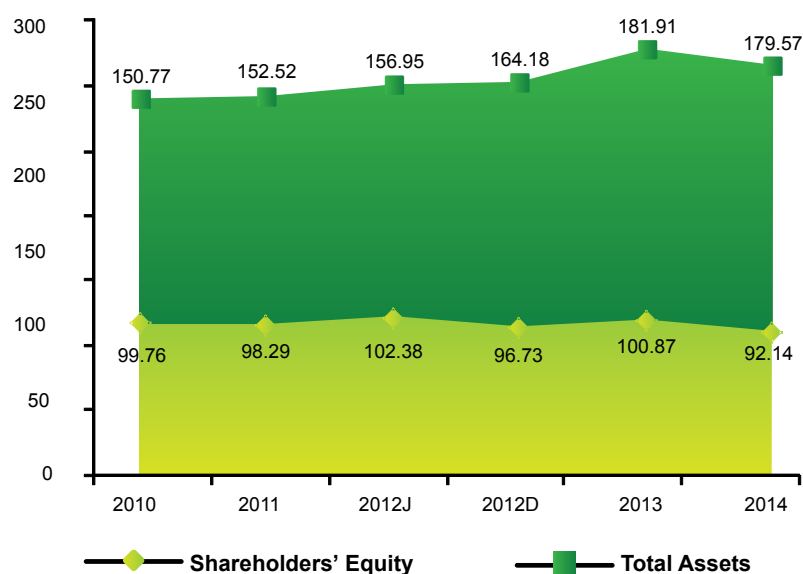
CURRENT ASSETS AND CURRENT LIABILITIES (RUPEES IN BILLION)



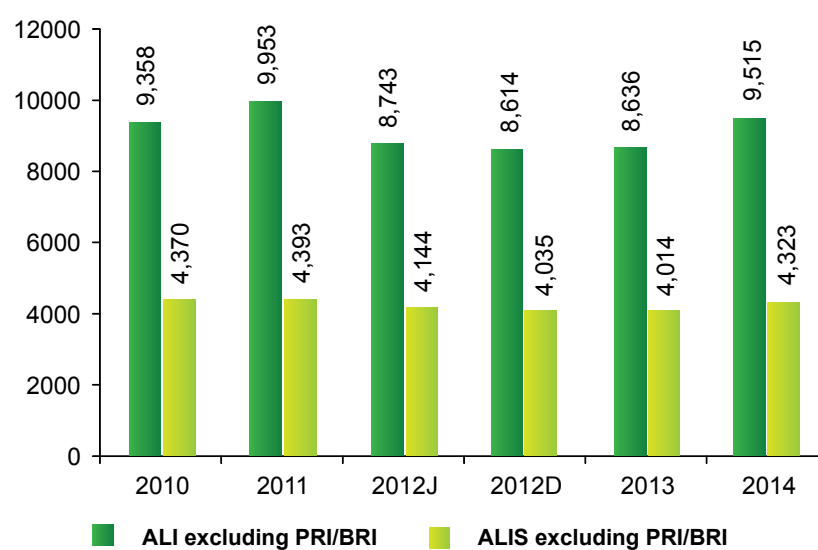
OPERATING & FINANCIAL HIGHLIGHTS

GRAPHICAL PRESENTATION

TOTAL ASSETS VS SHAREHOLDERS' EQUITY
(RUPEES IN BILLION)



CAPACITY: INSTALLED VS IN SERVICE
(NUMBERS IN THOUSAND)







The Power of Black

Charji EVO, a larger than life experience,
a product that brings customers the power to enjoy
unprecedented speeds and a premium
internet experience.




GROUP CEO'S MESSAGE

2014 was quite challenging and exciting year for the telecom sector of Pakistan. The launch of 3G/4G wireless broadband services marked a significant change in the telecom landscape of the country. PTCL greeted it as an opportunity of tremendous growth, given the strategic initiatives embarked long before. Ufone considered as a strong competitor in the auction process and was the first to launch 3G in Pakistan, due to its advanced planning and network readiness. Being the market leader in wireless broadband, PTCL launched 'CharJi EVO', providing our EVO community an opportunity to experience high-speed internet.

We always worked for an extensive network availability to offer high-speed Internet at affordable prices to the people of the country. One of the leading initiatives during the year 2014 was to ensure minimum speed of 4 Mbps for our broadband customers. With this, we saw a large number of customers shifting to high-speed affordable internet, coupled with WiFi availability at home, where users are provided single access point with multiple screens, bringing the family members closer to the world and each other.

This year, PTCL aggressively worked on fiberization, bringing the fiber closer to homes, buildings and customer premises. These initiatives brought a significant impact on our financial performance in the shape of growing customers and revenues from broadband services. Additionally, PTCL was proactively building strategic and long-term relationships with numerous real estate developers in the country, providing state-of-the-art fiber based services to the newly established towns.



"We strongly believe that 2015 would be another year of sustainable growth in the telecom sector and PTCL would continue to lead the industry dynamically, by addressing the growing needs of information and telecommunication sector, with share and scale that would bring tangible benefits in the daily lives of our people."

Numerous projects were completed enhancing our reach to other mobile operators by laying metro and dark fiber backhaul. As the National Leader in carrier services to all other mobile operators, we signed and invested in AAE-1 (Asia-Africa-Europe) submarine cable consortium this year, to further strengthen our network. This shall become operational in the last quarter of 2016, by landing the cable in Pakistan to cater the ever-increasing and upcoming data needs.

We are constantly working on consolidating and enhancing our position as the preferred content provider and distributor. As part of it, we are synergizing with multiple local and international content providers for the availability of top quality content in Pakistan. Our IPTV customers would witness the upgraded content through newly established OTT multiple device platform, offering real time content to multiple screens, making it an altogether transformed experience for them. These endeavors are leading us to become the largest media aggregator and distributor of the country, offering high quality legal content without the restriction of time and space.

At corporate services front, PTCL continued to build relations with large national and multinational entities to provide connectivity through managed services. Expansion of the world class data center continued to cater the ever-increasing business requirements. While digitalization emerges as the new norm in technology, aligning ourselves with this critical turn in the industry, we launched trials of cloud solutions, with software as a service for customized solutions to our commercial clients. Our strategic focus on business continuity project will strengthen our network resilience, besides helping us meet the ever growing bandwidth demand in Pakistan.

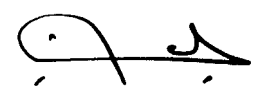
While the Federal and Provincial Governments plan to provide E-Government solutions, PTCL is well positioned and committed to partner in this venture by utilizing its portfolio of managed services, supported by an eco-system with world class data centers. We feel that this is an area of high growth potential for Pakistan,

to enhance the quality of life especially in the domain of health and education. We continue to enjoy highly consistent and conducive relationship with the Government and the regulator-PTA. PTCL being a leading partner at USF, provided services to underprivileged and remote areas.

As part of CSR, numerous initiatives were undertaken by the Company, including Illuminating Learning Movement (ILM), launched with a view to provide educational facilities to the less privileged students of the society. Under this program, PTCL offered online tutorial access to thousands of students, to help them prepare for their school, college and university entrance examinations. On a similar note, the second edition of the Triple-E Internship program was successfully carried out. This unique program was offered to hundreds of business and engineering graduates from local universities, who were selected through a transparent and rigorous merit based process, an opportunity to undergo internship of one year at PTCL.

I would personally like to thank PTCL's stakeholders; our customers, for their persistent loyalty and exhibition of faith upon us; our employees, for putting dedicated efforts for a growing PTCL; our shareholders, the Government of Pakistan, and the Etisalat for providing continuous support and sponsorship.

We strongly believe that 2015 would be another year of sustainable growth in the telecom sector and PTCL would continue to lead the industry dynamically, by addressing the growing needs of information and telecommunication sector, with share and scale that would bring tangible benefits in the daily lives of our people.



Walid Irshaid

President & Chief Executive Officer





The Vibrance of Orange

3G EVO Wingle is Pakistan's first Wi-Fi enabled USB that connects multiple Wi-Fi devices simultaneously. It encapsulates the spirit of vibrancy through power of fast connectivity & instant sharing.



DIRECTORS' REPORT

On behalf of the Board of Directors of Pakistan Telecommunication Company Limited (PTCL), we are pleased to present the annual report and the audited financial statements for the year ended December 31, 2014 together with the auditors' report thereon.

The Year 2014 proved to be another successful year for your Company as it continued to grow its subscriber base and product portfolio. Cognizant of the challenges offered by arrival of 3G/4G services, PTCL successfully launched high speed broadband services like 4 Mb DSL and CharJi EVO in the wireless segment, which enabled us to become the carrier of choice in high speed broadband regime. Our strategic alliance in the year 2014 with Dailymotion, icflix, and several TV channels positioned us to become the largest and preferred home entertainment content provider in the foreseeable future.

A brief overview of the Company's performance during the year is presented in subsequent paragraphs.

1. Industry Outlook

The launch of mobile 3G/4G services marked the year 2014 as watershed for broadband proliferation. The spectrum auction promises stimulation of economic activity through investment in infrastructure and rapid broadband growth in Pakistan. The total tele-density stands at an impressive 77% with broadband penetration at 4% only, including 3G/4G subscribers. The growth in traditional revenue streams like voice and text messaging is reaching to maturity, as the data poised to be the next wave of revenue progression.

Envisaging enormous wireless data growth potential in Pakistan, several new players entered the smartphone market, targeting all income groups with high end data features. The flux of data-enabled devices will stimulate the evolution of the whole ecosystem to a new level and we are about to witness rapid growth in content consumption. To ride this wave, PTCL launched Wifi enabled high-speed broadband dongles 'CharJi EVO', which connects several handheld devices to ultra-speed wireless internet on-the-go.

Total telecom services revenue is now approaching US \$5 billion mark per annum, with a large untapped potential. Industry growth, despite lower ARPUs (Average Revenue per User) and issues like the energy crisis, suggests a resilient telecom sector. Pakistan telecom sector is now





diversifying through solutions such as MFS (Mobile Financial Services), E-Governance and E-Health. There are nine major players competing in mobile financial services and branchless banking, from the telecom and banking sector. Intersection of large unbanked population, impressive mobile tele-density along with countrywide sale and distribution channels are the key success factors behind phenomenal growth. With several players entering the market, margins are declining, which will be offset by tremendous volume growth.

Considering the security situation in the country, Government advised all the cellular operators to initiate a countrywide SIM verification campaign, which may slow down the pace of growth but will be a modest contribution by the telecom sector for the nation towards war on terror.

PTCL leveraged its dominance in the fixed line sector to transition to data by aggressively converting voice subscribers to double and triple play. This strategy was highly successful to restrain fixed-to-mobile substitution and maintain organic growth. In wireless broadband, EVDO (Evolution-Data Optimized) maintained pressure on other wireless technologies like WiMAX, which appear to be stalled in terms of market expansion.

Ministry of Information and Telecommunication Technology is working diligently on articulating a new telecom policy to respond to emerging challenges of dynamic industry incorporating inputs from various stakeholders. The new policy is expected to stimulate the industry and to yield even more dividends for the nation.

2. Financial Performance

Your Company performed well during 2014. With 34% increase in the subscriber base of broadband segment, both wireline and wireless, corresponding revenues also increased by 34%. Subscriber base of fixed voice segment also witnessed growth during the year. Besides, revenue from Corporate Services also increased as compared to last year.

Profitability

The Company's profitability remained stable inspite of extraordinary expenses on account of a successfully completed voluntary separation scheme as well as losses due to fire and floods.

PTCL's net profit for the year was Rs. 5.2 billion mainly contributed by revenue growth as well as effective cost optimization measures, despite the exceptional expenses of Rs. 8.2 billion and Rs. 0.9 billion on account of voluntary separation scheme and loss of assets due to fire incident respectively. PTCL's Group profit after tax for the year was about Rs. 4 billion. The PTCL Group profitability during the year remained subdued mainly due to amortization of 3G license acquired by Ufone (the 100% owned subsidiary of PTCL).

PTCL's earnings per share (EPS) for the year was Rs. 1.02 whereas for PTCL Group the EPS was Rs. 0.78.

Revenues

During the year, PTCL Group revenues stood at Rs. 129.9 billion. PTCL's revenues of Rs. 81.5 billion for the year registered increase mainly on account of robust performance of broadband segment as well as sustaining the fixed line voice revenues in spite of decline in revenues from international incoming calls.

Operating Costs

Through effective cost optimization measures implemented during the year, the total operating cost for PTCL Group increased by 6% thus withstanding the inflationary pressures. Similarly, the increase in PTCL's operating expenses was 6% per annum as well. Of these, the cost of services of Rs. 55.7 billion increased by 5%, administrative and general expenses of Rs. 9.9 billion increased by 8% and selling and marketing expenses of Rs. 3.3 billion increased by 13% as compared to last year. Salaries, allowances and other benefits; foreign operators' cost and satellite charges; depreciation on property, plant and equipment; amortization of intangible assets; fuel and power and store, spares and loose

tools consumed were the main constituents of the operating expenses.

Dividends and Appropriations

For the year under review, the Directors have recommended a final cash dividend of 15% (Rs. 1.5 per share) which is in addition to the interim cash dividend of 10% (Re. 1.0 per share). The total dividends for the year thus stood at 25% (Rs. 2.5 per share) as compared to dividends of 20% (Rs. 2.0 per share) for 2013.

For the loss of assets due to fire and floods incurred during the year, an amount of Rs. 1.0 billion was utilized from the insurance reserve. Also, the income of Rs. 0.3 billion earned on insurance reserve funds was transferred from unappropriated profits to the insurance reserve.

Other Matters

Your attention is drawn to note 12.10 of PTCL's financial statements as well as note 17.10 of the consolidated financial statements for the year, which contains the information and explanation regarding certain litigation cases as highlighted by external auditors in their audit reports.

3. Product & Services

In 2014, your Company continued its growth trajectory with further improvements in its product portfolio and better service offerings. During the year, the Company strengthened its data business and offered higher speeds and unmatched downloads to the customers. Introduction of the plans like '4 Mbps for all' and 'CharJi EVO' devices with ultra-high-speed upto 36Mbps (Megabit per second) helped your Company grow its retail subscriber base as well

as related revenues. Your Company improved its touch points with customers, offering ease to do business.

The sections below share an overview of different segments of your Company's rich products and services in 2014.

Retail Services

Wireline Business

The Year 2014 was remarkably successful; for both landline and broadband as the pertinent subscriber base witnessed 11% increase



of which broadband customer base grew by 24% to 1.44 million, with 27% increase in the revenues. This remarkable performance was achieved on account of higher data rate offerings, strategic pricing, and introduction of new product variants, package upgrade promotions and creative win-back campaigns.

Further to the successful launch of 'Broadband 4 Mbps for All' campaign on 23rd March 2014, your Company introduced 2Mbps economy package, 8Mbps capped package and two new-capped flavors of 4Mbps to suit the needs of its diversified customer base. Besides these innovative packages, data rate upgrade campaigns proved instrumental for ARPU enhancement. These upgrade campaigns feature high-speed, ranging from 1Mbps to 8Mbps, without any extra charges for a limited time, so that the customers can

avail the opportunity to experience enhanced quality of service.

Featuring voice and data discounts, the 'summer promo' was launched to gain new subscriptions, and the 'reconnect campaign' was introduced to win back churned customers. Both these campaigns yielded fruitful results. Attractive revisions in pricing for international tariff of strategic zone-1 destinations also helped in increasing international outgoing traffic and revenue. Moreover, Vfone customers in certain cities were given the opportunity to migrate onto the wireline network availing special offers.

Wireless Business

The wireless broadband segment witnessed phenomenal growth during 2014. Numerous rewarding initiatives were undertaken with sustainable value creation. A meticulous understanding of the competitive landscape led to the launch of several aggressive campaigns focusing on attractive offerings, designed to significantly boost the wireless active customer base and consolidating the subscriber retention. As a result, the 'EVO' subscribers' base grew by 46% to over one million customers with 50% increase in corresponding revenues.

In June 2014, your Company launched 'CharJi EVO', a next generation wireless broadband, providing speed up to 36 Mbps in Karachi, Lahore, Rawalpindi and Islamabad. PTCL also launched the innovative sleek and portable, 'EVO Nitro Cloud-Share' device allowing users to share the contents on their MicroSD Cards



with friends and family at the click of a button.

Besides successfully launching the 'Happy Times offer', which helped to gain the sizable new customers, the 'Reconnect Offer' also helped to recapture significant churned subscribers. Similarly, 'EVO Summer Offer' as well as the 'Wingle Winter' promo managed to increase subscriber base with their appealing discount offerings.

On the foot print side, 1900 MHz services were launched at Peshawar, in September 2014, providing access to improved data rates and high-speed wireless internet access for major urban areas of KPK (Khyber Pakhtunkhwa) province. The launch was coupled with the introduction of EVO Wingle 9.3 Mbps and Nitro Cloud devices.

Furthermore, additional payment channels viz 1Link, Mobicash and PTCL online portal were introduced for enriched customer experience.

Smart TV

During the Year 2014, the 'Smart TV' service continued to deliver remarkable performance with 65% growth in subscriber base and 70% increase in revenues. PTCL is forging ahead to become the leading entertainment and video content provider in the Country. In this regard, several strategic initiatives were undertaken, the most significant of which was the transformation of IP-based Smart TV into the next generation hybrid IPTV (Internet Protocol television) and Video OTT (over-the-top) platform. The new platform will enable live TV and VoD (video on demand) viewing on any smart device connected to PTCL's internet service such as smart phones, tablets, laptops, smart TVs, etc. In other words, PTCL is bringing video on-the-go to the nation, anytime anywhere. With the availability of 3G/4G, video OTT service is well poised to be a remarkable success.

In the realm of video services, your Company entered into several strategic alliances, developing the required ecosystem to become the leading entertainment and video content provider. In this regard, PTCL established partnerships with Dailymotion, icflix, Spell

Movies and several TV channels to allow audience to access richer contents enabling a superior viewing experience.

Carrier and Wholesale Services

PTCL is the only fully integrated telecommunication services provider in Pakistan, well positioned to take advantage of the increasing opportunities in the telecommunications market as new dynamics evolve and the industry expands further. Being cognizant of the emerging opportunities, your Company is prudently developing required capabilities to timely avail the benefits thereof.

In the wake of 3G/4G services launched by the mobile operators, PTCL emerged as the leading provider of IP (Internet Protocol) bandwidth for the cellular partners. The inclusion of Wi-Fi Hotspots, Managed Colocation Services, Tower Leasing and IP-centric business products make PTCL well positioned to capture additional opportunities in the carrier services market.

As the telecom industry edges towards convergence of fixed and mobile communications with internet and entertainment assuming central role, your Company is well poised to avail the strategic competitive advantage by offering integrated products and services to its carrier partners.

International Business

Based on its robust network capabilities and aggressive business approach, your Company continued to maintain its leadership position, as the preferred LDI (Long Distance Interconnect) Carrier in the domestic market as well as the neighboring countries for international

traffic and media provisioning. Despite stiff competition in offering IP (Internet Protocol) transit service to the neighboring countries, PTCL was able to sustain its revenue by offering bundled products.

Faced with the uncertainties relating to ICH regime, efforts were made on aggregating international transit business for Afghanistan, Middle East and South East Asia and vice-versa for terminating around/from the Globe. Further, your Company was able to reduce foreign operators cost through better negotiations and traffic routing measures. In this regard, an automated billing and routing solution is being procured by PTCL.

Additional IP bandwidth was procured with further reduction in cost per unit, achieved through aggressive negotiations, thereby reducing total out payments. Furthermore, through bulk selling in international markets, your Company was able to sustain revenue in international bandwidth sales. To ensure IP/IPLC services availability, IP Bandwidth procurement was diversified on existing three submarine cables namely I-ME-WE, SEA-ME-WE-3 and SEA-ME-WE-4. PTCL is the only telecom operator in Pakistan having a network of three redundant and resilient submarine cable systems, offering the customers a better quality of services. Additionally, PTCL along with 17 international telecommunication carriers signed ultra-high capacity international submarine cable system namely Asia-Africa-Europe-1 (AAE-1) Cable to meet the increasing bandwidth requirements of its customers.

Corporate Services

Digital services remained a prime focus of your Company in line with the global trends, given the segment's growth potential. Your Company continued emphasizing on this market opportunity and expanded the customer base during the year under review. The Company's approach of extending one window solution for all telecom needs provided rich dividends, in the shape of gaining access to ICT (Information



and Communications Technology) projects, through collaborative partnerships.

SMEs (Small and medium-sized enterprises) represent a sizeable market opportunity for the Company. A significant headway was made in developing and focusing on the segment by introducing appropriate products and solutions. Several new products and solutions were introduced to address the vast spectrum of customer needs including M2M (machine-to-machine) smart metering, building management solutions, managed Wi-Fi product and smart video (a premium yet affordable video conferencing product).

As part of cloud service, your Company offers SaaS (Software as a service) to its customers. For this, a strategic relationship was established with NEC—a leading enabler of SaaS for telecom operators. PTCL is the only Company in Pakistan that has three world-class Tier- 3 plus data centers in Pakistan. Leveraging these data centers with their differential services in tandem with the strategic alliance with NEC, your Company will start offering world-class applications and software solutions to both business customers and consumers.

4. Support Functions

Network Infrastructure

The Year 2014 was marked as significant in terms of network expansion and upgradation. The capacity was increased for both short

haul and long haul networks, aligning with the business strategy of growth focusing more on data. About 290K broadband ports were added in the network through MSAGs (Multiservice Access Gateways) and MSANs (Multiservice Access Networks), which enabled your Company to pursue successfully the business strategy of providing '4 Mbps for all' speed to our valuable broadband customers.

With a futuristic approach, catering to ever-increasing data requirements of the PTCL's multimedia and broadband customers, transmission media capacity was significantly enhanced. Keeping this long view in perspective, your Company became part of the consortium to acquire new international submarine cable connectivity as AAE-1(Asia-Africa-Europe-1) that will provide capacity in the range of 2 Tbps, along with increasing the existing capacity of internet gateways from 200 Gbps to 300 Gbps, meeting the future demands of international traffic.

Wireless broadband network witnessed a significant capacity upgrade during the year 2014 which comprised of deployment of 428 new BTSs (Base Transceiver Stations) for EVOs and upgradation of 1,100 BTSs in four cities for 'CharJi EVO' service. In addition, new opportunities were proactively explored in 3G/4G business, by offering the Company's infrastructure to different CMOs (Cellular Mobile Operators) for BTS backhaul and transmission media on fiber network.

Alongside, to enhance our customers' experience of enjoying PTCL's quality services, state-of-the-art 'First Class Broadband Centers' were established country-wide to facilitate broadband customers regarding their complaints and providing fast track solutions. On the power side, frugally innovative solutions were put in place that include the deployment of auto transfer switches, fast charging battery solutions, solar equipment, etc.

During the year, PTCL met with an unfortunate fire incident at Egerton Road Exchange Lahore. In that challenging time, the tireless efforts

of your Company's dedicated employees managed to restore the services in minimal possible time by shifting connectivity and load to other geo-redundant nodes and sites. PTCL endeavored to enhance its HSE (Health, Safety and Environment) capabilities. These include third party HSE assessment, recruitment of an HSE expert, and further augmentation of safety equipment.

Information Technology

Information technology is a key lever in all business critical areas that includes business analytics, mission critical applications and customers. In regard to business analytics your Company designed, developed and rolled-out state-of-the-art 'Data Warehouse & Analytics' solution. This provided profound impetus to business intelligence enhancing PTCL's capability to timely respond to critical business variables in the best interest of its customers.

As an integral part of business operations, timeliness with quality were a key feature in developing and integrating products and services such as CharJi EVO, Video OTT, Data Centre, DRS (Digital Radio Service), Smart Link, MPLS (Multiprotocol Label Switching) and icflix. The TTM (Time to Market) for launching these products and services is in alignment with business requirements.

As the customer facilitation holds foremost priority, two key projects were undertaken

during the year by your Company. CRM (Customer Relationship Management) Project was rolled-out as the first wave comprising triple play products, aiming at bringing efficiency and effectiveness in 'Order Management' that results in fast service provisioning to the valued customers. The second key initiative of 'On Line Bill Payment' was put in place that enabled the IT systems to collect payments through debit and credit cards by using the Etisalat Payment Gateway. As part of the enablement, the PTCL Corporate Website and self-care portal (my PTCL) were successfully redesigned to enhance users' experience.

Cognizant of business continuity imperatives, a complete replica was developed and tested for business critical IT systems like CRM, billing and email archiving and upgrading the capacity to avert the disaster at primary set-up ensuring seamless business continuity. Besides enabling E-Government applications, a considerable improvement was made with regard to information security processes through Vulnerability Management Software.

Human Resources

PTCL's human resources function continued to play a pivotal role as part of the organization's value chain by instituting a mechanism for change across the Company. The function provided necessary support to its counterparts to deliver highest level of service and excellence. This process commenced through an objective



analysis of the business requirements and challenges, framing a comprehensive HR strategy for the period 2014-15.

Keeping an eye on the rapidly morphing technological developments and the ensuing war for talent, a number of initiatives were undertaken to take HR to the next level. These included the roll-out of a comprehensive transformation program, titled “Living PTCL Values”, across the entire organization aimed at creating a growth-led, value-based culture. Similarly, PTCL became the first organization in the Country to commission the most modern and state-of-the-art HCM (Human Capital Management) system called ‘Success Factors’ that provides employees with online access to HR best practices and systems, leading to enhanced business results through org-alignment, optimization of performance, and building competitive advantage through people.

During the year 2014, a lucrative VSS (Voluntary Separation Scheme) was offered to those employees, whose skill-sets lagged behind the current business needs. The eligible employees opted on their own will. The package was centered on the proposition of care and welfare of people. The financial compensation was satisfactorily rewarding, coupled with post VSS support in the shape of trainings, financial advisory and out placements. As a result, around three thousand people departed availing the scheme.

Additionally, PTCL attained ISO 9001:2008 and WWF Green Office Certifications due to an enhanced service delivery to its staff, which provides the employees with an enabling and safe working environment. The latter certification placed PTCL amongst the selected group of elite local and multi-national companies that acquired this distinction from the World Wide Fund for Nature, Finland.

Marketing and Communication

In the year 2014, your Company continued to enhance its brand image through marketing and communications activities in furtherance



of its business objectives. The boundaries of creativity and innovation were stretched and brand equity of the master brand enhanced perceptibly.

The pace for the year was set with the nationwide campaign marking 4 Mbps as benchmark speed, followed by various promotional drives aimed at satiating the customers' ever-growing need for data speed, including Charji EVO launch, introduction of 8 Mbps broadband package, Nitro Cloud Share, and Wingle launch across the KPK province. Win-back and upgrade campaigns were also launched to enhance brand loyalty and customer retention. Also, PTCL's footprint in the cyberspace grew visibly through a focus on digital marketing, allowing the customers to interact more conveniently.

These measures ensured PTCL's brand presence on all mainstream media enhancing the visibility of the brand and its products, as well as ensuring customers' recall value and a constant 'Share of Voice' for them. This was coupled with the strategic placement of the Company's news and events in the media,

along with creating various media engagement opportunities for PTCL's management. All these activities hovered around the underlying theme of ensuring proactive image building and perception management for PTCL's brand equity.

In terms of connecting to the society at large and reaching out to the fellow countrymen in their hour of distress, a specially designed campaign was launched on the birthday of the Father of the Nation, titled 'Our Future-Our Children'. This TVC (television commercial) depicted the Company's solidarity with the nation in the wake of a ghastly terrorist attack on a school in Peshawar, and was a reminder of the nation's resolve to hold on to the Quaid's message of unity, faith and discipline.

Customer Care

Customer care has always been at the front and center of the strategic priorities of your Company. In this direction, PTCL revamped the official website, making it more customer centric and user friendly. Customers can now use it as a self-care portal and can perform a number of activities including new Service Order, Online Bill View, Payment and download tutorial videos etc. Alongside, your Company is in the process of implementing CVM (Customer Value Management) concept, where customers will be approached with tailor-made marketing campaigns based on their usage pattern. Furthermore, the E-bill facility provided to customers increased customer facilitation.

Your Company is in continual engagement with the customers sending notifications on different occasions like Service Anniversary,



Eid days and National Days etc. Given the prime focus on the delivery of quality services to the valued customers at all touch points, PTCL regularly conducts mystery shopping at OSS (One Stop Shop). Your Company puts a special focus on strengthening the customers' feedback channels, which is looped back in devising training programs for concerned staff, amending existing processes and content at front and back-end offices.

In regard to contact centers, a noteworthy initiative taken during the year was the introduction of a ONE IVR (Interactive Voice Response) across all helplines where customers get a standardized and improved selection menu for new service orders and complaints. Moreover, in order to answer the customers' upfront billing queries, Billing IVR (1200) was totally revamped, making it more convenient for the customers to get their billing details. Customer care through digital medium also remained a key focus in serving multimedia and broadband customers. The Contact Center team developed 19 self-help videos to serve the configuration needs of broadband customers. Also, new service orders were generated through telesales and inbound channels utilizing up-selling and cross-selling techniques. Your Company share with pride that the contact centers also achieved ISO 9001:2008 certification-in 2014, which affirms PTCL's commitment to put in place customer-friendly processes at this critical customer touch point.

Regulatory Affairs

As required by the regulators, your Company actively participated in the Telecommunication Policy Review process under the auspices of the Ministry of Information Technology and Telecommunications (IT&T). PTCL equipped its sales channels with an online verification system for sales of wireless broadband services (EVO), in the wake of prevailing security situation in the Country. In line with the previous year's performance, your Company successfully achieved significant progress with respect to USF (Universal Service Fund) projects through receipt of subsidy of Rs. 2.1 Billion during the year.

Quality Assurance

During the year 2014, your Company received numerous Quality ISO certifications in order to enhance QoS (Quality of service) and customer satisfaction, including three OSS (One-Stop-Shop). This includes ISO 9001:2008 certification for Bahria Town Exchange (Islamabad), making it the first ISO compliant PTCL exchange in Pakistan. Going forward, latest methodologies for QoS and customer satisfaction are being introduced for continual improvement of customer service including assessment of performance on the basis of SERVQUAL and analysis of KPIs through basic Six Sigma DMAIC techniques.

5. Corporate Social Responsibility

On the CSR (Corporate Social Responsibility) front, your Company lived up to its reputation of being a conscientious corporate citizen. Whether it was the plight of the drought-stricken people from Thar or the misfortune of the internally displaced persons fighting the devastation wreaked by terrorism, PTCL remained at the forefront in responding to fellow countrymen. PTCL's initiatives included significant financial contributions towards rehabilitation as well as providing medical help. Similarly, in the time when seasonal floods unleashed havoc across large swathes of Central and Southern Punjab, PTCL took upon itself to lend a helping hand to its



brethren in their hour of need. Besides making substantial contributions in the form of food rations, the Company also managed to put in place medical camps to ensure that the people were provided with necessary medical help.

Similarly, on the education and knowledge front, PTCL maintained its tradition of being a leader on the national corporate scene. The highlight of the Company's numerous programs on this count was the mega initiative under the banner of Illuminating Learning Movement (ILM) that was launched with a view to provide educational facilities to the less privileged segments of the society. Under this program, PTCL offered online tutorial access to 5,000 students, to help them prepare for their school, college, and university entrance examinations.

On a similar note, the second edition of the Triple-E Internship program was successfully carried-out. This unique program offered business and engineering graduates from local universities- who were selected through a transparent and rigorous merit-based process- an opportunity to undergo internship of one year at PTCL. The magnitude of this program can be gauged by the fact that under its auspices a total of 500 students were provided this internship facility. The main idea behind this program was to provide on-job practical experience of the corporate world, polishing their professional skills while getting paid a handsome stipend. The real-time corporate environment and world-class systems at PTCL

offer a unique chance for the youth to get themselves grounded in the practicalities of the actual business environment.

In order to raise awareness about the environmental issues and make people realize the importance of a green environment, the Company also organized an Eco Walk in the Margalla Hills in collaboration with the CDA (Capital Development Authority). The walk, attended by a large number of students and faculty members from the local universities as well as PTCL employees, turned out to be a good learning session. Eminent experts of the country held forth on the various environmental issues affecting the planet and PTCL's role in combating these threats so as to bequeath a sustainable and safe environment for future generations.

In order to further emphasize the message of a clean environment among PTCL employees, your Company launched Operation Clean Sweep that was carried out across all the installations of the Company, including office buildings, exchanges, stores, etc. The drive was aimed at promoting the underlying idea that cleanliness is an attitude that originates from one's mindset and is not hindered by funds or resources. Through this campaign, all the employees were encouraged to be accountable for upkeep and cleanliness of the environment, and take ownership of their respective spheres of responsibility.

6. Subsidiaries

Pak Telecom Mobile Limited- Ufone

The Year 2014 brought numerous challenges and opportunities for the Mobile Cellular Industry. The challenges came in the form of changing economic, political and regulatory



environment. Much awaited 3G licenses were auctioned by the Government of Pakistan in May 2014. Ufone actively took part in the auction and was successfully awarded the 3G license.

In light of the expected 3G spectrum auction, Ufone proactively focused on overall organizational preparedness for the challenges and launched a drive for early network readiness back in late 2013. The Company made its network ready for 3G trial and commercial launch well before the license auction. With its reputation as the premier operator in Pakistan, Ufone was the first to offer 3G trial to its customers. Furthermore, Ufone was also the first operator to commercially launch 3G services and products in top 10 cities of Pakistan. After the commercial launch, Ufone continued to expand its 3G coverage, which currently spread over 27 cities nationwide.

3G commercial launch was preceded by an aggressive marketing campaign to raise awareness of 3G among subscribers. Considering the importance of penetration in data market, a number of data packages and hybrid bundles were launched, which instantly gained success.

Before the advent of 3G, Pakistan's 3G handset penetration stood at 13% which is still hovering at 17% at best estimate. 3G is slowly making inroads into people's daily lives and the biggest barrier to entry in the mass segment is the affordability of 3G enabled smartphone. To cater

to this, Ufone introduced a 3G smartphone through various vendors on Android Jelly Bean platform (upgradeable to Android Kit Kat) with 1.2 GHz quad-core processor for the mass market, at an affordable price of Rs. 5,999. With ample advertising support and strong distribution, the device proved to be an instant success as the initial lot was sold within the first week.

Biometric verification of subscribers was introduced by the Government of Pakistan during the year to increase checks on the issuance of SIMs, as part of its Anti-terrorism policy. Ufone, with the help of its capable IT department, joined hands with the Government and launched Biometric Verification Systems well within the agreed timelines across all of its sales channels.

In the backdrop of continuing power crises in the country, Ufone was at the forefront of the Green Revolution in the local industry for the last few years and was implementing innovative hybrid power solutions. These, on one hand helped overcoming the frequent power outages besides helped in decreasing carbon footprints. Ufone's efforts in this regard were recognized by Etisalat Group and the Company was awarded the "Best OpCo for Go Green Implementation" at the 2014 Mobile World Congress in Barcelona in February 2014.

Ufone continued to launch various successful packages during the year under review. In a period when 3G was the focus of attention for all operators, Ufone launched 'Super Card', which is an industry changing recharge platform. Instead of airtime recharge, subscribers directly get free minutes (both on-net and off-net), SMS and data for 30 days on loading of Rs. 499. This not only provided a one-window simple solution for the customers but also helped in allaying the perception related issues of less visible charging elements. This first-of-its-kind product showed a strong uptake in the market and Ufone plans to use the platform to get multiple variants of the product in the market. We believe that this can be a stepping stone to gain strength in numerous businesses such as IDD, data, VAS etc.

Ufone, being a responsible corporate citizen of the Country, collaborated with the Buksh Foundation, a microfinance organization, to bring convenience through electricity by becoming a part of the 'Lighting a Million Lives' campaign. The pilot project was completed in two villages in Chiniot i.e. Thata Deva and Kalas. Through this campaign Ufone facilitated the access and use of solar lighting devices among these rural communities. Solar charging station with five solar panels and five junction boxes was set-up and lanterns were distributed amongst households to be recharged through the solar panels. This initiative removed the need for Kerosene oil lamps and therefore reduced the carbon emissions into the atmosphere. The campaign helped in empowering women, as these stations were run by women, where they performed duties as the incharge of renting-out and selling equipment at the charging stations. Ufone also participated in flood relief efforts, helped in facilitation of IDPs and took part in relief operations in famine hit Tharparker.

U Microfinance Bank Limited- Ubank

In the year 2014, U Microfinance Bank Limited, a 100% owned subsidiary of PTCL, continued to provide micro finance and branchless banking services to its customers. The bank successfully executed an agreement of branchless banking services with the National Bank of Pakistan (NBP), one of the largest Banks in Pakistan, opening doors of U-paisa services to approximately 8 million customers of the NBP. Customers of NBP will be able



to use the U-paisa for branchless banking services related to funds transfers, utility bill payments and all other allied services.

MOUs (Memorandum of Understanding) were executed with two financial institutions during 2014 through which the customers of these financial institutions will be provided with the facility to utilize U-paisa for branchless banking.

U-paisa ATM debit card, powered by Union Pay International was launched during 2014. The Bank entered into a strategic partnership with Union Pay International for the U-paisa debit card. Through this strategic alliance, U-paisa debit card became acceptable at all outlets where Union Pay International had its retail network agreement.

JCR - VIS upgraded the credit rating of the bank from BBB+ to A- based on its credit rating methodology. 'U-paisa' branchless banking services were available at over 25,000 outlets across Pakistan at the year-end 2014, through which the customers were enabled to transfer funds, pay utility bills and make donations. The bank has 25 fully functional branches at the year-end 2014.

7. Financial Reporting Framework

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 presents 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 judgement.
- 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 listed regulations.
- 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. 84.0 billion at December 31, 2014 (December 31, 2013: Rs. 72.9 billion).
- No certification under Directors' Training Program was arranged during the period, however presentation to newly appointed Directors were given to acquaint them with the relevant laws and their responsibilities.

Auditors (A post-dated item)

The Auditors, Messrs A. F. Ferguson & Co., Chartered Accountants were appointed as auditors of the Company for the year ended December 31, 2014 and will stand retired on

the conclusion of upcoming Annual General Meeting (AGM). The retiring auditors have been engaged with the Company for more than a period of fifteen years with rotation of engagement partners as per the requirement of the Code of Corporate Governance. Shareholders of the Company have served notices for appointment of M/s Deloitte Touche Tohmatsu Limited as auditors of PTCL for the financial year 2015 through its member firm M/s Yousuf Adil Saleem & Co., Chartered Accountants in Pakistan, in place of retiring auditors M/s A.F. Fergusons & Co., Chartered Accountants. The notice of the shareholders is part of this report and appeared after the notice of the AGM. On the basis of Audit Committee's suggestion, in a subsequent meeting held in March 2015, the Board has recommended the appointment of M/s M. Yousuf Adil Saleem & Co. Chartered Accountants, representing Deloitte Touche Tohmatsu Limited in Pakistan as the Auditors of the Company for the year 2015, for the shareholders' approval at the next AGM to be held on April 28, 2015.

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

8. Challenges and Way Forward

As the industry enters the 3G/4G era, the dynamics of the competitive landscape are bound to change. All operators are investing in infrastructure aggressively with an advantage of potentially large subscriber base and globally tested superior ecosystem.

PTCL is positioning itself to maintain revenue growth and profitability in the changing environment. With the introduction of Charji and high-speed DSL, the risk of customer migration was largely mitigated. As a result of an ambitious investment program, PTCL is not only expanding geographically, but also in terms of products, services and quality of experience.

Being the only integrated ICT service provider, PTCL is striving to maintain its competitive edge in the corporate segment. PTCL plans to stride beyond the traditional connectivity provider by offering 21st century ICT services. To fulfill your Company's role as a national player, PTCL is working to uplift the current state of digitization in the Country. PTCL's certified data center, domestic and international MPLS services and telepresence are few out of the many futuristic platforms which will be the critical building blocks of the emerging data ecosystem of the country's ICT market. Pakistan's telecom market is very lucrative and PTCL Group is well positioned to harvest the potential of the industry and uplift the nation through leading the digitization revolution.

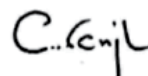
PTCL remains committed to be the most preferred entertainment content provider by leveraging high-speed broadband network and outreach.

9. Acknowledgements

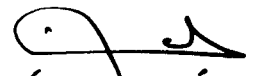
The Board of Directors of the Company would like to thank all our customers, suppliers, contractors, service providers, stakeholders and shareholders for their continued support.

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.

On behalf of the Board of Directors



Azmat Ali Ranjha
Chairman PTCL Board



Walid Irshaid
President & Chief Executive Officer

Islamabad: February 10, 2015

COMPOSITION OF AUDIT COMMITTEE

Members Audit Committee

Mr. Serkan Okandan	Chairman
Mr. Abdulrahim A. Al Nooryani	
Sardar Ahmad Nawaz Sukhera	Members
Mr. Mudassar Hussain	
Mr. Javier Garcia	
Farah Qamar	Secretary

Attendance of PTCL Board Members

Total 06 Meetings of the Audit Committee were held during the Financial Year ended December 31, 2014

Sr.#	Name of Directors-Members of Audit Committee during FY-2014	Attendance of Directors-Members of the Committee during FY-2014
1	Mr. Serkan Okandan	6
2	Mr. Abdulrahim A. Al Nooryani	6
3	Mr. Yasir Qadir	2
	Mr. Mudassar Hussain	4

Functions of Audit Committee

Assists the Board of Directors in approving Company's financial statements and appointment of External Auditors. Reviews the scope of internal control, monitors statutory compliances, determines the appropriate measures to safeguard 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

Members HR & R Committee

Mr. Abdulrahim A. Al Nooryani	Chairman
Mr. Serkan Okandan	
Mr. Rainer Rathgeber	Members
Sardar Ahmad Nawaz Sukhera	
Mr. Mudassar Hussain	
Farah Qamar	Secretary

Attendance of PTCL Board Members

Total 03 Meetings of the HR & R Committee were held during the Financial Year ended December 31, 2014

Sr.#	Name of Directors- Members of HR & R Committee during FY-2014	Attendance of Directors- Members of the Committee during FY-2014
1	Mr. Abdulrahim A. Al Nooryani	3
2	Mr. Fadhil Al Ansari	1
3	Dr. Daniel Ritz	2
4	Mr. Serkan Okandan	3
5	Sardar Ahmad Nawaz Sukhera	2
6	Mr. Yasir Qadir	1
	Mr. Mudassar Hussain	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

Attendance of PTCL Board Members

Total 07 Board Meetings were held during the Financial Year ended December 31, 2014

Sr. #	Name of Director		Attendance
1	Mr. Akhlaq Ahmad Tarar (Resigned in July 2014)	Chairman	4
	Mr. Azmat Ali Ranjha		3
2	Mr. Abdulrahim A. Al Nooryani	Member	7
3	Dr. Waqar Masood Khan	Member	6
4	Mr. Serkan Okandan	Member	7
5	Mr. Amjad Ali Khan (Resigned in July 2014)	Member	1
	Sardar Ahmad Nawaz Sukhera		3
6	Mr. Fadhil Al Ansari	Member	6
7	Dr. Daniel Ritz	Member	7
8	Mr. Yasir Qadir (Resigned in April 2014)	Member	3
	Mr. Mudassar Hussain		4
9	Mr. Jamal Saif Al Jarwan (Resigned in July 2014)	Member	4
	Mr. Rainer Rathgeber		3





The Energy of Red

Smart TV, a state-of-the-art service that brings energy to the customer's viewing experience through its high definition transmission quality, unique pause, rewind feature & rich media content



PAKISTAN TELECOMMUNICATION COMPANY LIMITED

STATEMENT OF COMPLIANCE WITH THE CODE OF CORPORATE GOVERNANCE FOR THE YEAR ENDED DECEMBER 31, 2014.

This statement is being presented to comply with the Code of Corporate Governance (CCG) contained in Regulation No. 5.19 of the Rule Book of Karachi Stock Exchange Limited and Regulation No. 35 of listing regulations of the Lahore & Islamabad Stock Exchanges 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 following manner:

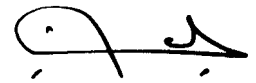
1. The Board of Directors ('the Board') comprises of nine Members. Pursuant to the provisions of the Share Purchase Agreement effected as per the provisions of the Privatization Commission Ordinance, 2000, between Government of Pakistan (GoP) and the Strategic Investor, as well as under the Articles of Association of the Company, the GoP nominates four (04) Members on the Board of the Company while Etisalat International Pakistan (EIP)-Strategic Investor nominates five (05) Members. The afore-said constitution of PTCL Board is covered under the proviso to the clause of 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 resident Directors of the Company are registered as taxpayers and none of them has defaulted in payment of any loan to a banking company, a DFI or an NBFIs 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 April 22 & July 15, 2014 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 (CEO) 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. No certification under Directors' Training Program was arranged during the year, however presentation to newly appointed Directors were given to acquaint them with the relevant laws and their responsibilities.
10. The Board has approved appointment of Chief Financial Officer (CFO), Company Secretary and Head of Internal Audit, including their remuneration and terms and conditions of employment. However, only Head of Internal Audit was appointed and there were no new appointments of CFO and Company Secretary during the period under review.
11. The Directors' report for this year 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 the CEO and the CFO before approval of the Board.
13. The Directors, the CEO 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 five members and all Directors who are members including the Chairman of the Committee are non-executive Directors.
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 a Human Resource and Remuneration Committee. Five (05) 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.



Islamabad;
February 10, 2015

Walid Irshaid
President & Chief Executive Officer



AUDITORS REVIEW REPORT TO THE MEMBERS

ON STATEMENT OF COMPLIANCE WITH BEST PRACTICES OF CODE OF CORPORATE GOVERNANCE

We have reviewed the enclosed Statement of Compliance (the Statement) with the best practices contained in the Code of Corporate Governance (the Code) prepared by the Board of Directors of Pakistan Telecommunication Company Limited (the Company) for the year ended December 31, 2014 to comply with the requirements of Listing Regulation No 35 of the respective Stock Exchanges 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 reflects the status of the Company's compliance with the provisions of the Code and report if it does not and to highlight any non-compliance with the requirements of the Code. A review is limited primarily to inquiries of the Company's personnel and review of various documents prepared by the Company to comply with the Code.

As a part of our audit of the 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.

The Code requires the Company to place before the Audit Committee, and upon recommendation of the Audit Committee, place before the Board for their review and approval its 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 and recording proper justification for using such alternate pricing mechanism. We are only required and have ensured compliance of this requirement to the extent of the approval of the 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 does not appropriately reflect the Company's compliance, in all material respects, with the best practices contained in the Code as applicable to the Company for the year ended December 31, 2014.

Further, we noted a non-compliance with the requirement of the Code as referred to in paragraph 9 of the Statement, that no certification under Directors' Training Program was arranged during the year, however presentation to newly appointed Directors was given to acquaint them with the relevant laws and their responsibilities.

A.F. Ferguson & Co.

Chartered Accountants

Islamabad: February 10, 2015

Engagement Partner: S. Haider Abbas



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