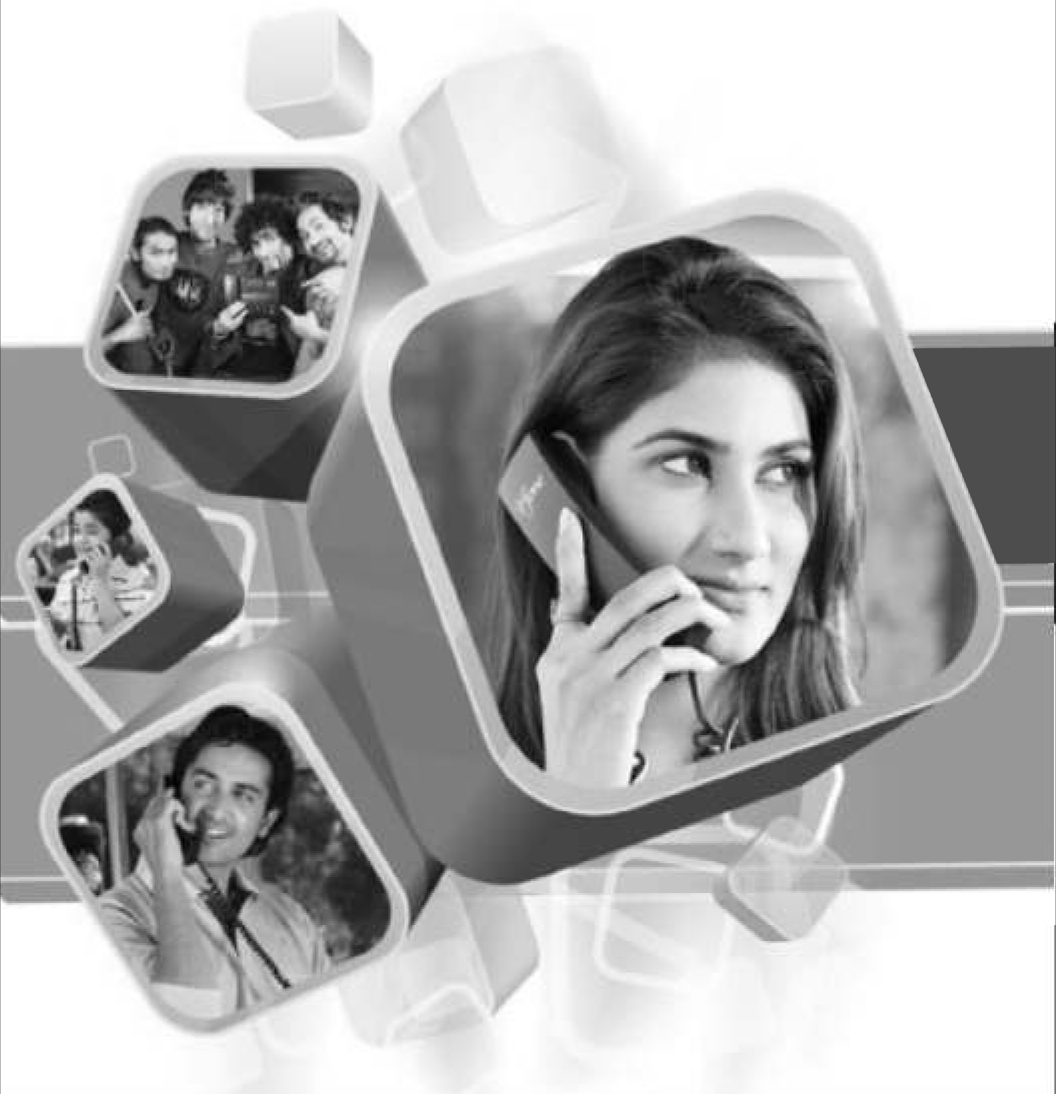
3rd Quarter Report

March 31, 2011



Pakistan Telecommunication Company Limited

CONTENTS

Board of Directors

Saeed Ahmad Khan
Chairman PTCL Board
Secretary (IT & Telecom Division)
Ministry of Information Technology
Government of Pakistan
Islamabad.

Abdulrahim A. Al Nooryani
Chairman & Chief Executive Officer
Etisalat International Pakistan L.L.C
Executive Vice President (Contracts & Administration)
Etisalat, UAE.

Dr. Waqar Masood Khan
Secretary (Finance)
Ministry of Finance
Government of Pakistan
Islamabad.

Abdulaziz A. Al Sawaleh
Chief Human Resources Officer
Etisalat, UAE.

Jamil Ahmed Khan
Ambassador
Embassy of Pakistan
Abu Dhabi, UAE.

Fadhil Al Ansari
Executive Vice President (Engineering)
Etisalat, UAE.

Mushtaq Ahmad Bhatti
Member (Telecom)
Ministry of Information Technology
Government of Pakistan
Islamabad.

Abdulaziz H. Taryam
General Manager (Northern Emirates)
Etisalat, UAE.

Dr. Ahmed Al Jarwan
General Manager/eRE
Etisalat, UAE.

Farah Qamar
Company Secretary

Corporate Information

Management

Walid Irshaid
President & Chief Executive Officer

Muhammad Nehmatullah Toor
SEVP (Finance) / CFO

Syed Mazhar Hussain
SEVP (HR / Admin & Procurement)

Sikandar Naqi
SEVP (Corporate Development)

Naveed Saeed
SEVP (Commercial)

Muhammad Nasrullah
Chief Technical Officer (CTO)

Abdulla Yousef
SEVP (Business Zone South)

Hamid Farooq
SEVP (Business Development)

Javed Mushtaq
Chief Information Officer (CIO)

Nasir Iqbal
Acting SEVP (Business Zone Central)

Company Secretary

Farah Qamar

Legal Affairs

Zahida Awan
Ghulam Mustafa

Bankers

Allied Bank Limited
Askari Bank Limited
Bank Alfalah Limited
Bank Al Habib Limited
Citibank, N.A.
Dubai Islamic Bank
Faysal Bank Limited
Habib Metropolitan Bank Limited
MCB Bank Limited
Meezan Bank Limited
National Bank of Pakistan
NIB Bank Limited
Silkbank Limited
SME Bank Limited
Standard Chartered Bank (Pakistan) Limited
The Bank of Punjab
United Bank Limited

Auditors

A.F. Ferguson & Co.
Chartered Accountants

Ernst & Young Ford Rhodes Sidat Hyder
Chartered Accountants

Registered Office

PTCL Headquarters, Sector G-8/4,
Islamabad-44000, Pakistan.
Tel: +92-51-2263732 & 34
Fax: +92-51-2263733
E-mail: company.secretary@ptcl.net.pk
Web: www.ptcl.com.pk

Share Registrar

M/s FAMCO Associates (Pvt.) Limited
Ground Floor,
State Life Building No. 1-A,
I.I. Chundrigar Road, Karachi - 74000
Pakistan.
Tel: +92-21-32422344, 32467406 &
32420755
Fax: +92-21-32428310

Directors' Report

The Directors of Pakistan Telecommunication Company Limited (PTCL) are pleased to present to the shareholders the unaudited financial information of the Company for the nine months period ended March 31, 2011.

Your Company continued the efforts to maintain its market leadership and to increase the return on shareholders' investment and company's assets. Initiatives on product development and further improvement in technology were taken for sustainable long term growth with the objective to address evolving market dynamics.

Financial Performance

The PTCL Group Revenue of Rs. 77.38 billion for the period under review was 5 % higher compared to the corresponding period last year. The revenue earned by PTML (Ufone), the wholly-owned subsidiary of PTCL, was higher by 16%, while PTCL's revenue decreased by 5%.

The Group net profit of Rs. 7.91 billion showed a 14% decline compared to same period last year. The profit of PTML was 78% higher whereas PTCL's Profit after Tax at Rs. 4.97 billion was 37% lower than the same period last year mainly because of increased employment cost.

For the financial year 2010-11, the Directors have declared an interim dividend of Rs. 1.75 per share.

Commercial Performance

During the period under review, the DSL Broadband service covering all the major cities and towns in the country reached to about 0.6 million customers. In addition to earlier launched high speed broadband packages of 8 Mbps and 10 Mbps, PTCL also commenced a 256 Kbps DSL broadband service at very economical price to address the needs of low income groups.

The wireless broadband, 'EVO', the country's largest and fastest growing wireless broadband with connectivity and roaming over 100 cities, continues to expand. During the period under review, PTCL launched 'EVO Wi-Fi Cloud – mobile device connecting various wireless devices with a single gadget. In recognition of 'EVO' being the most innovative product, the brand has won the Best Consumer Choice Award for 2010 in Pakistan. PTCL also achieved the distinction of becoming the first operator in the world to commercially launch EVO Nitro Rev. B with internet speed up to 9.3 Mbps.

During the period under review, needs of our Corporate customers were met by introducing innovative services like “Global IP Connect” - allowing companies to connect and transfer data between various locations, national or abroad, in a private and secure environment and “Business in a Box” - a small gateway device that provides broadband internet connection sharing, Firewall security, VPN connectivity, IP telephony, IP Camera Surveillance audio/video streaming and wireless LAN connectivity. Basic feature of these products is the flexibility and scalability to address the needs of our corporate customers in a timely manner.

With the objective to increase the landline usage, PTCL launched various promotional packages for its PSTN customers. These comprised of Bonanza promotion offer of free call time, special Ramadan bundle offer, special Hajj and Eid call rates, WOW package for unlimited NWD calls, zero line rent and miscellaneous budget packages. PTCL also contributed in the recently held Cricket World Cup by launching a World Cup quiz competition and offered special promotional tariffs for calls to India, Bangladesh and Sri Lanka.

Technical Performance

In order to meet the needs of its customer base, PTCL continued with the efforts to upgrade and enhance the existing infrastructure. The main focus during the period under review was to improve the network resilience using latest available technologies with the objective to provide more reliable and high-quality services. The broadband footprint was expanded to over one million installed lines covering all the major cities and towns in the country. In addition PTCL has deployed the Next Generation Switching Network (NGN) which supports the voice customers along with DSL customers using the MSAGs (Multi Service Access Gateway). Metro network in major places is being up-graded with Carrier Ethernet technology adding new IP based high capacity metro nodes in broadband core infrastructure. For the wireless broadband (EVO) segment, coverage has been substantially enhanced by adding numerous new sites. PTCL has also undertaken a project to transform its network at selected places by deploying GPON (Gigabit Passive Optic Network) based on access fiber technology. On the national backbone, PTCL Optical Fiber transmission network has been extended to far flung Districts / Tehsils / Towns of Baluchistan with the deployment of 1650 KM of Optical Fiber Cable to serve the remote areas of the country.

Customer Care

To gauge the customer satisfaction levels, regular surveys are being conducted by calling the customers and feedback is given to line managers for improvement, planning and deployment of various services. Staff of Contact Centers has been trained to provide “One Window” solution to meet all the customer needs. The call handling has been significantly improved by deploying Auto-dialer resulting in increased daily output. To address the registration and rectification of customer complaints in a timely and efficient manner, processes are developed to generate SMS alerts to customers. In order to make it more convenient for PTCL customers to make timely bill payments, PTCL has launched the deployment of bill payment machines across various cities of Pakistan. These bill payment machines are being installed at accessible public places.

Global Connectivity

In order to cater for increasing requirements of PTCL's corporate customers, general consumers and other telecom operators, IMEWE, the third submarine cable stretching over 14,000 KM from India to France with a landing station at Karachi has become operational with designed capacity of 3.84 Terabits per second. This is in addition to existing SEA-ME-WE 3 and SEA-ME-WE 4 submarines cables. The IMEWE will not only enhance the connectivity but will also provide diversity. This will help in positioning Pakistan as a regional hub for international connectivity for neighboring countries. Your Company also participated in 3rd Upgrade project of SEA-ME-WE 4 submarines cable to ensure that ever-growing bandwidth requirements are smoothly met.

The management and employees of PTCL remain committed to provide quality services in the competitive market conditions through optimal use of available resources.

On behalf of the Board,

Saeed Ahmad Khan
Chairman

Walid Irshaid
President & CEO

Islamabad: April 27, 2011

Condensed Interim Financial Information

CONDENSED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011 (UN-AUDITED)

	Note	March 31, 2011 (Un-Audited)	June 30, 2010 (Audited)
		(Rupees in thousand)	
Equity and liabilities			
Share capital and reserves			
Share capital		**51,000,000**	51,000,000
Revenue reserves			
Insurance reserve		**2,113,704**	2,113,704
General reserve		**30,500,000**	30,500,000
Unappropriated profit		**21,116,927**	16,145,007
		104,730,631	99,758,711
Non current liabilities			
Long term security deposits		**801,003**	720,964
Deferred taxation		**2,057,885**	2,949,770
Employees' retirement benefits		**16,292,994**	15,512,803
Deferred government grants		**1,584,232**	1,632,701
		20,736,114	20,816,238
Current liabilities			
Trade and other payables		**23,656,815**	24,922,197
Payable to PTA against WLL license fee		**-**	1,894,950
Dividend payable		**-**	3,375,631
		23,656,815	30,192,778
		149,123,560	150,767,727
Contingencies and commitments	5		

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

Chairman

	Note	March 31, 2011 (Un-Audited)	June 30, 2010 (Audited)
		(Rupees in thousand)	
Assets			
Non current assets			
Fixed assets			
Property, plant and equipment	6	**87,012,366**	88,219,285
Intangible assets		**2,897,802**	3,079,031
		89,910,168	91,298,316
Long term investments		**6,681,965**	6,681,965
Long term loans	7	**11,466,829**	7,337,210
		108,058,962	105,317,491
Current assets			
Stores, spares and loose tools		**3,619,018**	4,075,863
Trade debts		**11,397,096**	10,171,530
Loans and advances		**993,314**	599,031
Accrued interest income		**500,972**	571,127
Recoverable from tax authorities		**6,141,161**	7,164,971
Receivable from Government of Pakistan		**2,164,072**	2,164,072
Other receivables		**708,470**	787,633
Short term investments		**13,035,182**	13,493,865
Cash and bank balances		**2,505,313**	6,422,144
		41,064,598	45,450,236
		149,123,560	150,767,727

President & CEO

CONDENSED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

	Three months period ended		Nine months period ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(Rupees in thousand)		(Rupees in thousand)	
Revenue	**13,325,776**	13,694,084	**41,024,176**	43,119,060
Cost of services	**(10,486,129)**	(9,211,503)	**(30,560,494)**	(27,883,085)
Gross profit	**2,839,647**	4,482,581	**10,463,682**	15,235,975
Administrative and general expenses	**(1,837,424)**	(1,695,498)	**(5,136,093)**	(5,333,653)
Selling and marketing expenses	**(500,017)**	(512,272)	**(1,704,818)**	(1,439,198)
Other operating income	**1,002,357**	1,691,334	**4,189,764**	3,923,086
Operating profit	**1,504,563**	3,966,145	**7,812,535**	12,386,210
Finance cost	**(46,183)**	(126,907)	**(172,829)**	(343,900)
Profit before tax	**1,458,380**	3,839,238	**7,639,706**	12,042,310
Taxation - Current	**(1,075,113)**	(1,109,302)	**(3,559,671)**	(4,237,129)
- Deferred	**565,846**	(224,065)	**891,885**	54,835
	(509,267)	(1,333,367)	**(2,667,786)**	(4,182,294)
Profit after tax for the period	**949,113**	2,505,871	**4,971,920**	7,860,016
Other comprehensive income for the period	**-**	-	**-**	-
Total comprehensive income for the period	**949,113**	2,505,871	**4,971,920**	7,860,016
Earnings per share - basic and diluted (Rupees)	**0.19**	0.49	**0.97**	1.54

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

Chairman **President & CEO**

CONDENSED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

	Note	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	9	**14,061,123**	14,566,208
Long term security deposits		**80,038**	(85,093)
Employees' retirement benefits paid		**(1,652,802)**	(319,367)
Payment of other VSS components		**(6,735)**	(3,494)
PTA WLL license fee		**(1,894,950)**	(210,550)
Finance cost paid		**(139,533)**	(157,163)
Consideration paid against adjustment of tax losses of PTML		**-**	(1,198,943)
Income tax paid		**(3,160,447)**	(7,194,601)
Net cash inflow from operating activities		**7,286,694**	5,396,997
Cash flows from investing activities			
Capital expenditure		**(8,563,649)**	(7,699,082)
Proceeds from disposal of property, plant and equipment		**51,601**	2,000
Short term investments		**(277,118)**	(3,406,724)
Long term loans - net		**(66,230)**	99,076
Loan to the wholly owned subsidiary - PTML		**(4,000,000)**	(2,000,000)
Investment in subsidiary		**-**	(1,000,000)
Return on long term loans and short term investments		**2,518,270**	3,133,562
Government grants received		**1,120,478**	529,087
Dividend income		**644,000**	673,239
Net cash outflow from investing activities		**(8,572,648)**	(9,668,842)
Cash flows from financing activities			
Dividend paid		**(3,366,678)**	(7,638,801)
Net cash used in financing activities		**(3,366,678)**	(7,638,801)
Net decrease in cash and cash equivalents		**(4,652,632)**	(11,910,646)
Cash and cash equivalents at beginning of the period		**19,916,009**	31,702,352
Cash and cash equivalents at end of the period	10	**15,263,377**	19,791,706

The annexed notes from 1 to 11 form an integral part of this condensed interim financial information.

Chairman **President & CEO**

CONDENSED INTERIM STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves			Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Unappropriated profit	
	(Rupees in thousand)					
Balance as at July 01, 2009	37,740,000	13,260,000	1,683,074	30,500,000	16,206,485	99,389,559
Total comprehensive income for the period	-	-	-	-	7,860,016	7,860,016
Transfer to insurance reserve	-	-	241,000	-	(241,000)	-
Balance as at March 31, 2010	37,740,000	13,260,000	1,924,074	30,500,000	23,825,501	107,249,575
Balance as at July 01, 2010	37,740,000	13,260,000	2,113,704	30,500,000	16,145,007	99,758,711
Total comprehensive income for the period	-	-	-	-	4,971,920	4,971,920
Balance as at March 31, 2011	**37,740,000**	**13,260,000**	**2,113,704**	**30,500,000**	**21,116,927**	**104,730,631**

The annexed notes from 1 to 11 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 NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

1. The Company and its operations

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

The Company 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 to territories in Azad Jammu & Kashmir and Gilgit-Baltistan.

2. Statement of Compliance

This condensed interim financial information of the Company for the nine months period ended March 31, 2011 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 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 have been followed.

3. Significant accounting policies

The accounting policies and the methods of computations adopted in the preparation of this condensed interim financial information are the same as those applied in the preparation of annual audited financial statements of the Company for the year ended June 30, 2010.

4. Significant accounting judgements and estimates

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 judgement in the process of applying the Company’s accounting policies. Estimates and judgements are continually evaluated and are based on historic experience including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in preparation of this condensed interim financial information are the same as those used in the preparation of annual audited financial statements of the Company for the year ended June 30, 2010.

5. Contingencies and commitments

5.1 Contingencies

There has been no material change in contingencies as disclosed in the last annual audited financial statements of the Company except for following:

(i) During the current period, the Employees' Old-Age Benefits Institution (EOBI) served an additional demand notice on the Company under section 12(3) of the Employees' Old-Age Benefits Act, 1976 for the payment of the Company's and employees' contributions aggregating to Rs 1,128,632 thousand for the period commencing June 2005 to October 2010 along with a statutory increase of Rs 564,316 thousand @ 2% per month. This resulted in an aggregate demand of Rs 3,189,778 thousand for the period from January 1996 to October 2010. The management has filed a writ petition against the demand before the Honourable High Court, which is pending for adjudication. However, management and the Company's legal advisor are of the view that the case would be decided in the favour of the Company.

(ii) Amount deposited on account of Federal Excise Duty of Rs 466,176 thousand with the Rawalpindi Collectorate of the Federal Excise Department, as previously disclosed in note 13.5 of the last annual audited financial statements of the Company, has been fully provided for in this condensed interim financial information.

5.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs 18,735,478 thousand (June 30, 2010: Rs 14,127,643 thousand).

	Note	March 31, 2011 (Un-Audited)	June 30, 2010 (Audited)
		(Rupees in thousand)	
6. Property, plant and equipment			
Operating assets	6.1	**69,140,543**	73,960,689
Capital work-in-progress		**17,871,823**	14,258,596
		87,012,366	88,219,285
6.1 Operating assets			
Opening book value		**73,960,689**	77,730,763
Additions during the period / year - at cost	6.2	**3,781,475**	8,448,431
		77,742,164	86,179,194
Disposals during the period / year - at book value		**(744)**	(3,423)
Depreciation for the period / year		**(8,600,877)**	(12,215,082)
		(8,601,621)	(12,218,505)
Closing book value		**69,140,543**	73,960,689
6.2 Details of additions during the period / year:			
Land - freehold		**76**	683
Buildings on freehold land		**256,891**	175,010
Lines and wires		**862,394**	1,859,648
Apparatus, plant and equipment		**2,522,201**	6,286,613
Office equipment		**37,723**	73,740
Furniture and fittings		**2,644**	8,798
Vehicles		**99,545**	19,391
Submarine cables		**-**	24,548
		3,781,475	8,448,431

7. Long term loans

These include unsecured loans of Rs 11,000,000 thousand (June 30, 2010: Rs 7,000,000 thousand) to Pak Telecom Mobile Limited, 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 by 2015, carrying mark-up at the rate of three months KIBOR plus 82 to 180 basis points.

8. Transactions with related parties

Relationship with the Company	Nature of transaction	Nine months period ended March 31, 2011 (Un-Audited)	Nine months period ended March 31, 2010 (Un-Audited)
		(Rupees in thousand)	
i. Subsidiaries	Purchase of goods and services	**1,061,166**	1,046,536
	Consideration paid against adjustment of tax losses of PTML	**-**	1,198,943
	Sale of goods and services	**3,661,354**	3,858,617
	Mark-up on long term loans	**1,151,790**	410,808
	Disbursement of loans	**4,000,000**	2,000,000
	Dividend received	**644,000**	-
ii. Associated undertakings	Technical services fee - note 8.1	**1,307,699**	1,374,116
	Purchase of goods and services	**968,367**	1,356,278
	Sale of goods and services	**3,306,443**	4,544,445

		Nine months period ended	
		March 31, 2011 (Un-Audited)	March 31, 2010 (Un-Audited)
		(Rupees in thousand)	
iii. Employees' benefit plans	Contribution to Pakistan Telecommunication Employees' Trust (PTET)	**7,787**	12,010
	Amount Paid to PTET	**1,288,000**	-
	Amount received from PTCL employees' GPF Trust	**212,420**	141,876
iv. Directors, Chief Executive and Executives	Fees, remuneration including benefits and perquisites	**710,256**	629,418

	March 31, 2011 (Un-Audited)	June 30, 2010 (Audited)
	(Rupees in thousand)	
Period-end balances		
Receivable from related parties:		
Long term loans to subsidiary	**11,000,000**	7,000,000
Trade debtors		
- Subsidiary	**1,193,844**	443,808
- Associated undertakings	**376,220**	771,919
Accrued interest receivable		
- Subsidiary	**279,662**	122,443
Other receivables		
- PTCL employees' GPF Trust	**244,883**	244,883
- Pakistan Telecommunication Employees' Trust (PTET)	**94,495**	86,708
Payable to related parties		
Trade payables		
- Subsidiary	**13,358**	140,436
- Associated undertakings	**129,920**	201,656
Technical services fee payable to Etisalat	**425,740**	447,441
Pakistan Telecommunication Employees' Trust (PTET)	**5,213,001**	5,283,449

8.1 This represents PTCL's share of fee payable to Emirates Telecommunication Corporation (Etisalat) under an agreement for technical services, effective October 01, 2006, at the rate of 3.5% of PTCL group's consolidated annual revenue.

	Nine months period ended	
	March 31, 2011 (Un-Audited)	March 31, 2010 (Un-Audited)
	(Rupees in thousand)	
9. Cash generated from operations		
Profit before tax	**7,639,706**	12,042,310
Adjustments for non-cash charges and other items:		
Depreciation and amortization	**8,782,107**	9,293,793
Employees' retirement benefits	**2,432,990**	1,379,463
Provision for doubtful trade debts	**1,203,432**	1,390,377
Provision for obsolete stores, spares and loose tools	**98,703**	-
Gain on disposal of property, plant and equipment	**(50,857)**	(1,921)
Dividend income	**(644,000)**	(673,239)
Mark-up on long term loans to subsidiary	**(1,159,993)**	(409,986)
Return on bank placements	**(1,265,919)**	(2,355,773)
Unrealised gain on available for sale investments	**(22,202)**	-
Imputed interest on payment to PTA against WLL license fee	**-**	151,528

	Nine months period ended	
	March 31, 2011 (Un-Audited)	March 31, 2010 (Un-Audited)
	(Rupees in thousand)	
Imputed interest on consideration payable on acquisition of a subsidiary - MAXCOM	**5,686**	-
Finance cost	**139,534**	192,370
	17,159,187	21,008,922
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets:		
Stores, spares and loose tools	**358,141**	653,975
Trade debts	**(2,428,997)**	(4,789,579)
Loans and advances	**(457,672)**	27,251
Recoverable from tax authorities	**624,586**	55,251
Other receivables	**79,165**	(318,806)
	(1,824,777)	(4,371,908)
Decrease in current liabilities:		
Trade and other payables	**(1,273,287)**	(2,070,806)
	14,061,123	14,566,208

10. Cash and cash equivalents

	March 31, 2011 (Un-Audited)	March 31, 2010 (Un-Audited)
	(Rupees in thousand)	
Short term investments with maturity up to three months	**12,758,064**	14,060,955
Cash and bank balances	**2,505,313**	5,730,751
	15,263,377	19,791,706

11. Date of authorisation for issue of financial information

This condensed interim financial information for the nine months period ended March 31, 2011 was authorised for issue on April 27, 2011 by the Board of Directors of the Company.

Chairman

President & CEO

Condensed Consolidated Interim Financial Information

CONDENSED CONSOLIDATED INTERIM STATEMENT OF FINANCIAL POSITION AS AT MARCH 31, 2011 (UN-AUDITED)

	Note	March 31, 2011 (Un-Audited)	June 30, 2010 (Audited)
		(Rupees in thousand)	
Equity and liabilities			
Share capital and reserves			
Share capital		**51,000,000**	51,000,000
Revenue reserves			
Insurance reserve		**2,113,704**	2,113,704
General reserve		**30,500,000**	30,500,000
Unappropriated profit		**32,372,414**	24,461,054
		115,986,118	108,074,758
Non current liabilities			
Long term loans		**9,000,000**	13,000,000
Payable to PTA against license fee		**177,709**	169,847
Deferred taxation		**12,197,274**	10,633,651
Employees' retirement benefits		**16,461,721**	15,676,877
Deferred government grants		**1,584,232**	1,632,701
Liabilities against assets subject to finance lease		**90,435**	-
Long term security deposits		**1,679,151**	1,295,008
Long term liabilities		**4,940,687**	10,459,040
		46,131,209	52,867,124
Current liabilities			
Trade and other payables		**33,440,790**	33,697,723
Interest and markup accrued		**364,927**	284,273
Current portion of			
Long term loans		**9,000,000**	-
Payable to PTA against license fee		**42,491**	1,935,288
Long term liabilities		**-**	5,980,398
Unearned income		**1,659,898**	1,855,127
Dividend payable		**-**	3,375,631
		44,508,106	47,128,440
		206,625,433	208,070,322
Contingencies and commitments	5		

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

Chairman

	Note	March 31, 2011 (Un-Audited)	June 30, 2010 (Audited)
		(Rupees in thousand)	
Assets			
Non current assets			
Fixed assets			
Property, plant and equipment		**150,954,710**	152,082,836
Intangible assets		**3,767,957**	3,716,981
		154,722,667	155,799,817
Long term investments		**107,439**	108,910
Long term loans		**511,974**	337,210
		155,342,080	156,245,937
Current assets			
Stores, spares and loose tools		**3,619,018**	4,075,863
Stock in trade		**560,112**	385,199
Trade debts		**11,327,183**	10,385,233
Loans and advances		**1,184,337**	718,211
Accrued interest income		**226,473**	456,523
Recoverable from tax authorities		**6,632,862**	7,747,957
Receivable from Government of Pakistan		**2,164,072**	2,164,072
Other receivables		**2,423,482**	2,324,902
Short term investments		**17,087,728**	13,493,865
Cash and bank balances		**6,058,086**	10,072,560
		51,283,353	51,824,385
		206,625,433	208,070,322

President & CEO

CONDENSED CONSOLIDATED INTERIM STATEMENT OF COMPREHENSIVE INCOME FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

	Three months period ended		Nine months period ended	
	March 31, 2011	March 31, 2010	March 31, 2011	March 31, 2010
	(Rupees in thousand)		(Rupees in thousand)	
Revenue	**25,760,542**	24,190,033	**77,378,427**	73,590,633
Cost of services	**(17,208,499)**	(15,434,347)	**(49,966,438)**	(45,202,898)
Gross profit	**8,552,043**	8,755,686	**27,411,989**	28,387,735
Administrative and general expenses	**(3,418,699)**	(3,000,842)	**(9,840,202)**	(9,310,651)
Selling and marketing expenses	**(1,770,582)**	(1,872,317)	**(5,614,781)**	(5,224,100)
Other operating income	**880,091**	997,908	**3,453,081**	3,510,495
Operating profit	**4,242,853**	4,880,435	**15,410,087**	17,363,479
Finance cost	**(735,683)**	(564,289)	**(1,966,486)**	(2,554,938)
Profit before taxation	**3,507,170**	4,316,146	**13,443,601**	14,808,541
Taxation - Current	**(1,536,906)**	(1,163,409)	**(3,968,617)**	(4,407,714)
- Deferred	**95,263**	(672,322)	**(1,563,624)**	(1,219,790)
	(1,441,643)	(1,835,731)	**(5,532,241)**	(5,627,504)
Profit after tax for the period	**2,065,527**	2,480,415	**7,911,360**	9,181,037
Other comprehensive income for the period	**-**	-	**-**	-
Total comprehensive income for the period	**2,065,527**	2,480,415	**7,911,360**	9,181,037
Earnings per share - basic and diluted (Rupees)	**0.41**	0.49	**1.55**	1.80

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

Chairman | **President & CEO**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CASH FLOWS FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

	Note	Nine months period ended March 31, 2011	Nine months period ended March 31, 2010
		(Rupees in thousand)	
Cash flows from operating activities			
Cash generated from operations	6	31,128,149	27,799,114
Long term security deposits		384,142	(72,968)
Employees' retirement benefits paid		(1,727,433)	(379,373)
Payment of other VSS components		(6,735)	(3,494)
PTA WLL license fee		(1,894,950)	(210,550)
Finance cost paid		(1,840,437)	(1,357,832)
Income tax paid		(3,478,106)	(7,452,926)
Net cash generated from operating activities		22,564,630	18,321,971
Cash flows from investing activities			
Capital expenditure		(16,322,325)	(18,336,891)
Proceeds from disposal of property, plant and equipment		112,917	5,038
Short term investments		(277,118)	(3,406,724)
Long term loans - net		(66,230)	99,076
Return on bank placements		1,944,914	3,442,651
Government grants received		1,120,478	529,087
Net cash used in investing activities		(13,487,364)	(17,667,763)
Cash flows from financing activities			
Long term borrowings less repayments		5,000,000	(100,949)
Liabilities against assets subject to finance lease		90,435	-
Long term loans		-	4,000,000
Long term liability net		(11,498,752)	(12,747,775)
Dividend paid		(3,366,678)	(7,638,801)
Net cash used in financing activities		(9,774,995)	(16,487,525)
Net decrease in cash and cash equivalents		(697,729)	(15,833,317)
Cash and cash equivalents at beginning of the period		23,566,425	40,981,470
Cash and cash equivalents at end of the period	7	22,868,696	25,148,153

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

Chairman **President & CEO**

CONDENSED CONSOLIDATED INTERIM STATEMENT OF CHANGES IN EQUITY FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

	Issued, subscribed and paid-up capital		Revenue reserves			Total
	Class "A"	Class "B"	Insurance reserve	General reserve	Un-appropriated profit	
	(Rupees in thousand)					
Balance as at July 01, 2009	37,740,000	13,260,000	1,683,074	30,500,000	22,069,860	105,252,934
Total comprehensive income for the period	-	-	-	-	9,181,037	9,181,037
Transfer to insurance reserve	-	-	241,000	-	(241,000)	-
Balance as at March 31, 2010	37,740,000	13,260,000	1,924,074	30,500,000	31,009,897	114,433,971
Balance as at July 01, 2010	37,740,000	13,260,000	2,113,704	30,500,000	24,461,054	108,074,758
Total comprehensive income for the period	-	-	-	-	7,911,360	7,911,360
Balance as at March 31, 2011	**37,740,000**	**13,260,000**	**2,113,704**	**30,500,000**	**32,372,414**	**115,986,118**

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

Chairman **President & CEO**

NOTES TO AND FORMING PART OF THE CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION FOR THE NINE MONTHS PERIOD ENDED MARCH 31, 2011 (UN-AUDITED)

1. Constitution and ownership

The condensed consolidated interim financial information of the Pakistan Telecommunication Group ("the Group") comprise of the financial information of:

Pakistan Telecommunication Company Limited (PTCL)

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

Pak Telecom Mobile Limited (PTML)

PTML provides cellular mobile telephony services throughout Pakistan under the brand name of Ufone.

Maskatiya Communications (Private) Limited (MAXCOM)

MAXCOM provides broadband services in the cities of Karachi & Hyderabad.

2. Basis of preparation

The condensed consolidated interim financial information of the Group for the nine months period ended March 31, 2011 has been prepared in accordance with the requirements of International Accounting Standard (IAS) 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 have been followed.

3. Significant accounting policies

The accounting policies and the methods of computations adopted in the preparation of this condensed consolidated interim financial information are the same as those applied in the preparation of annual audited financial statements of the Group for the year ended June 30, 2010.

4. Significant accounting judgements and estimates

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 judgment in the process of applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historic experience including expectation of future events that are believed to be reasonable under the circumstances.

Estimates and judgements made by the management in preparation of this condensed consolidated interim financial information are the same as those used in the preparation of annual audited financial statements of the Group for the year ended June 30, 2010.

5. Contingencies and commitments

5.1 Contingencies - PTCL

There has been no material change in contingencies as disclosed in the last annual audited financial statements of the Group except for following:

(i) During the current period, the Employees' Old-Age Benefits Institution (EOBI) served an additional demand notice on the PTCL under section 12(3) of the Employees' Old-Age Benefits Act, 1976 for the payment of the Company's and employees' contributions aggregating to Rs 1,128,632 thousand for the period commencing June 2005 to October 2010 along with a statutory increase of Rs 564,316 thousand @ 2% per month. This resulted in an aggregate demand of Rs 3,189,778 thousand for the period from January 1996 to October 2010. The management has filed a writ petition against the demand before the Honourable High Court, which is pending for adjudication. However, management and the Company's legal advisor are of the view that the case would be decided in favour of the PTCL.

(ii) Amount deposited on account of Federal Excise Duty of Rs 466,176 thousand with the Rawalpindi Collectorate of the Federal Excise Department, as previously disclosed in note 13.5 of the last annual audited financial statements of the PTCL, has been fully provided for in the condensed consolidated interim financial information of the company for the nine months period ended March 31, 2011.

5.2 Commitments

Commitments in respect of contracts for capital expenditure amount to Rs.23,128,532 thousand (June 30, 2010: Rs. 18,967,439 thousand).

	Nine months period ended	
	March 31, 2011 (Un-Audited)	**March 31, 2010 (Un-Audited)**
	(Rupees in thousand)	
6. Cash generated from operations		
Profit before tax	**13,443,601**	14,808,541
Adjustments for non-cash charges and other items:		
Depreciation and amortization	**16,169,106**	15,816,649
Employees' retirement benefits	**2,512,252**	1,446,248
Provision for doubtful trade debts	**1,227,808**	1,421,917
Provision for obsolete stores, spares and loose tools	**98,703**	-
Loss / (gain) on disposal of property, plant and equipment	**(51,493)**	672
Return on bank placements	**(2,325,008)**	(3,124,894)
Unrealised gain on available for sale investments	**(22,202)**	-

	Nine months period ended	
	March 31, 2011 (Un-Audited)	March 31, 2010 (Un-Audited)
	(Rupees in thousand)	
Imputed interest on payment to PTA against WLL license fee	-	151,528
Imputed interest on consideration payable on acquisition of a subsidiary - MAXCOM	5,686	-
Finance cost	1,924,988	2,404,230
Profit before working capital changes	**32,983,441**	32,924,891
Effect on cash flows due to working capital changes:		
(Increase) / decrease in current assets		
Stores, spares and loose tools	358,141	653,975
Stock in trade	(172,097)	(46,855)
Trade debts	(3,062,182)	(5,039,702)
Loans and advances	(574,660)	163,983
Recoverable from tax authorities	624,586	55,251
Other receivables	(56,032)	(755,611)
	(2,882,244)	(4,968,959)
Increase / (decrease) in current liabilities		
Trade and other payables	1,222,181	(366,877)
Unearned income	(195,229)	210,059
	31,128,149	27,799,114

7. Cash and cash equivalents

Short term investments with maturity up to three months	16,810,610	16,060,955
Cash and bank balances	6,058,086	9,087,198
	22,868,696	25,148,153

8. Segment Information

For Management purposes, the Group is organized into business units based on the services and has two reportable operating segments. Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

8.1 Revenue information regarding the Group's operating segments for the nine months period ended March 31, 2011 and 2010 is tabulated below:

	Wire line	Wireless	Total
		(Rupees in thousand)	
Nine months period ended March 31, 2011			
Segment revenue	**38,990,996**	**43,157,305**	**82,148,301**
Inter segment revenue	**(3,661,354)**	**(1,108,520)**	**(4,769,874)**
Revenue from external customers	**35,329,642**	**42,048,785**	**77,378,427**
Nine months period ended March 31, 2010			
Segment revenue	41,101,050	37,394,736	78,495,786
Inter segment revenue	(3,858,617)	(1,046,536)	(4,905,153)
Revenue from external customers	37,242,433	36,348,200	73,590,633

8.1.1 Inter segment revenues are eliminated on consolidation.

8.2 Assets & liabilities of the Group's operating segments as at March 31, 2011 and June 30, 2010 are tabulated below:

	Wire line	Wireless	Total
		(Rupees in thousand)	
As at March 31, 2011 (Un-Audited)			
Segment assets	**122,409,178**	**84,216,255**	**206,625,433**
Segment liabilities	**44,191,868**	**46,447,447**	**90,639,315**
As at June 30, 2010 (Audited)			
Segment assets	128,703,930	79,366,392	208,070,322
Segment liabilities	56,627,659	43,367,905	99,995,564

9. Date of authorisation for issue of financial information

This condensed consolidated interim financial information for the nine months period ended March 31, 2011 was authorised for issue on April 27, 2011 by the Board of Directors of the Holding Company.

10. General

Figures presented in this condensed consolidated interim financial information have been rounded off to the nearest thousand rupees.

Chairman **President & CEO**