Report to Shareholders

Pakistan State Oil Company Limited (PSOCL)'s Board of Management has reviewed the performance of the company and the Group for the nine months period from July-20 to March-21 for the financial year 2020-21 (9MFY21) and is pleased to present its report thereon.

Owing to the revival of economic activities and increasing investor confidence, the downstream petroleum industry continued to perform well exhibiting a growth of 14.8% over the same period last year (SPLY). Economic factors such as accelerated growth in the large-scale manufacturing sector (LSM) by 7.45%, growing remittances from overseas Pakistanis reaching US$21.5 bn - an increase of 26%, increase in exports by 4.4% to US$16.3 bn along with a host of measures adopted by GOP to build investor's confidence spurring the demand of petroleum products.

PSO continued to deliver profitable growth in the third quarter as well demonstrating the company's resilience and dependability. During 9MFY21, the company registered a volumetric growth of 21.6% over SPLY while increasing market share by 260 basis points (bps) closing at 46.3%. The launch of Hi-Octane 97 Euro 5, Premier Euro 5 and Hi-Cetane Diesel Euro 5 proved to be game changers in the industry, bolstering customer's confidence in PSO's products as is exhibited through the volumetric gain of 19.9% in MOGAS, 28.2% in HSD and an increase in the market shares of both products to 310 and 370 bps respectively. Cumulatively, PSO's white oil market share increased by 190 bps over SPLY to close at 44.9% and black oil closed at 52.8% i.e. an increase of 480 bps.

The company's strong operational performance and strategic thrust translated into an exceptional profit after tax of PKR 18.2 bn in 9MFY21 vs. PKR 3b in 9MFY20. The significant increase in profit compared to SPLY is primarily attributable to increase in gross profit on account of volumetric increase supplemented by favorable price regime, reduction in finance cost and lower discount rate prevalent during the period. PRL, a subsidiary of PSO, also reported a profit after tax of PKR 0.6 bn during the period under review vs. a loss of PKR 6.8 bn in 9MFY20. On a consolidated basis, the group achieved a profit after tax of PKR 18.3 bn in 9MFY21 vs. loss after tax of PKR 4.4 bn in 9MFY20.

The company made substantial progress during the nine month period taking a leadership role in sustainability, boosting innovation to drive growth and enhancing its digital capabilities. PSO continued to build on its value creation model by prioritizing high margin products, launching EV charging facility, fast tracking infrastructural projects to gain operational efficiency (storage capacity enhanced by 73 KMTs during the period under review) and driving incremental sales.

Focus was increased on automation, digitization and business process re-engineering to meet fast changing stakeholder and consumer needs. PSO has recently transformed its procurement process through SAP Ariba which will significantly enhance the company's strategic and operational capabilities, increase efficiency and reduce turnaround time. Other automation and digitization projects are also underway.

In order to leverage the benefits of effective product sourcing in the business value chain, PSO entered into a long-term sale and purchase agreement with Qatar Petroleum for the procurement of RLNG as GOP's nominated entity. The price negotiated by GOP is significantly lower than previous procurements which will ensure greater value and stability.

We express our sincere gratitude to all our stakeholders and shareholders for their contributions. We also take this opportunity to thank the Government of Pakistan, especially the Ministry of Energy, Petroleum Division for their guidance and support.

Syed Muhammad Taha

Managing Director & CEO

Karachi: April 29th, 2021

Zafar I. Usmani

Chairman – Board of Management