The General Manager
Pakistan Stock Exchange Limited
Stock Exchange Building
Stock Exchange Road
Karachi

Dear Sir,

Subject: Financial Results of Pakistan Refinery Limited (PRL) for the year ended June 30, 2019

We have to inform you that the Board of Directors of PRL in their adjourned meeting held on September 11, 2019 at 10:30 am at PSO House, Karachi has recommended a Nil dividend.

The statement of profit and loss account of the Company for the year ended June 30, 2019 is set out below:

<table>
<thead>
<tr>
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<th>2019 (Rupees in thousand)</th>
<th>2018 (Rupees in thousand)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue from contracts with customers</td>
<td>115,740,971</td>
<td>92,229,260</td>
</tr>
<tr>
<td>Cost of sales</td>
<td>(118,915,466)</td>
<td>(91,184,232)</td>
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<tr>
<td>Gross (loss) / profit</td>
<td>(3,174,495)</td>
<td>1,045,028</td>
</tr>
<tr>
<td>Distribution costs</td>
<td>(250,171)</td>
<td>(201,163)</td>
</tr>
<tr>
<td>Administrative expenses</td>
<td>(485,457)</td>
<td>(388,701)</td>
</tr>
<tr>
<td>Loss allowance on trade receivables</td>
<td>(121,939)</td>
<td>-</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>(23,763)</td>
<td>(124,355)</td>
</tr>
<tr>
<td>Other income</td>
<td>267,304</td>
<td>1,090,813</td>
</tr>
<tr>
<td>Operating (loss) / profit</td>
<td>(3,788,521)</td>
<td>1,421,622</td>
</tr>
<tr>
<td>Finance cost</td>
<td>(1,442,624)</td>
<td>(591,228)</td>
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<tr>
<td>Share of net loss of associate accounted for using the equity method</td>
<td>(13,963)</td>
<td>(1,598)</td>
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<tr>
<td>(Loss) / profit before income tax</td>
<td>(5,245,108)</td>
<td>828,796</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>(576,015)</td>
<td>(325,007)</td>
</tr>
<tr>
<td>(Loss) / profit for the year</td>
<td>(5,821,123)</td>
<td>503,789</td>
</tr>
<tr>
<td>(Loss) / earnings per share - basic and diluted</td>
<td>Rs. (18.92)</td>
<td>Rs. 1.64</td>
</tr>
</tbody>
</table>
A. EXTRACTS FROM THE NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

NOTE 3.1.2 - BASIS OF PREPARATION

During the year, the Company has incurred gross loss amounting to Rs. 3.17 billion and loss after tax for the year amounting to Rs. 5.82 billion against corresponding year’s gross profit of Rs. 1.045 billion and profit after tax of Rs. 0.50 billion. As at June 30, 2019, the Company has accumulated loss of Rs. 10.67 billion (2018: Rs. 4.82 billion). The current liabilities of the Company exceed its current assets by Rs. 10.69 billion (2018: Rs. 4.45 billion). The Company ended the year with net negative cash and cash equivalents amounting to Rs. 14.05 billion (2018: Rs. 3.41 billion).

In addition to above, under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy (previously Ministry of Petroleum & Natural Resources) on March 27, 2013, refineries were required to install Diesel Hydro-desulphurisation Unit (DHDS) by June 30, 2017 to produce Euro II compliant High Speed Diesel (HSD) and in case of non-compliance, the ex-refinery price of HSD based on Import Parity Pricing (IPP) formula would be downward adjusted / reduced due to higher Sulphur content. The Company did not meet the aforementioned deadline of setting up DHDS unit and hence was subjected to downward adjustments of its HSD pricing causing loss Rs. 1.15 billion (2018: Rs. 0.74 billion) which is part of aforementioned loss for the year.

Further, the Company operates under Import Parity Pricing regime and is significantly dependent on the margin between the crude oil and refined products’ prices in the international market. In the current year such margins were significantly lower compared to the last year.

The reasons for the negative margins included the unprecedented trend of price of motor gasoline (petrol) that traded in the international market below the crude oil prices. In addition, the decline in demand of furnace oil in the country led to inventory build-up and pressurised refinery operations. Therefore, in order to ensure continuous operations and to attract customers the prices of furnace oil were reduced which had a negative impact on Company’s profitability.

The above conditions may cast a significant doubt on the Company’s ability to continue as a going concern and the Company may be unable to realize its assets and discharge its liabilities in the normal course of business.

The Company believes that since extraordinary low petrol pricing have started rising above crude oil pricing, consequently refining margins will improve. Further, furnace oil imports will be reduced as per the policy of the government to accommodate local production of furnace oil. Expected macro-economic stability due to Government of Pakistan’s efforts to build foreign currency reserves will stabilize Rupee-USD parity thus abnormal exchange losses are not expected. Moreover, with the support of its parent company to uplift refined products and the availability of funded and unfunded credit facilities, the Company will be able to support its liquidity management. During the year the Board of Directors have also approved the Refinery Upgrade Project, the final investment decision will be taken.
by the Board of Directors after satisfactory conclusion of the FEED and project's financial close. Based on
the above factors and their expected positive impact on the Company's projections together with the
support of its parent and continuous availability of financing facilities, the Company believes that it will
meet the obligations and continue to operate for a period of at least twelve months from the date of
approval of these financial statements. Accordingly, these financial statements have been prepared on a
going concern basis and therefore, do not include any adjustments to the carrying amount and
classification of assets and liabilities that may arise if the Company was unable to continue as a going
concern.

B. EXTRACTS FROM THE INDEPENDENT AUDITORS’ REPORT TO THE MEMBERS ON AUDIT OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2019

The external auditors have included following paragraph of material uncertainty relating to going
concern in their audit report:

We draw attention to note 3.1.2 to the financial statements. As stated in the note, as at June 30, 2019
the Company has accumulated loss of Rs. 10.67 billion. Further, current liabilities of the Company
exceed its current assets by Rs. 10.89 billion. These conditions, indicate the existence of a material
uncertainty which may cast significant doubt about the Company’s ability to continue as a going
concern. Our opinion is not modified in respect of this matter.

C. ANNUAL GENERAL MEETING & BOOK CLOSURE

The Annual General Meeting of the Company will be held on Tuesday, October 22, 2019 at 10:00 am at
Karachi. The Share Transfer Books of the Company will remain closed from Wednesday, October 16,
2019 to Tuesday, October 22, 2019 (both days inclusive) when no applications for transfer of shares will
be accepted.

Yours truly,
for PAKISTAN REFINERY LIMITED

Imran Ahmad Mirza
Chief Financial Officer

Mustafa Saleemi
Company Secretary