PAKISTAN REFINERY LTD.

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

January 31, 2020

Dear Sir,

Subject: Financial Results of Pakistan Refinery Limited (PRL) for the half year ended December 31, 2019

We have to inform you that the Board of Directors of PRL in their meeting held on January 31, 2020 at 10:00 am at PSO House, Karachi has recommended a **Nil** dividend.

The profit and loss account of the Company for the half year ended December 31, 2019 is as follows:

	For the quarter		For the half year	
	October - December 2019	October - December 2018	**July - December 2019**	July - December 2018
	(Rupees in thousand)			
Revenue from contracts with customers	**22,596,860**	29,115,777	**58,318,302**	54,625,413
Cost of sales	**(23,741,651)**	(31,049,757)	**(58,460,703)**	(56,515,398)
Gross loss	**(1,144,791)**	(1,933,980)	**(142,401)**	(1,889,985)
Distribution costs	**(60,285)**	(60,617)	**(126,819)**	(117,281)
Administrative expenses	**(126,088)**	(126,427)	**(216,056)**	(212,672)
Other operating expenses	**(27,301)**	(546)	**(27,919)**	(1,244)
Other income	**74,810**	37,530	**137,796**	79,786
Operating loss	**(1,283,655)**	(2,084,040)	**(375,399)**	(2,141,396)
Finance cost	**(413,882)**	(378,666)	**(867,683)**	(607,313)
Share of income / (loss) of associate accounted for using the equity method	**1,719**	(313)	**1,719**	(2,094)
Loss before income tax	**(1,695,818)**	(2,463,019)	**(1,241,363)**	(2,750,803)
Income tax expense	**(168,299)**	(126,901)	**(441,440)**	(259,593)
Loss for the period	**(1,864,117)**	(2,589,920)	**(1,682,803)**	(3,010,396)
Loss per share - basic and diluted	**(Rs. 6.06)**	(Rs. 8.42)	**(Rs. 5.47)**	(Rs. 9.78)

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EXTRACTS FROM THE NOTES TO THE CONDENSED INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019

NOTE 2.2 - BASIS OF PREPARATION

During the period ended December 31, 2019, the Company incurred a loss after tax of Rs. 1.68 billion (December 31, 2018: loss after tax of Rs. 3.01 billion) resulting in accumulated losses of Rs. 12.35 billion (June 30, 2019: Rs. 10.67 billion). Further, current liabilities exceeded its current assets by Rs. 13.30 billion as at December 31, 2019 (June 30, 2019: 10.89 billion). The Company ended the period with negative cash and cash equivalents amounting to Rs. 8.22 billion (June 30, 2019: Rs. 14.05 billion).

In addition, under the policy framework for up-gradation and expansion of refinery projects issued by the Ministry of Energy on March 27, 2013, refineries were required to install Diesel Hydrodesulphurisation 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 is subjected to downward adjustment of its HSD causing a loss of Rs. 655 million (December 31, 2018: Rs. 758 million) which is part of aforementioned loss for the period.

Further, the Company operates under IPP regime and is dependent on the margin between the crude oil and refined products' prices in the international market. During the period, prices of furnace oil which is already a loss making product, further deteriorated due to the effects of regulations of International Maritime Organisation (IMO) which require marine sector to shift to low sulphur fuels. These regulations will be effective from January 1, 2020. The margins of other products have also remained depressed during the period thus significantly affecting the profitability of refining sector in Pakistan.

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 realise its assets and discharge its liabilities in the normal course of business.

The Company believes that current volatility in international refining margins will stabilise in future thereby eliminating negative impacts on profitability of the Company. Further, Government of Pakistan's efforts to control Rupee-USD parity have materialised in the current financial year and there has been no devaluation in Pak Rupee. The Company also plans to undertake short and medium term projects to revamp certain units improving yields of Motor Gasoline and HSD thus contributing positively to the results of the Company. These projects are in addition to Company's plans to upgrade the Refinery including installation of DHDS for which the Company is evaluating various technological and financial options.

Based on the above factors and the projected profit and loss account and cash flows, the Company believes that it will be able to continue as a going concern and realise its assets and discharge its liabilities in the normal course of business. Therefore, these condensed interim 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.

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EXTRACTS FROM THE INDEPENDENT AUDITORS' REVIEW REPORT TO THE MEMBERS ON REVIEW OF INTERIM FINANCIAL STATEMENTS FOR THE HALF YEAR ENDED DECEMBER 31, 2019

EMPHASIS OF MATTER

Without qualifying our conclusion, we draw attention to Note 2.2 to the condensed interim financial statements, which indicates that the Company incurred a net loss of Rs. 1.68 billion during the period ended 31 December 2019 and, as of that date, the Company's current liabilities exceeded its current assets by Rs. 13.30 billion. These conditions, along with other matters as set forth in note 2.2 indicate the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Yours truly
for **PAKISTAN REFINERY LIMITED**

Imran Ahmad Mirza
Chief Financial Officer