

**Shell Pakistan Limited**

Shell House

6, Ch. Khaliqzaman Road

Karachi-75530

Tel +92 (21) 111 888 222

P.O. Box 3901 Karachi

The Managing Director  
Karachi Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
**KARACHI**  
Fax # 111-573-329

April 24, 2014

Dear Sir,

**FINANCIAL RESULTS FOR THE QUARTER ENDED MARCH 31, 2014**

This is to inform you that a meeting of the Board of Directors of the Company was held at 2:00 p.m. on Wednesday, April 23, 2014 to consider the Accounts for the quarter ended March 31, 2014.

**FINANCIAL RESULTS**

The financial results of the company are as follows:

	(Unaudited)	
	March 31, 2014	March 31, 2013
	(Rupees '000)	
Sales	64,870,359	63,822,797
Other revenue	158,916	108,120
	<u>65,029,275</u>	<u>63,930,917</u>
Sales tax	(9,010,688)	(8,438,875)
Net revenue	56,018,587	55,492,042
Cost of products sold	(53,841,804)	(53,360,681)
<b>Gross profit</b>	<u>2,176,783</u>	<u>2,131,361</u>
Distribution and marketing expenses	(893,126)	(943,216)
Administrative expenses	(1,039,660)	(950,123)
	<u>243,997</u>	<u>238,022</u>
Other expenses	(88,859)	(79,440)
	<u>155,138</u>	<u>158,582</u>
Other income	976,629	56,572
<b>Operating profit</b>	<u>1,131,767</u>	<u>215,154</u>
Finance costs	(140,763)	(235,309)
	<u>991,004</u>	<u>(20,155)</u>
Share of profit of associate - net of tax	103,750	160,761
<b>Profit before taxation</b>	<u>1,094,754</u>	<u>140,606</u>
Taxation	(583,312)	(265,437)
<b>Profit / (loss) for the quarter</b>	<u>511,442</u>	<u>(124,831)</u>
Other comprehensive income	-	-
<b>Total comprehensive income / (loss) for the quarter</b>	<u><u>511,442</u></u>	<u><u>(124,831)</u></u>
	(Rupees)	
<b>Earnings / (loss) per share</b>	<u>5.97</u>	<u>(1.46)</u>

Registered in Pakistan No. 2687  
Registered Office Shell House  
6, Ch. Khaliqzaman Road Karachi-75530

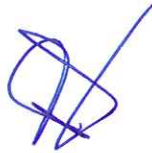
We enclose a copy of the Chairman's review for the quarter ended March 31, 2014.

We will be sending you 300 copies of the printed Accounts for distribution amongst the members of your Exchange.

Yours faithfully,  
Shell Pakistan Limited

A handwritten signature in blue ink, appearing to be 'Tariq Saeed', written in a cursive style.

TARIQ SAEED  
Secretary

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## Shell Pakistan Limited

Shell House  
6, Ch. Khaliqzaman Road  
Karachi-75530  
Tel +92 (21) 111 888 222  
P.O. Box 3901 Karachi

The General Manager  
Lahore Stock Exchange Ltd.  
19, Khayaban-e-Aiwan-e-Iqbal  
Lahore-54000  
Fax # 042-36368485

April 24, 2014

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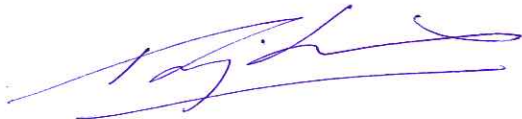
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Shell Pakistan Limited

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TARIQ SAEED  
Secretary

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**Chairman's review**  
**For the quarter ended March 31, 2014**

**Our performance**

On behalf of the board of Directors of Shell Pakistan Limited I am pleased to share the results of the Company for the quarter ended March 31, 2014.

The market conditions in Q1 2014 remained challenging with below-expectation volume performance. This was primarily due to slow Industry growth. High Speed Diesel Industry volumes decreased significantly during Q1 due to delayed start to the agriculture season. Motor Gasoline Industry growth was also slower than recent trends due to better availability of CNG. Further, deep discounting in the market also impacted company's market shares during the period.

The company continued to manage the operating costs and contained the increase in expenses at a below inflation level.

During the current period, the company earned a net profit of Rs. 511 million compared to a net loss of Rs. 124 million in the same period last year. A significant portion of this income is attributable to currency appreciation

Underlying financial results of the Company continue to be affected by very low regulated fuel margins, an onerous turnover tax mechanism and continued financing cost of Government receivables.

**Receivables & financing costs**

During the current period, the collection of refunds due from the Government has come to a halt and we continue to incur financing cost on bank borrowings required to fund these receivables. At the end of this period, the Company is still owed Rs.6,856 Million as receivables. The Company's management is continuously engaged with relevant Government authorities, and we continue to demand that the Government pay the remaining amount on an expedited basis to ensure business continuity and growth.

**Fuel margins**

Petrol and diesel margins in Pakistan are regulated and fixed in Rupees per liter. Currently, these margins are not at a level sufficient to cover steadily rising direct costs of operations and the high cost of financing required for investment in stocks and business assets. In April 2013, a minimal increase in margins on regulated petroleum products was granted by the Government. We continue to advocate for a further favorable revision of these margins to bring them in line with increasing costs of doing business. Currently regulated margins for motor gasoline and diesel are the lowest in the region.

**Turnover tax**

Due to the minimum tax on turnover regime applicable to oil companies, the Company pays Corporate Tax irrespective of the level of profits earned in the period, which has unfairly eroded its operating profit performance and is stifling future investment and growth prospects in the industry. The Company's management is in continuous discussions with Government authorities to remove this anomaly and to bring us in line with various allowances and lower rates that are already granted to other similarly regulated sectors in the country.

**Going forward**

The management continues to maintain a relentless focus on improving the financial performance of the Company. We thank our shareholders, customers and staff for their sustained support and trust in the Company.



**Omar Sheikh**  
**Chairman & Chief Executive**