



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

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

August 13, 2014

Dear Sir,

**FINANCIAL RESULTS FOR THE QUARTER & SIX MONTHS ENDED JUNE 30, 2014**

This is to inform you that a meeting of the Board of Directors of the Company was held at 11:00 a.m. on Wednesday, August 13, 2014 to consider the accounts for the quarter & six months ended June 30, 2014.

**FINANCIAL RESULTS**

The financial results of the Company are as follows:

|  | Half year ended    |                    | Quarter ended     |                   |
|--|--------------------|--------------------|-------------------|-------------------|
|  | June 30,<br>2014   | June 30,<br>2013   | June 30,<br>2014  | June 30,<br>2013  |
|  | (Rupees '000)      |                    |                   |                   |
| Sales  | 150,468,383        | 139,172,215        | 65,618,024        | 75,349,418        |
| Other revenue                                      | 347,516            | 444,405            | 188,600           | 336,285           |
|  | <u>150,835,899</u> | <u>139,616,620</u> | <u>85,806,624</u> | <u>75,685,703</u> |
| Sales tax  | (21,091,862)       | (18,700,638)       | (12,081,174)      | (10,261,763)      |
| Net revenue  | <u>129,744,037</u> | <u>120,915,982</u> | <u>73,725,450</u> | <u>65,423,940</u> |
| Cost of products sold                              | (124,670,223)      | (116,369,154)      | (70,828,419)      | (63,008,473)      |
| Gross profit                                       | <u>5,073,814</u>   | <u>4,546,828</u>   | <u>2,897,031</u>  | <u>2,415,467</u>  |
| Distribution and marketing expenses                | (2,205,842)        | (1,823,382)        | (1,312,716)       | (880,166)         |
| Administrative expenses                            | (1,925,033)        | (1,874,609)        | (865,373)         | (924,486)         |
|  | <u>942,939</u>     | <u>848,837</u>     | <u>698,942</u>    | <u>610,815</u>    |
| Other operating expenses                           | (131,341)          | (409,251)          | (42,452)          | (329,811)         |
|  | <u>811,598</u>     | <u>439,586</u>     | <u>656,460</u>    | <u>281,004</u>    |
| Other income                                       | 892,077            | 92,228             | (94,552)          | 35,656            |
| Operating profit                                   | <u>1,703,675</u>   | <u>531,814</u>     | <u>571,908</u>    | <u>316,660</u>    |
| Finance costs                                      | (243,294)          | (369,526)          | (102,531)         | (134,217)         |
|  | <u>1,460,381</u>   | <u>162,288</u>     | <u>469,377</u>    | <u>182,443</u>    |
| Share of profit of associate - net of tax          | 243,221            | 318,829            | 139,471           | 158,068           |
| Profit before taxation                             | <u>1,703,602</u>   | <u>481,117</u>     | <u>608,848</u>    | <u>340,511</u>    |
| Taxation   | (972,411)          | (546,417)          | (389,099)         | (280,980)         |
| Profit / (loss) for the period                     | <u>731,191</u>     | <u>(65,300)</u>    | <u>219,749</u>    | <u>59,531</u>     |
| Other comprehensive income                         |                    |                    |                   |                   |
| Total comprehensive income / (loss) for the period | <u>731,191</u>     | <u>(65,300)</u>    | <u>219,749</u>    | <u>59,531</u>     |
|  | (Rupees)           |                    |                   |                   |
|  | Restated           |                    | Restated          |                   |
| Earnings / (loss) per share                        | <u>6.83</u>        | <u>(0.61)</u>      | <u>2.05</u>       | <u>0.56</u>       |

We enclose a copy of the Chairman's review for the quarter & six months ended June 30, 2014.

We will be sending you 200 copies of the printed Accounts for distribution amongst the members of your Exchange.

Yours faithfully,  
Shell Pakistan Limited



TARIQ SAEED  
Secretary

## **Chairman's review**

### **For the half year ended June 30, 2014**

#### **Our performance**

On behalf of the Board of Directors of Shell Pakistan Limited, I am pleased to share the results of your Company for the second quarter and the half year ended June 30, 2014. During second quarter 2014, your company earned a net profit of Rs. 220 million leading to a net profit of Rs 731 million in the first half of 2014. This compares to a net profit of Rs 60 million in second quarter 2013 and a net loss of Rs 65 million in first half 2013.

Operational performance of your company improved significantly in the second quarter of 2014. All major products including Motor Gasoline, High Speed Diesel and Lubricants returned to positive volume growth along with an increase in Jet Fuel export volumes during this period. All of this was achieved through continued focus on operational excellence and execution of winning consumer promotions / propositions for our customers.

However, at an industry level, the first half of the year remained tough mainly due to decline in High Speed Diesel industry volumes. The financial results also include significant benefit of currency appreciation that accrued to the company in first quarter 2014.

Advertising and promotion spend of Rs. 461 million for the first half was twice that of last year. These spends were conducted to support consumer and trade promotions and to build brand share of preference both for Fuels and Lubricants. Excluding these, operating cost increase remained within the inflation levels due to continued management focus.

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

#### **Receivables & financing costs**

During the first half of 2014, limited progress was made in collecting receivables from the Government. With the Company's continued efforts, we have managed to collect Rs. 334 million in first half of 2014 on account of Petroleum Development Levy. 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. Currently regulated margins for motor gasoline and diesel still remain the lowest in the region and we continue to advocate for a further favorable revision of these margins to bring them in line with increasing costs of doing business.

#### **Turnover tax**

Due to the minimum tax on turnover regime applicable to oil companies, your 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 granted to other similarly regulated sectors in the country.

#### **Going forward**

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

Sd/-

Michael Noll  
Chairman



**Shell Pakistan Limited**

Shell House

6, Ch. Khaliqzaman Road

Karachi-75530

Tel +92 (21) 111 888 222

P.O. Box 3901 Karachi

13th August'14

The Managing Director  
Karachi Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
KARACHI

Dear Sir,

This is to inform you that the Board of Directors at a meeting held at the registered office of the Company at 11:00 am today has elected Mr. Michael Noll as the Chairman of the Board with Immediate effect.

The detailed profile of Mr. Michael Noll is available on the Company website:  
[www.shell.com.pk](http://www.shell.com.pk)

You may kindly inform your members accordingly.

Yours faithfully,  
Shell Pakistan Limited

TARIQ SAEED  
Secretary

CC: The General Manager  
Lahore Stock Exchange Ltd.  
19, Khayaban-e-Aiwan-e-Iqbal  
Lahore



The General Manager  
Lahore Stock Exchange Ltd.  
19, Khayaban-e-Aiwan-e-Iqbal  
LAHORE-54000

Fax # 042-36368485

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| Profit / (loss) for the period                     | 731,191          | (65,300)         | 219,749          | 59,531           |
| Other comprehensive income                         | -                | -                | -                | -                |
| Total comprehensive income / (loss) for the period | 731,191          | (65,300)         | 219,749          | 59,531           |
| (Rupees)   |                  |                  |                  |                  |
|  | Restated         |                  | Restated         |                  |
| Earnings / (loss) per share                        | 6.83             | (0.61)           | 2.05             | 0.56             |

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Shell Pakistan Limited

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TARIQ SAEED  
Secretary

**Chairman's review**  
**For the half year ended June 30, 2014**

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Michael Noll  
Chairman