

**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  
Pakistan Stock Exchange Limited  
Stock Exchange Building  
Stock Exchange Road  
KARACHI

April 21, 2016

Dear Sir,

**FINANCIAL RESULTS FOR THE QUARTER ENDED MARCH 31, 2016**

This is to inform you that a meeting of the Board of Directors of the Company was held at 1:00 p.m. on Thursday, April 21, 2016 to consider the Accounts for the quarter ended March 31, 2016.

**FINANCIAL RESULTS**

The financial results of the company are as follows:

	(Unaudited)	
	March 31, 2016	March 31, 2015
	(Rupees '000)	
Sales	56,668,370	59,218,683
Other revenue	239,796	140,882
	<u>56,908,166</u>	<u>59,359,565</u>
Sales tax	(14,232,400)	(11,184,204)
Net revenue	<u>42,675,766</u>	<u>48,175,361</u>
Cost of products sold	(40,697,208)	(46,841,085)
<b>Gross profit</b>	<u>1,978,558</u>	<u>1,334,276</u>
Distribution and marketing expenses	(1,114,585)	(1,072,699)
Administrative expenses	(965,199)	(1,071,463)
	<u>(101,226)</u>	<u>(809,886)</u>
Other operating expenses	(13,406)	(131,258)
	<u>(114,632)</u>	<u>(941,144)</u>
Other income	167,103	41,377
<b>Operating profit</b>	<u>52,471</u>	<u>(899,767)</u>
Finance costs	(30,275)	(70,865)
	<u>22,196</u>	<u>(970,632)</u>
Share of profit of associate - net of tax	138,525	110,201
<b>Profit before taxation</b>	<u>160,721</u>	<u>(860,431)</u>
Taxation	(139,461)	107,356
<b>Profit / (loss) for the period</b>	<u>21,260</u>	<u>(753,075)</u>
Other comprehensive income	-	-
<b>Total comprehensive income / (loss) for the quarter</b>	<u>21,260</u>	<u>(753,075)</u>
	(Rupees)	
<b>Earnings / (loss) per share</b>	<u>0.20</u>	<u>(7.04)</u>

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

  
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We enclose a copy of the Chairman's review for the quarter ended March 31, 2016.

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

CC : The General Manager,  
Pakistan Stock Exchange Limited  
19, Khayaban-e-Aiwan-e-Iqbal,  
Lahore – 54000  
Fax # 042-36368485

## Review for the quarter ended March 31, 2016

### Our performance

On behalf of the Board of Directors of Shell Pakistan Limited, I would like to share the results of your Company for the quarter ended March 31, 2016. The Company has continued to make progress on improving its operational performance during the quarter, registering profitable delivery in all our chosen focus segments. Downward oil price movements continued to impact our otherwise robust operational performance, resulting in a net profit after tax of Rs 21m for the quarter, compared to a net loss of Rs 753 million in first quarter of 2015.

In an import dependent market with fixed margins for motor gasoline and diesel, the extent of inventory losses due to decline in international oil prices is rather large. With the oil prices taking a further plunge in the first three months of 2016, your Company incurred significant inventory losses during the quarter, although this impact was mitigated to some extent through optimizing our global supply chain network to get the best available prices for imported products. We also continued to maintain adequate stocks of fuels as per legal requirements along with ensuring a steady supply of fuel to our customers..

The Company continued with its focus on enhanced customer value propositions and superior portfolio offering. Advertising and promotional spend of Rs 91 million, along with exciting new initiatives in non-fuel retailing have set up a springboard for a successful 2016. However, the financial performance of your Company continue to be affected by low regulated fuel margins, continued significant impact of the turnover tax mechanism and financial burden resulting from overdue receivables from the Government.

### Receivables & financing costs

During the current period, the company was not able to collect further refunds from the Government with an implication that it continued to incur financing cost on bank borrowings required to fund these receivables. As at 31<sup>st</sup> March 2015, the Company is still owed Rs 4,019 million as receivables. The Company's management is continuously engaged with relevant Government authorities to pay the remaining amount on an expedited basis to ensure business continuity and growth.

### Fuel margins

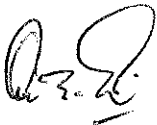
Petrol and diesel margins in Pakistan are regulated and fixed in Rupees per liter. Currently, these margins are not at a level sufficient to cover steadily rising direct costs of operations and the high cost of financing required for investment in stocks and business assets. Currently regulated margins 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 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.



Omar Sheikh,  
Chairman & Chief Executive