

DIRECTORS' REVIEW



The Board of Directors feel pleasure in presenting the report on the affairs of the Company together with financial statements for the second quarter and half year ended December 31, 2007. During the quarter under review, international oil prices crossed US \$ 100 per barrel resulting in positive impact on Company revenues. Nevertheless, this has also resulted in mounting burden on the cash flows due to subsidy on Diesel through Price Differential Claim (PDC) by the Government of Pakistan (GoP), as a consequence of which the receivable from GoP under PDC increased in six months from Rs 289 million to Rs 1,204 million as at December 31, 2007.

FINANCIAL RESULTS

Higher international oil prices, improved product mix and effective inventory management resulted in increase in gross sales revenue by 3% to Rs 25,607 million during the half year ended December 31, 2007 (2006: Rs 24,899 million). The increased revenues resulted in net profit of Rs 1,075 million (2006: Rs 814 million) and earnings per share of Rs 22.39 (2006: Rs 16.97) for the half year ended December 31, 2007.

REVIEW OF OPERATIONS & PROJECTS

Despite political upheavals and resultant riots that break out in the country, the Company managed to maintain its sales volume close to last year's level. On the other hand, sharp increase in international oil prices has led to the growth of overall sales revenue.

Notwithstanding the carriage contractors' strike and hostile environment, the successful launch of the new arrangements for exports to Afghanistan has improved profitability of the Company. Further, another milestone was achieved by commissioning first international retail outlet at Jalalabad in November 2007.

Adopting the proactive approach and focusing on the establishment and strengthening of retail outlets, particularly in the south and generally all over Pakistan, 13 new petrol pumps commissioned during the period under

review thus bringing the total number of operating pumps to 190 as at December 31, 2007 in comparison to 157 in December 2006. In addition to this, a number of retail outlets are under construction and at different phases of securing necessary licenses from the regulatory authorities.

The construction of Bulk Oil Terminal at Machike is progressing with full pace and is expected to be completed in mid 2008. The facility will have storage capacity for HSD, PMG and SKO. At Port Qasim, the procurement of equipment and materials alongwith securing necessary licenses from the Government is in progress. Further, development and enhancement of existing infrastructure is being carried out as per the scheduled program.

ACKNOWLEDGEMENT

We acknowledge to all staff members for their dedication and commitment in the performance of their duties and also wish to extend our appreciation to the customers, suppliers, contractors, shareholders and Government authorities for their continued support.

On Behalf of the Board

**Damascus
February 21, 2008**

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SHUAIB A. MALIK
CHIEF EXECUTIVE