Pakistan Refinery Limited

Annual Report Key Takeaways

REP-300

PRL published its FY26 Annual Report today. Below are the key takeaways:

- The Company delivered a strong financial turnaround during the year, recording a profit after taxation of PKR 15.8bn compared to a loss of PKR 4.7bn in the previous year, representing a swing of PKR 20.4bn. The improved performance was supported by stronger crack spreads, operational efficiencies and continued optimisation of crude oil procurement.
- The Company continued to face pressure from declining local demand for High Sulphur Furnace Oil (HSFO), with the imposition of Petroleum and Climate Support Levies further reducing its economic viability in the domestic market. As a result, local demand remained negligible, requiring the Company to export a substantially higher proportion of its HSFO production. During the year, the Company exported 386,838 metric tons of HSFO, representing 98.3% of total HSFO sales, compared to 311,570 metric tons or 71.2% of sales in the previous year.
- The Company also achieved a key operational milestone by producing more than 800,000 metric tons of High-Speed Diesel (HSD) for the first time in its history.

Refinery Expansion & Upgrade Project (REUP)

- Following completion of the Front-End Engineering Design (FEED) study and detailed evaluation of Engineering, Procurement and Construction (EPC) bids, PRL issued a conditional Letter of Intent (LoI) to the EPC contractor on December 30, 2025.
- The project aims to double crude processing capacity from 50,000 to 100,000 barrels per day, enable production of Euro V-compliant Motor Spirit (MS) and High-Speed Diesel (HSD), and transform PRL from a hydro-skimming into a deep-conversion refinery, thereby significantly reducing HSFO production and improving long-term self-sustainability.

Alternative Execution Strategy

- Given the evolving geopolitical environment, PRL is evaluating alternative and phased execution approaches, including a hybrid Owner’s Engineer (OE)/Project Management Consultant (PMC) model and potential Build-Own-Operate (BOO)/Build-Own-Operate-Transfer (BOOT) structures for selected utilities and infrastructure.
- The phased, financeable implementation strategy is intended to manage capital, execution and financing risks while retaining the long-term objective of completing REUP within the revised Brownfield Refining Policy framework and targeting project completion within 36 months of notice to proceed.

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Financing & Financial Close

- PRL continues to pursue financial close through engagement with multilateral financial institutions, Export Credit Agencies (ECAs), commercial financial institutions, potential strategic investors and its principal shareholder, Pakistan State Oil (PSO), with active support from the Ministry of Energy (Petroleum Division).
- Given the project's significant capital requirements and evolving financing environment, PRL is adopting a prudent approach to financing and project execution to ensure the project remains commercially viable.

Incremental Incentives Accumulation

- Under the Pakistan Oil Refining Policy for Existing/Brownfield Refineries, 2023, the Company's incremental incentive balance increased to PKR17.43bn as of Jun'26, compared to PKR 5.56bn in the previous year, following PKR 11.87bn of incremental incentives earned during FY26 versus PKR 9.47 bn in FY25.
- No amount was transferred to the Joint Escrow Account during the year, compared to PKR 5.19bn transferred in FY25.
- The Policy provides incremental incentives of 2.5% on HSD and 10% on MS for seven years from the signing of the Upgrade Agreement and opening of the Joint Escrow Account, with recognition subject to the Final Investment Decision (FID) on the project.
- The balance in the Joint Escrow Account stood at PKR 11.66bn as of Jun'26, compared to PKR 10.87bn in FY25.