PPL Pakistan Petroleum Ltd.

PSX · OIL & GAS EXPLORATION COMPANIES

PPL's producing asset base, continued exploration activity, and diversification into mining and Reko Diq: what this combination means for its profile as a long-term holding

THE STORY

Company Overview

Pakistan Petroleum Limited (PPL) is a Pakistani state-owned oil and gas exploration and production (E&P) company headquartered in Karachi. It is one of the country's major E&P companies and contributes more than **20%** of Pakistan's natural gas supplies. The company has interests in several major producing oil and gas fields, including the Sui gas field, alongside exploration and development activities across its domestic portfolio.

Producing Assets and Exploration Activity

PPL operates and holds a **100%** working interest in the Kandhkot and Sui gas fields. Alongside these established domestic producing assets, the company has expanded its exploration activities beyond Pakistan through international interests, including Offshore Block 5 in Abu Dhabi, UAE, and historical operations in Yemen.

During 9MFY26, PPL reported two discoveries in PPL-operated blocks and nine discoveries in partner-operated blocks, reflecting continued exploration activity across its portfolio.

Diversification Beyond Hydrocarbons

PPL also has exposure to non-hydrocarbon assets through its **50%** joint venture interest in Bolan Mining Enterprises (BME), established with the Government of Balochistan. BME is involved in the mining of minerals including baryte, lead, and zinc.

The company also holds an effective **8.33%** interest in the Reko Diq Copper-Gold Project. The project represents a potential source of diversification beyond PPL's traditional oil and gas operations, with commercial production currently expected around FY28-29.

Earnings and Revenue Base

In FY26, PPL generated annual revenue of **PKR 264.014 billion** and reported a gross margin of over **60%** and a net profit margin of **37.32%**. The company's earnings remain influenced by production volumes, realized oil and gas prices, field performance, development activity, and changes in the regulatory and fiscal environment.

Investment Base and Liquidity

THE NUMBERS

Net profit margin, FY26
37.32%

Revenue, FY26
PKR 264.014 billion

Gross margin, FY26
over 60%

Long-term investments
PKR 120.6 billion
up 34.5% year-on-year

Cash and bank balances
PKR 7.166 billion

Dividend, FY26
PKR 6/sh

Share of Pakistan's natural gas supply
more than 20%

Effective interest, Reko Diq Copper-Gold Project
8.33%

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THE STORY (CONT.)

PPL's long-term investments increased by **34.5%** year-on-year to **PKR 120.6 billion**. The company's cash and bank balances stood at **PKR 7.166 billion**. The increase in long-term investments reflects the company's broader investment base and its participation in projects beyond its core producing assets.

Dividend Distribution

PPL is a dividend-paying company, with a FY26 dividend of **PKR 6/sh**.

Key Investment Considerations

PPL's investment profile is primarily shaped by its large domestic producing asset base, continued exploration activity, international exposure, and investments in mining and other strategic projects. The Reko Diq project adds a potential long-term source of diversification beyond the company's traditional E&P operations.

PPL's future financial performance will remain dependent on production levels, commodity prices, exploration outcomes, project execution, regulatory developments, and the timing and economics of its international and non-hydrocarbon investments.

THE NUMBERS (CONT.)

WHAT WE ARE WATCHING

- Production levels and field performance across PPL's producing assets, including Kandhkot and Sui
- Commodity prices realized on oil and gas production
- Exploration outcomes across PPL-operated and partner-operated blocks
- Timing and economics of international and non-hydrocarbon investments, including Reko Diq's commercial production expected around FY28-29
- Progress and economics of the Bolan Mining Enterprises joint venture
- Regulatory and fiscal developments affecting the E&P sector

GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Working interest and joint ventures in E&P

In oil and gas exploration and production, a company's stake in a field or project is often described as a working interest or joint venture percentage. This reflects the share of costs a partner bears and the share of production or output it is entitled to, rather than outright ownership of the asset itself. Companies frequently hold varying percentages across different fields and projects, some operated directly and others operated by a partner, which spreads both the exposure to exploration risk and the potential upside across a portfolio.

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GENERAL CONCEPT · EDUCATION, NOT A VIEW ON THIS STOCK

Gross margin and net profit margin

Gross margin measures the proportion of revenue remaining after direct production costs are deducted, giving a sense of how efficiently a company converts sales into operating profit before other expenses. Net profit margin goes further, measuring what proportion of revenue remains after all costs, including taxes, financing, and other charges, are accounted for. Comparing the two margins helps an investor understand how much of a company's overall profitability comes from its core operations versus from other financial factors.

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