



# WEAVING THE NETWORK OF OUR NATION

ANNUAL REPORT 2009



Pakistan State Oil



Wherever you go, we're there too

### WEAVING THE NETWORK OF OUR NATION

Take a look around you, and chances are you'll find us there; somewhere near you, and everywhere in Pakistan, from the airport in your city, to the industrial sector to quite possibly, the car right next to yours on the road.

That's because most people choose PSO's products over any other in the country, as we fuel air and sea ports, government entities, armed forces, railways, the agriculture sector, IPPs and industrial units with maximum efficiency. So wherever you go, you'll find us there - engineering innovations with a portfolio of products and solutions that no other company can offer. With more than 3,600 retail outlets serving approximately 2.8 million retail customers daily along with 2,000 industrial units and business houses and a fleet of 6,000 tank lorries, tank wagons and pipelines, PSO has the largest distribution network in the country.

We take great pride in maintaining our tradition of excellence with our commitment to meet the energy needs of today and the rising challenges of tomorrow by anticipating future needs before they arise, with the benefit of our consumers and investors in mind. Because thinking ahead is the only way of staying ahead.

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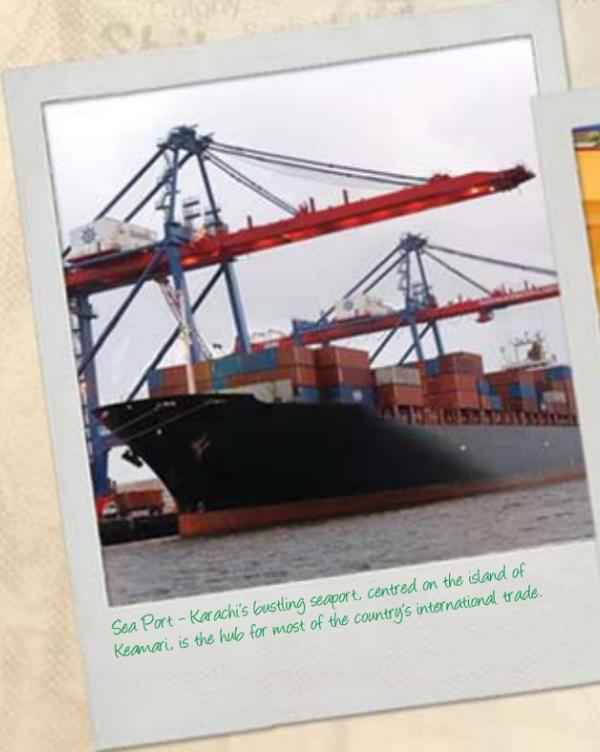
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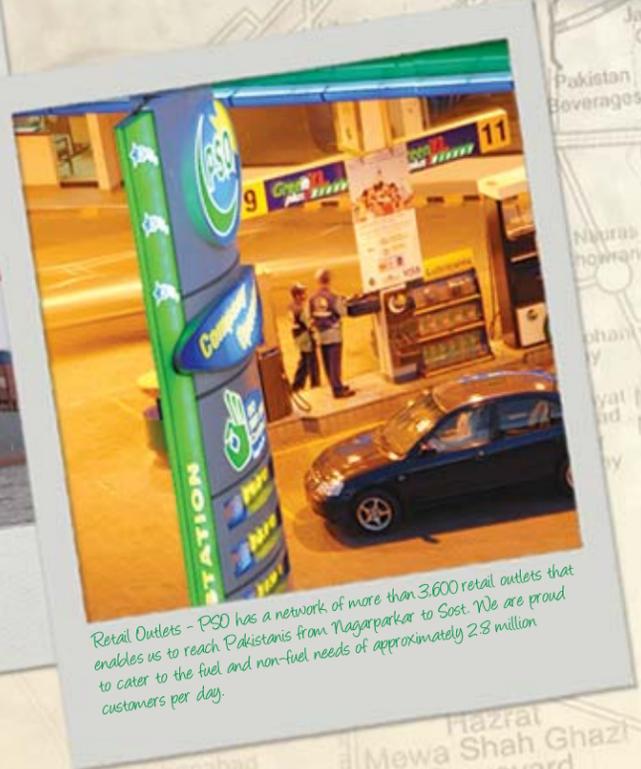
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Sea Port - Karachi's bustling seaport, centred on the island of Keamari, is the hub for most of the country's international trade.



Retail Outlets - PSO has a network of more than 3,600 retail outlets that enables us to reach Pakistanis from Nagarparkar to Sost. We are proud to cater to the fuel and non-fuel needs of approximately 28 million customers per day.



## KARACHI

Sindh, Pakistan - 4° 48' N 66° 59' E  
Karachi is situated in southern Pakistan and is the capital of the Sindh Province. The hub of a sprawling metropolitan area, Karachi is the nation's largest city and its chief transportation, financial, commercial, and manufacturing centre. The city is also an important banking centre with a stock exchange.

Karachi has a rich collection of buildings and structures of various architectural styles ranging from Mughal to Colonial. The Kothari Parade and Mohatta Palace are fine examples of Mughal architecture in Karachi.

Known for its beaches and local fishing villages, Karachi carves the network for a major percentage of fish exports. Most of the international trade of Pakistan also passes through the city's busy modern port, centred on the island of Keamari.

**With 192 retail outlets across Karachi supported by an uninterrupted supply chain, PSO caters to the fuel requirements of the citizens of Karachi as well as important economic sectors spanning from aviation, power plants and other industrial units round-the-clock.**





## Corporate Objectives

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3,620 distribution outlets. What is your destination?

## Vision

To excel in delivering value to customers as an innovative and dynamic energy company that gets to the future first.

## Mission

We are committed to leadership in the energy market through a competitive advantage in providing the highest quality petroleum products and services to our customers based on:

1. A professionally trained, high-quality, motivated workforce that works as a team in an environment which recognizes and rewards performance, innovation and creativity, and provides for personal growth and development.
2. The lowest-cost operations and assured access to long-term and cost-effective supply sources.
3. Sustained growth in earnings in real terms.
4. Highly ethical, safe, environment-friendly and socially responsible business practices.



*Welcome to PSO, the largest oil marketing company of the country committed to fuelling the progress of the nation.*

## Strategic Objectives

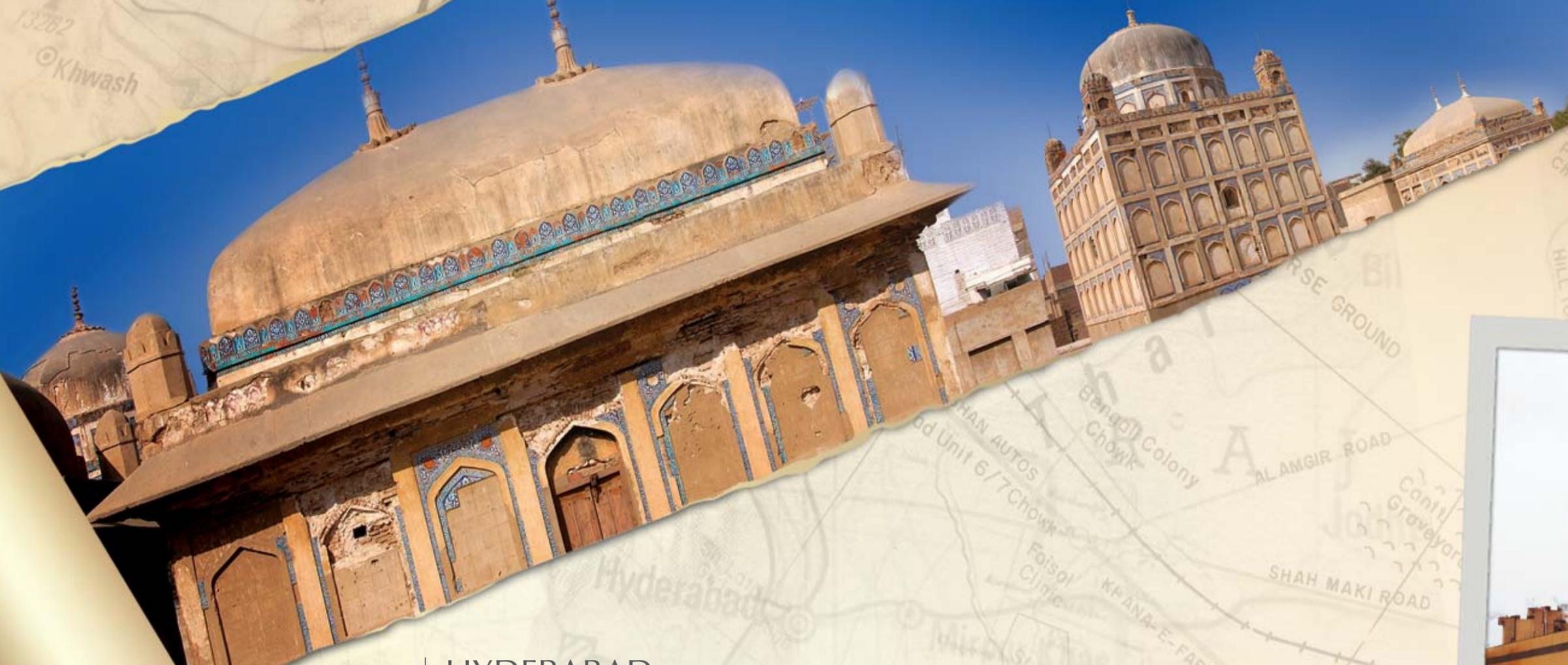
1. Maximize profitability in the Lubricants business through segmented marketing and brand promotion.
2. Explore potential markets for the export of fuels and lubricants.
3. Expand the PSO Cards Business by enhancing the customer base, efficient distribution and brand partnership.
4. Enhance our reach and add to our network of New Vision Retail Outlets (NVROs).
5. Develop bio-fuels and expand the gaseous fuels business.
6. Revamp the C-store network, introduce Quick Service Restaurants and develop strategic alliances with local and international franchises.
7. Revamp organizational structure and various functions in line with the best corporate practices.
8. Streamline systems and procedures in accordance with the changing business environment.
9. Ensure full HSE compliance in all our operations and try to meet a zero accident objective through effective system development, training, inspections and audit.
10. Reinforce quality assurance by acquiring the ISO 9000 quality management certification of various departments, and expansion of MQTU network.



*We at PSO serve approximately 2.8 million customers daily through the largest and most extensive distribution network in the country.*



©Khwash



## HYDERABAD

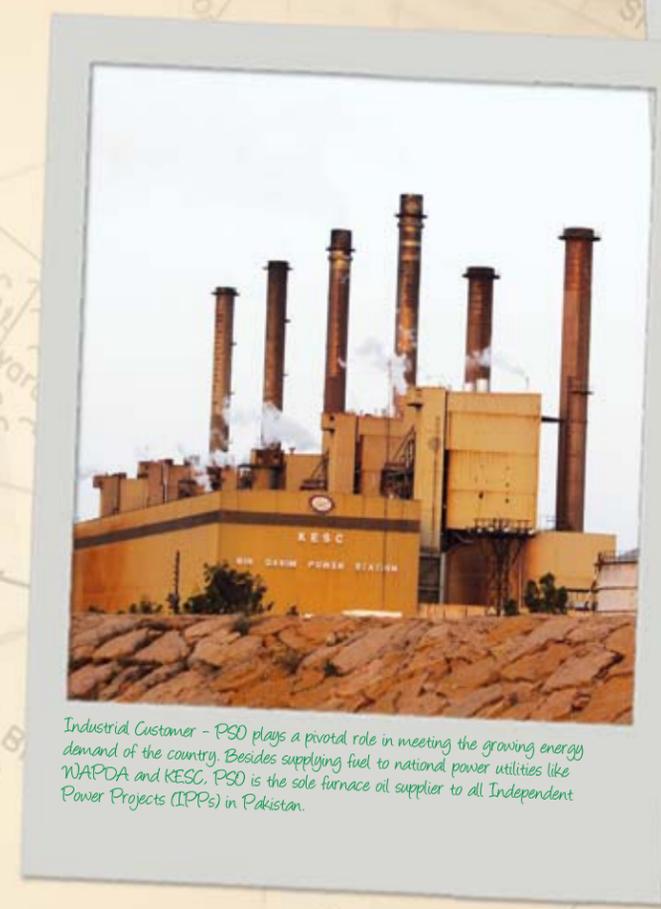
Sindh, Pakistan - 25° 22' 45" N, 68° 22' 6" E  
Hyderabad is located in the Sindh province of Pakistan and has been a staging point towards the Sindhi language and the birthplace of a few influential poets and Sufi dervishes.

Meer tombs is a Pre-Harappa site which flourished from 3,600 to 3,300 BC and is located 110 kilometres north of Hyderabad. Kotri barrage, a very important irrigation system built at the outskirts of the city, is responsible for supplying water to major cities of Pakistan.

Rich with culture and tradition, Hyderabad is the

largest producer in the world also famous for its pottery and metal work for trucks and vehicles.

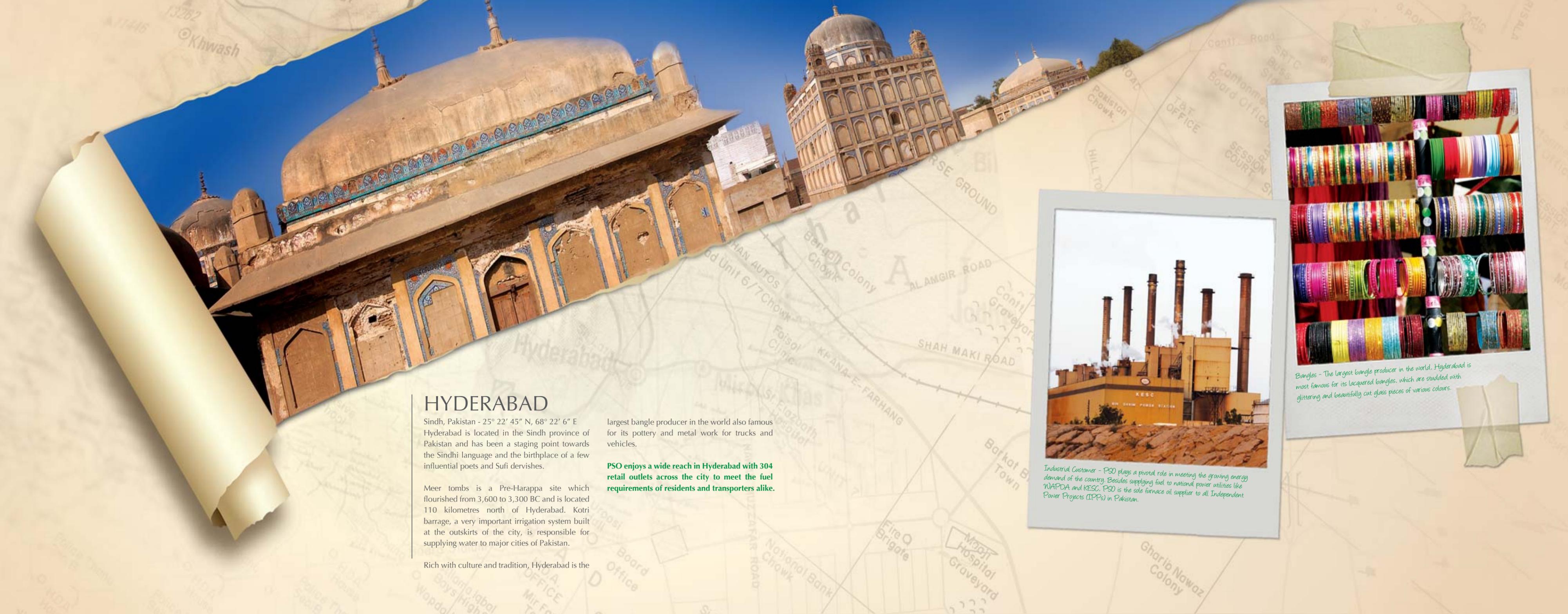
**PSO enjoys a wide reach in Hyderabad with 304 retail outlets across the city to meet the fuel requirements of residents and transporters alike.**



*Industrial Customer - PSO plays a pivotal role in meeting the growing energy demand of the country. Besides supplying fuel to national power utilities like WAPDA and KESC, PSO is the sole furnace oil supplier to all Independent Power Projects (IPPs) in Pakistan.*



*Bangles - The largest bangle producer in the world, Hyderabad is most famous for its lacquered bangles, which are studded with glittering and beautifully cut glass pieces of various colours.*



## Core Values

**Excellence:** We believe that excellence in our core activities emerges from a passion for satisfying our customers' needs in terms of total quality management. Our foremost goal is to retain our corporate leadership.

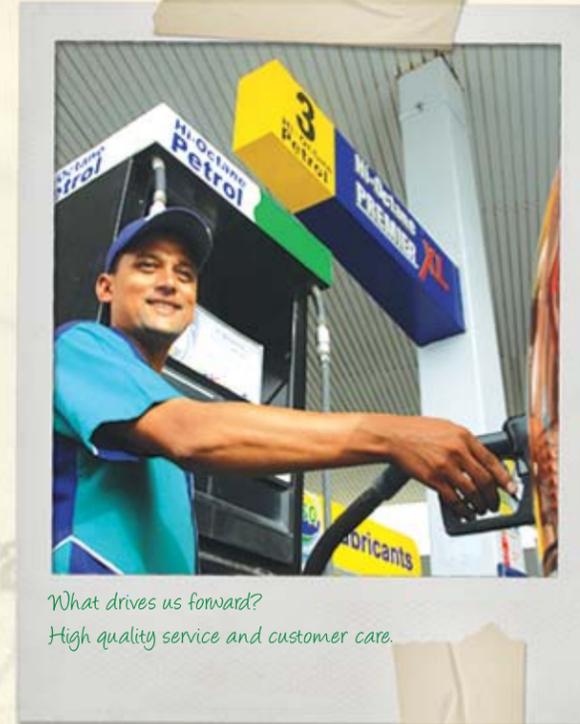
**Innovation:** We are committed to continuous improvement, both in new products and processes as well as existing ones. We encourage creative ideas from all stakeholders.

**Respect:** We are an equal opportunity employer, attracting and recruiting the finest people from around the country. We value contribution from individuals and teams. Individual contributions are recognized through our reward and recognition program.

**Integrity:** We uphold our values and business ethic principles. Professional and personal honesty, dedication and commitment are the landmarks of our success. Open and transparent business practices are based on ethical values and respect for employees, communities and the environment.

**Cohesiveness:** We endeavour to achieve higher collective and individual goals through teamwork. This is inculcated in the organization through effective communication.

**Corporate Responsibility:** We promote health, safety and environment culture both internally and externally. We emphasize on community development and aspire to make society a better place to live in.

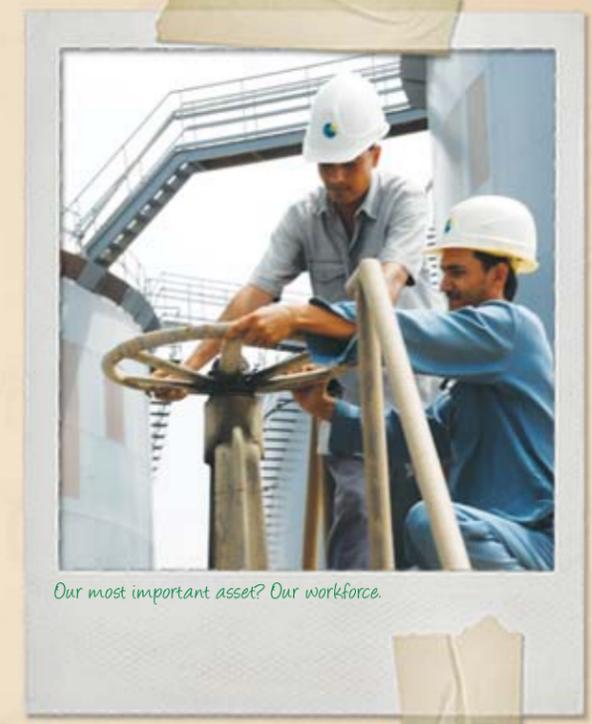


*What drives us forward?  
High quality service and customer care.*

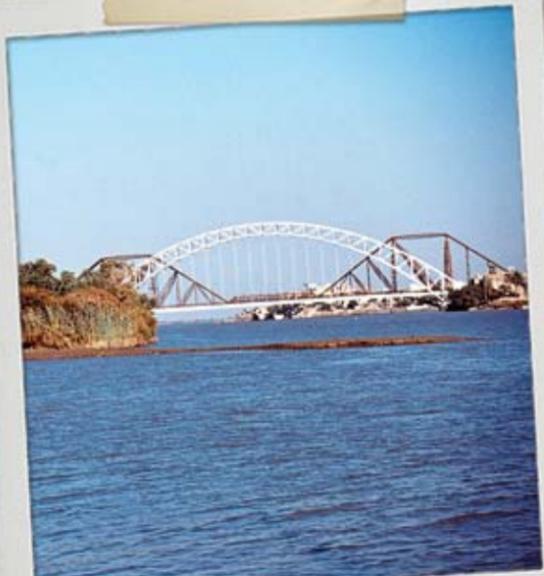
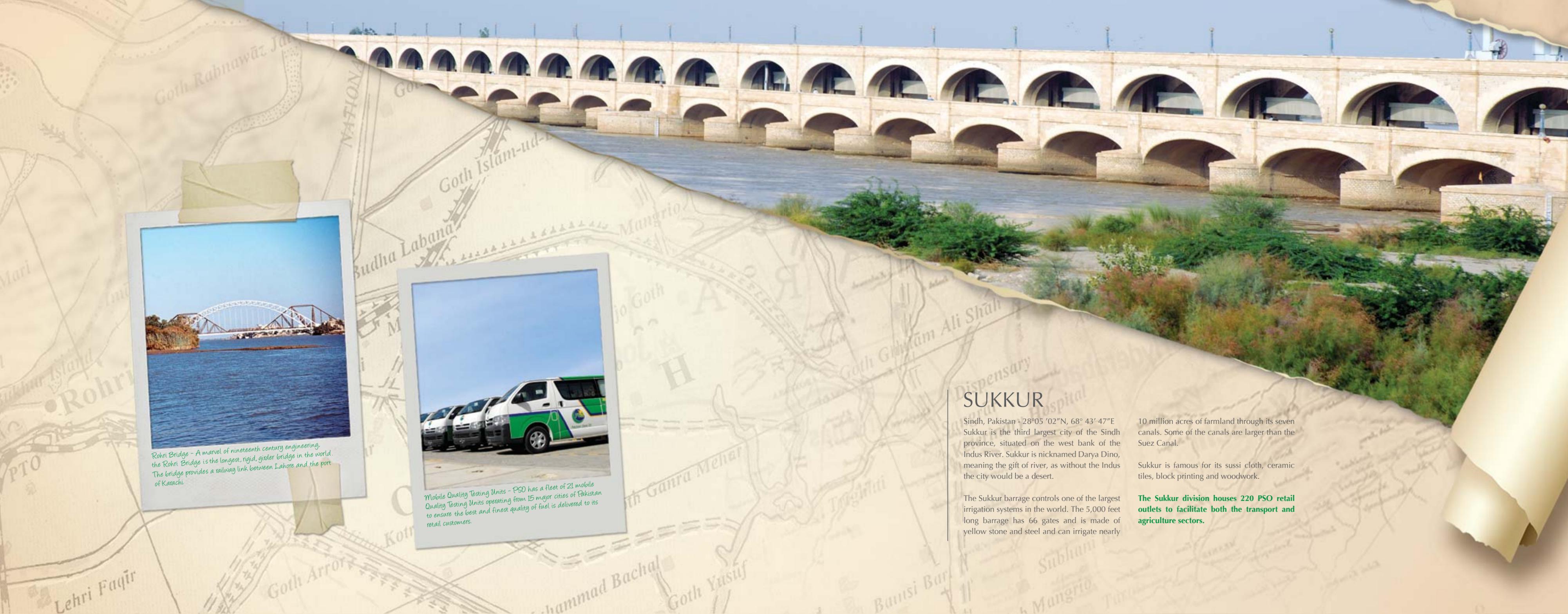
## Code of Conduct

In line with management's effort to maintain the decorum and ensure an environment that is cohesive to the development and success of our people, a Code of Conduct has been put in place where the following activities can result in disciplinary action:

1. Unsatisfactory and negligent job performance.
2. Excessive and unauthorized absence from duty.
3. Unsatisfactory safety performance.
4. Reporting on duty under the influence of drug or intoxicants.
5. Absence from duty without notice or permission from the supervisor unless the cause of absence prevents giving notice.
6. Using influence for promotion, transfer or posting.
7. Conduct that violates common decency and morality.
8. Engaging in a fight or in activity that could provoke fighting on site property.
9. Insubordination or deliberate refusal to comply with reasonable requests or instructions.
10. Use or possession of weapons, ammunitions, explosives, intoxicants, illicit drugs or narcotics on site.
11. Acts of "horse play" on site property.
12. Gambling on site property or bringing illegal gambling paraphernalia on to the site.
13. Theft or unauthorized removal of site property or property belonging to site employee, contractor and vendor.
14. Intentional damage to site, employee, contractor or vendor property.
15. Dishonest act or fortification of records, including the giving of false information when required.
16. Bringing combustible material on site or having any type of match sticks, cigarette lighter or flame producing device in restricted areas.
17. Smoking except in designated areas.
18. Using or divulging without permission, any confidential information gained through employment at the site.
19. Physical, mental or sexual harassment of fellow employee including threat to do bodily harm.
20. Crime involving fraud, indecency, breach of dignity or public morals and other serious offences.
21. Any other commission or omission which, in the opinion of the company, requires/justifies dismissal/termination of employment.



*Our most important asset? Our workforce.*



Rohri Bridge - A marvel of nineteenth century engineering, the Rohri Bridge is the longest, rigid, girder bridge in the world. The bridge provides a railway link between Lahore and the port of Karachi.



Mobile Quality Testing Units - PSO has a fleet of 21 mobile Quality Testing Units operating from 15 major cities of Pakistan to ensure the best and finest quality of fuel is delivered to its retail customers.

## SUKKUR

Sindh, Pakistan - 28°05' 02"N, 68° 43' 47"E  
Sukkur is the third largest city of the Sindh province, situated on the west bank of the Indus River. Sukkur is nicknamed Darya Dino, meaning the gift of river, as without the Indus the city would be a desert.

The Sukkur barrage controls one of the largest irrigation systems in the world. The 5,000 feet long barrage has 66 gates and is made of yellow stone and steel and can irrigate nearly

10 million acres of farmland through its seven canals. Some of the canals are larger than the Suez Canal.

Sukkur is famous for its sussi cloth, ceramic tiles, block printing and woodwork.

**The Sukkur division houses 220 PSO retail outlets to facilitate both the transport and agriculture sectors.**

# Company Profile

Pakistan State Oil, the largest oil marketing company in the country, is currently engaged in the marketing and distribution of various POL products including Motor Gasoline (Mogas), High Speed Diesel (HSD), Furnace Oil (FO), Jet Fuel (JP1), Kerosene, LPG, CNG, Petrochemicals and Lubricants. In addition to this, we also import different products according to their demand pattern and possess the biggest storage facilities representing 80% of the country's total storage capacity.

Brief overview of each business facet of PSO is stated below:

### Marketing & Distribution

The company has the largest distribution network comprising of 3,620 outlets out of which 3,384 serve retail customers, 53 outlets cater to the agriculture sector and 183 outlets serve our bulk customers. Out of a total number of 3620 outlets, 1,735 have been upgraded as per the New Vision Retail Program with the most modern facilities.

Moreover, there are 37 company owned and company operated (Co-Co) sites to serve our retail customers. The idea of setting up Co-Co sites was to make these stations flagships under maximum supervision and intense scrutiny to maintain the highest level of efficiency, service and customer care.

In addition to retail customers, more than 2,000 industrial units & business houses, power plants and airlines are being catered to by PSO's different departments.

### Acquisition of Products

Traditionally, due to the high demand of two products, i.e. High Speed Diesel (HSD) and Furnace Oil (FO), there has been a supply deficit in the country. Transport and automotive sectors are the main consumers of HSD and Mogas whereas power plants and IPPs use up Furnace Oil for electricity generation. To meet the supply deficit, PSO imports HSD and FO along with some additional volumes of Mogas as and when required. The OMCs import around 9.8 million metric tons of the white and black oil products of which PSO has the lion's share of imports accounting for more than 88 percent.

PSO has maintained a 30-year mutually-beneficial business relationship with Kuwait Petroleum Corporation (KPC) for the purchase of HSD and FO. This is

through a term contract, which assures both parties of continued product supply and protects PSO from frequent price fluctuations in the international HSD market.

Other than importing products, various refineries in Pakistan including Attock Refinery Limited, Pakistan Refinery Limited, BOSICOR, NRL and PARCO cater to our product needs including that of LPG, motor gasoline, kerosene, jet fuels, high speed diesel and furnace oil.

### Storage

PSO possesses huge infrastructure facilities from Karachi to Gilgit. This entails 9 installations and 12+1 depots with a storage capacity exceeding 1 million metric tons, representing over 80% of the total storage capacity owned by all oil marketing companies.

To optimize storage utilization, the company has recently also provided hospitality to refineries and other oil marketing companies that include Chevron, Total PARCO and Hascombe.

### Product Movement

The modes used for the product movement of POL products by PSO include tank lorries, tank wagons and pipeline. We have a fleet of around 6,000 tank lorries. Around 1,200 tank lorries, equipped with tracking and pilfer proof systems, have been upgraded as per international standards which are engaged in delivering quality fuels across the country.

With the inception of the White Oil Pipeline Project (WOPP) from Karachi to Mehmood Kot via Shikarpur & the MFM (Mehmood Kot / Faisalabad / Machikey) pipeline, the pattern of supplies from Karachi has drastically changed as the entire white oil movement from Karachi has been switched over from tank lorries to pipeline. PSO has an equity partnership in this project with a 12% shareholding.

### Lubes Manufacturing & Sales

To cater to all kinds of lubricant customers including automotive, hi-street and industrial consumers by meeting the national demand through products of international standards, PSO has set up a state-of-the-art Lubricants Manufacturing Terminal (LMT) at the Korangi Industrial Area in Karachi.

Raw materials (Lube Base Oils and Additives) are acquired from suppliers of national and international repute and stored as per prevailing global standards. The most advanced computerized equipments like the Automatic Batch Blender (ABB), Simultaneous Metered Blending (SMB) and Additive Dosing Unit (ADU) have been installed at the LMT in order to produce top-quality lubricants in the desired volume as per demand.

### PSO Brands

PSO's leading retail brands include Premier-XL (petrol with a multi-functional additive), Green-XL (environment friendly diesel with an additive that provides more mileage, smooth running and less black smoke), Deo (diesel engine oil) and Carient (passenger car motor oil). In order to deliver the promised quality to its retail customers, PSO has a fleet of 21 Mobile Quality Testing Units (MQTU) operating from 15 major cities of Pakistan.

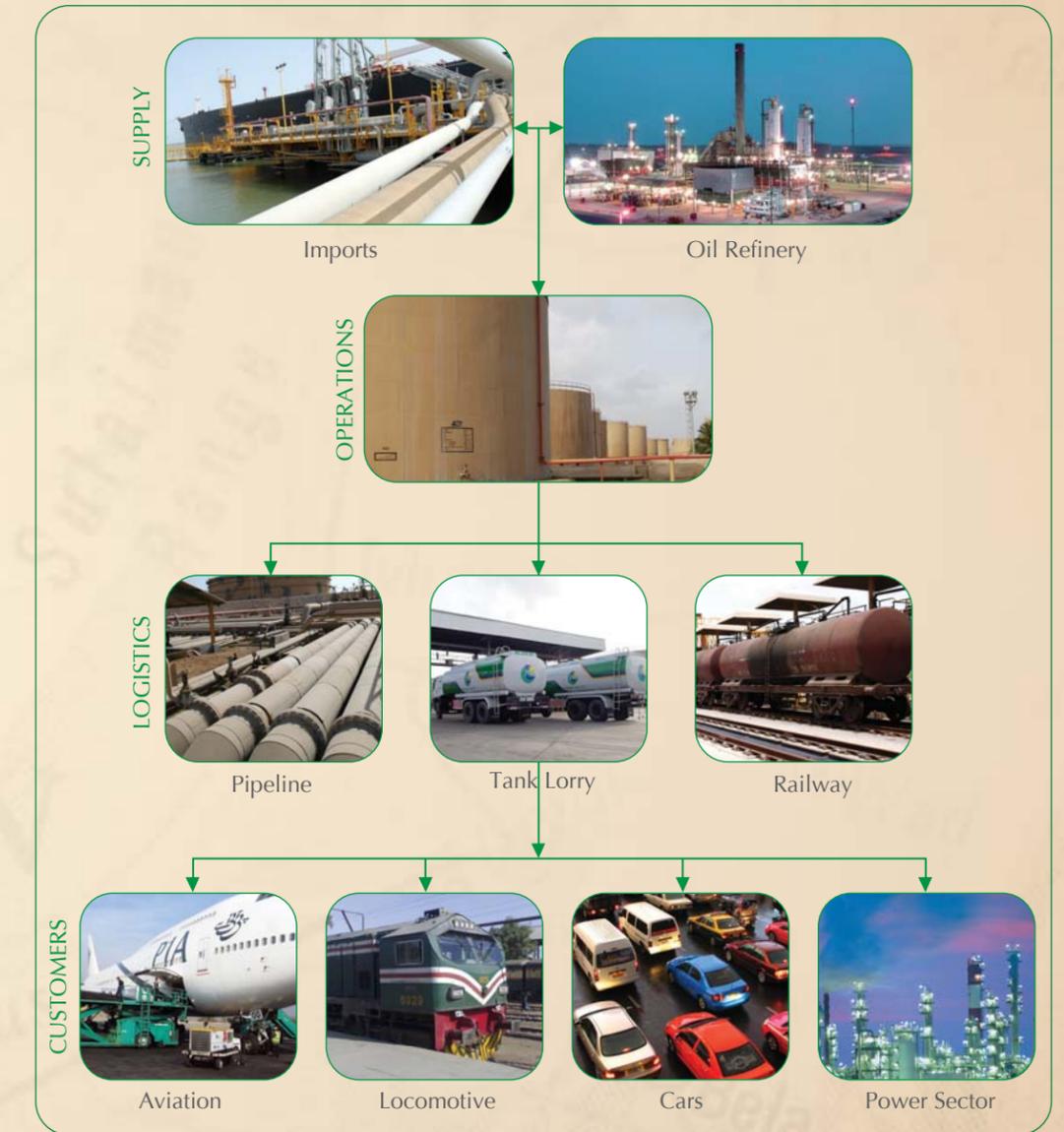
### Non-Fuel Retail

PSO has gone beyond fuel for its retail customers and has introduced quick service restaurants, courier windows, convenience shops, wash express, ATMs and utility bill payment windows for its customers.

### Industrial Consumer

Alongside its retail and non-fuel retail business, PSO also caters to the fuel demands of industrial consumers that include power generation, railways, sugar and the textile industry. The company has also been meeting the fuel needs of the armed forces of Pakistan. PSO also provides refuelling facilities at 9 airports in Pakistan as well as marine ship fuel at 2 ports.

## OVERVIEW OF SUPPLY CHAIN





*Bio-Diesel - Pakistan State Oil has taken an initiative towards alternate fuels by launching a pilot project for production of Bio Diesel. For this purpose PSO has developed a Jatropha Model Farm at Karachi.*



*Rilli - The Rilli is a Sindh icon and a speciality of the artisans of Bahawalpur. Small pieces of different geometrical shapes of cloth are meticulously sewn together to create stunning designs.*



## BAHAWALPUR

Punjab, Pakistan - 29° 20' 40" N , 71° 42' 45" E  
Bahawalpur is the capital city of Bahawalpur District located in Punjab, Pakistan. Saraiki and Punjabi are the local languages of the area while Urdu and English are also spoken.

The historic Derawar Fort with its enormous structure lies in the heart of the Cholistan Desert near Bahawalpur. Its forty lofty and rolling battlements made of thin red bricks are visible from miles around. The fort itself dates back to the pre Harappan settlement, making it an archaeological wonder.

Rilli is a special fabric made of small pieces of cotton cloth of many colours along with needlework. It can be used as wall hangings, bed covers, carpets and blankets, and is the forte of the artisans of this area.

**With a network spanning 249 retail outlets across Bahawalpur, PSO has woven itself into the infrastructure of this historic city.**

# Corporate Events FY09



Marketing Conference was organized in which relevant field staff from all over the country participated.



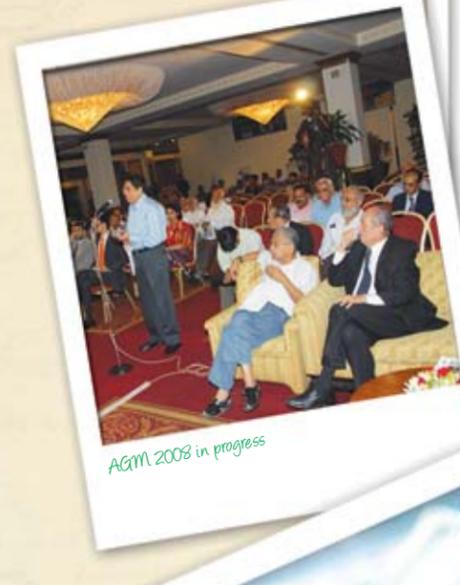
PSO's Mobile Quality Testing Unit was endorsed as ISO 9001:2008 Compliant by Moody International.



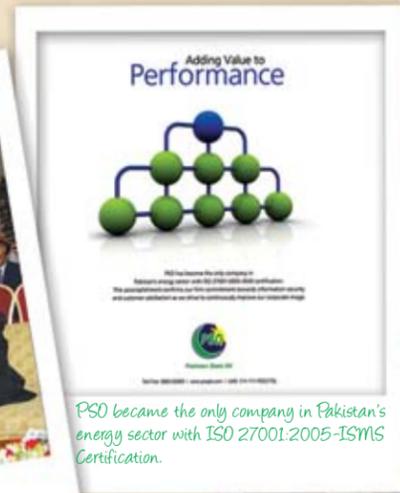
An agreement was signed with Virtual University to establish a VU PSO Campus at District Badin-Sindh.



AGM 2008 in progress



AGM 2008 in progress



PSO became the only company in Pakistan's energy sector with ISO 27001:2005-ISMS Certification.



Five schools were established in earthquake affected areas in partnership with Heritage Foundation and The Citizens Foundation.



An agreement was signed with KATCO kids for establishing a Day Care Centre at PSO House Karachi.



Vehicle Identification System was launched which provides control to customers on their fuel expenses.



PSO was among the top business enterprises in the Muslim world with its 29th ranking amongst Muslim companies worldwide.



PSO Fleet & Corporate Cards won the 4th Consumer Choice Awards in the category of most Preferred Fuel Credit Card.



Pakistan's First Auto Credit Card was launched in collaboration with WBL.



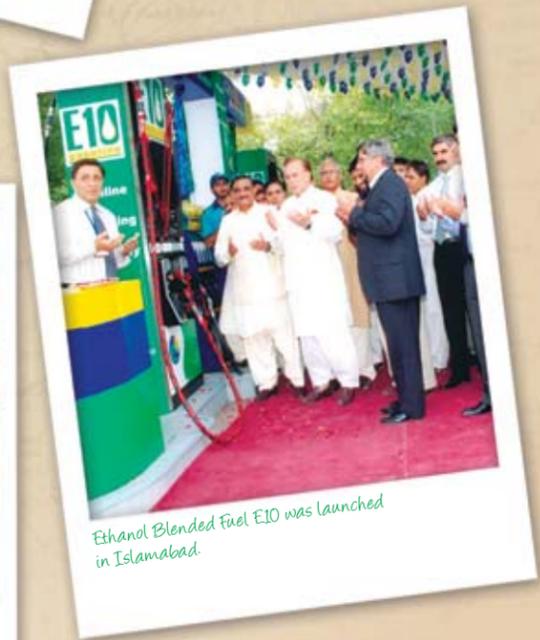
PSO extended help to Internally Displaced People from Swat by virtue of donating a day's salary by its employees and Rs. 10 million in Prime Minister Relief Fund.



PSO organized a series of CNG Customer Care Days throughout Pakistan to promote CNG and its lubricants.



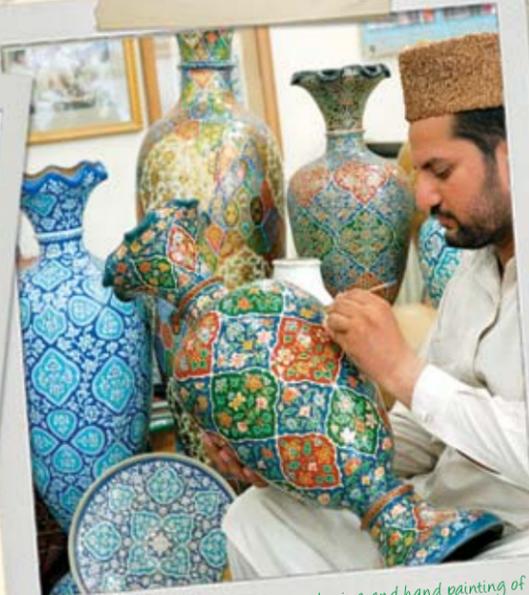
PSO and Air Total International (ATI) signed Technical and Agency Agreement for Aviation services all over Pakistan.



Ethanol Blended Fuel E10 was launched in Islamabad.



Storage - PSO has the widest storage network from Karachi to Gilgit. This entails 9 installations and 12+1 depots with a storage capacity exceeding 1 million tons, representing over 80% of the total storage capacity of the country.



Kashiwork - Kashiwork, which is the glazing and hand painting of ceramic products, is the forte of the artisans of Multan - a craft for which this city is famous the world over.



## MULTAN

Punjab, Pakistan - 30° 12'N 71° 26'E

Multan is a city in the Punjab Province of Pakistan and capital of the Multan District. It is located in the southern part of the province on the east bank of the Chenab River, more or less in the geographic centre of the country and about 966 kms from Karachi. Multan is known as the 'City of Saints'. The city is full of bazaars, mosques, shrines and superbly designed tombs.

The Mausoleum of Rukn-i-Alam, an eminent Sufi Saint, could possibly be considered as the glory of Multan.

Kashiwork, which is the glazing and hand painting of ceramic products, is an important art for which Multan is famous the world over.

**A network of 259 outlets across Multan establishes PSO as a vital player in the city's petroleum industry.**