

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

On behalf of the Board I am pleased to welcome our esteemed shareholders to the 31st Annual General Meeting of the Company and to present annual review of the results of Company's operations and audited financial statements for the financial year ended June 30, 2009.

BUSINESS REVIEW

After having recorded the highest prices in the preceding year, the year under review witnessed fluctuating prices of both petroleum products and crude oil. With the global recession setting in last year, the international petroleum prices started dropping in August 2008 and the crude oil prices moved to the lowest level of US \$ 38/barrel and without stabilizing moved within a range of US \$ 38 to US \$ 74/barrel during the year. Accordingly, the petroleum prices also fluctuated in line with the crude oil prices, although with a time lag.

Despite the refineries representation to the Government that the refineries pricing formula should be applied on a consistent basis, ensuring economic survival of the refineries, and not be influenced by the cyclical fluctuations in the petroleum prices, the Government, under severe public pressure, was forced to change the pricing formula by cutting deemed duties and revise the motor gasoline pricing formula on an irrational unitary method basis in August 2008.

With the change in pricing formula and declining petroleum prices that also resulted in inventory losses, the refiners margin was further affected by around 30% decline in Rs/\$ parity. With all these factors combined, the refineries which earned record profits in 2008, had to face huge losses in 2008-09 and more particularly during six months July-December 2008. Although most of the other refineries in Pakistan could not recover from this negative position, your Company was able to reverse the negative impacts of the first half year during the ensuing period through production management based on price economics and increase in production of high value products that was supported by increased demand for motor gasoline.

As reported last year also due to huge subsidies given in the prices of motor gasoline, diesel, kerosene oil and other petroleum products the burden of which fell upon the oil industry, including the refineries and the oil marketing companies, a huge inter-corporate debt was created that included the price differential claims receivable from the Government. Although the Government has made some efforts to clear the circular debts, these still continue to seriously hamper the operations of the oil industry.

Due to the above factors, profit from refinery operations decreased to Rs 406 million in the current year as against Rs 2,007 million in the year 2007-08. With dividend income of Rs 611 million from its investments in associated undertakings, the total profit for the year increased to Rs 1,016.758 million. Accordingly the EPS for the current year was Rs 4.76 from refinery operations and Rs 7.16 from non-refinery operations with total EPS of Rs 11.92. The detailed financial results of the Company's operations for the year ended June 30, 2009 are given in the annexed Directors' Report and financial statements.

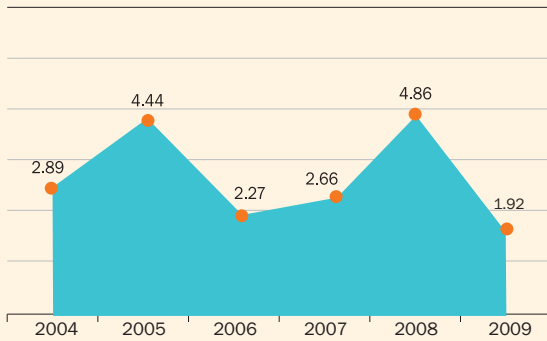
BUSINESS RISKS, CHALLENGES AND FUTURE OUTLOOK

The revision in Pricing Formula as notified in August 2008 had severe adverse impact on the revenues of the Company with prices



Gross Refiner's Margin

(\$ Per Barrel)

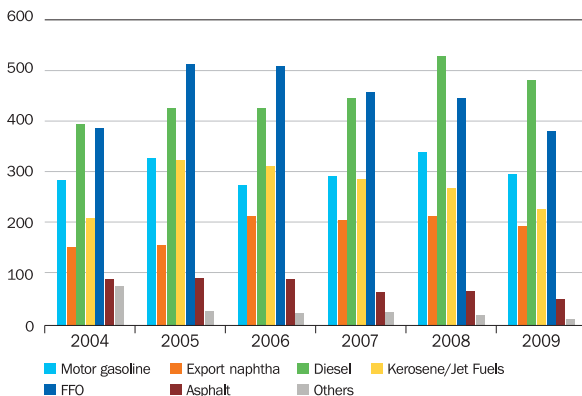


of its two main products HSD and PMG having been adversely impacted. These measures were taken by the Government under extreme public pressure in addition to the earlier modifications it made to the pricing formula from time to time in the form of withdrawal of deemed duties on Jet Fuel, kerosene oil and LDO. The year under review witnessed fluctuating international prices of crude oil and petroleum products which could not stabilize due to the world recession in the past year. Unless these prices stabilize the refineries shall continue to carry the risk of unpredictable refiners margins with the additional risk of exchange rate fluctuations that too had considerable effect on the profitability of the refineries.

Your Company, in order to sustain economical operations, made strong representations to the Government jointly with other refineries for a review of the Pricing Formula and held several meetings and negotiations during the year. The Government though acknowledging the refineries' difficulties remains under public and other pressure, which includes a Judicial Commission enquiry instituted by the Supreme Court in an impending case against refineries pricing which is still under the process of adjudication, and appears to have adopted a wait and see attitude till the disposal of the case by the Supreme Court. The refineries have emphasized upon the Government that a revision in the pricing formula is extremely essential in order that the refineries are able to maintain their normal operations to continue supplying petroleum products to the domestic market including strategic defence supplies, provide an outlet to local crude oil production as well as to safeguard the investors interest in the oil refinery sector.

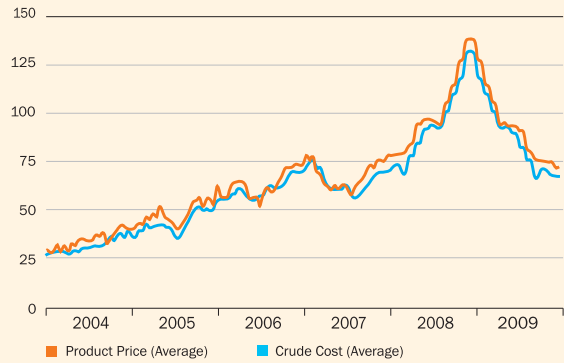
Production

(M.tons in thousand)



Products and Crude Average Prices

(\$ Per Barrel)



Due to changes in product specifications warranted by environmental considerations and as part of its commitment to meet these requirements, your Company, which had undertaken the task of implementing certain projects that shall cater to the market requirements of cleaner fuels, as well as to maintain and enhance its oil refining facilities to meet any future growth in crude oil availability in the northern region, continued with its efforts to complete the engineering design of these projects to ensure expeditious implementation. These plans include construction of a Pre-Flash Unit to enhance the overall refining capacity, an Isomerisation Unit that shall upgrade the motor gasoline by reducing benzene and aromatics and a Hydro-desulphurisation unit (DHDS) to reduce sulphur contents in HSD to meet Euro Standards. With the implementation of these projects your company shall not only be able to retain its market share in production and supply of petroleum products but also provide operational flexibility in its future operations.

As advised earlier, the implementation of these projects shall remain subject to sufficient crude availability and economic feasibility and in case of DHDS your Company has clearly advised the Government that for continued development of environmental clean products it is imperative to provide sufficient incentives to the refineries to enable them to undertake refinery upgradation projects which requiring intensive capital outlay with otherwise no substantial price advantage.

Your Company is confident that the Government shall continue to support the oil refineries in a manner that it provides due incentives for fresh investment that can bring substantial economic benefits to the country.

Let me assure you that your Company would continue to pursue new business opportunities, focus its operating strategies on reliability, efficiency and profitability to create shareholders value while keeping into consideration conducive economic conditions and feasibility.

COMMISSIONING OF ATTOCK GEN LIMITED (AGL) 165 MW POWER PLANT

I feel pleasure in advising you that 165 MW power plant of Attock Gen Limited (AGL) was successfully commissioned in March, 2009 and is now operating at its full capacity since then. This power project is one of the major project completed in pursuance of Attock Group's diversified investment plan which also contributes in meeting the electricity shortfall in the country. Your Company holds 30% equity interest in AGL.



CORPORATE AWARDS AND RECOGNITIONS

You will be pleased to note that your Company in its endeavours to seek excellence in various areas of its operations and functioning has earned the following awards and recognitions:

i. Global Compact Responsible Business Award 2009

“Living the Global Compact Responsible Business Award 2009” which recognizes Pakistani enterprises that best integrate the 10 principles of United Nations Global Compact into their business philosophy and acknowledges organizations demonstrating adherence to these principles in action. These principles require companies to embrace, support and enact, within their sphere of influence, a set of core values in the areas of human rights, labour standards, the environment and anti-corruption.

ii. NFEH Environmental Excellence Award 2009

Environmental Excellence Award of the National Forum for Environment and Health (NFEH) was awarded to your Company for the fourth year in a row. This award reflects ARL’s total commitment to establish, implement and maintain a successful Health, Safety, Environment, and Quality (HSEQ) Management system and its continuous efforts to improve its effectiveness in accordance with the international standards.

iii. ARL Wins Best Sustainability Report Award 2008

For the second year in a row, your Company won the Best Sustainability Report Award in the local listed companies’ category by Association of Chartered Certified Accountants (ACCA) and WWF. This award is a true recognition of ARL’s efforts to report and disclose environmental, social and sustainability performance and to encourage best practices in environmental, social and sustainability reporting.

iv. Export Trophy (RCCI) 2008

Based on achieving highest exports in the region, your Company also won the ‘Rawalpindi Chamber of Commerce and Industry Export Trophy’ for the year 2008-09.

v. Best Corporate Report Award

Your Company’s Annual Report 2008 once again earned recognition among all companies in Fuel & Energy sector,

listed on all three Stock Exchanges in the country adjudged by the joint committee of the Institute of Chartered Accountants of Pakistan (ICAP) and Institute of Cost & Management Accountants of Pakistan (ICMAP). The Company has the distinction to receive this award ever since its inception in 2000 and has won the First Position Award in the sector on three different occasions.

EMPLOYEE RELATIONS

Your Company in line with its tradition continued to maintain exemplary relationship with its employees. The labour-management relationship continues to be cordial and is based on cooperation and trust with constructive attitude from both sides creating a supportive working environment with the common objective of serving Company’s interests and employee welfare. Various programmes in-house and through participation in external workshops/seminars were arranged for the management staff to improve their professional and management skills to bring in more efficiency in the performance of their work. A comprehensive exercise was undertaken to identify and develop various employees as successors to various positions. Your Company has also reviewed its policy of empowerment associated with due accountability.



ACKNOWLEDGEMENT

On behalf of the Board, I appreciate the continued support received from the Ministry of Petroleum & Natural Resources and other Government institutions and express gratitude to our valued customers, crude oil suppliers, banks, suppliers and contractors for their continued cooperation.

Further, I would also like to thank my colleagues on the outgoing and incoming Board and record my appreciation of the services and contributions of the Directors who represented the Audit, Technical and Finance Committees of the Board.

Before concluding, I also wish to express my gratitude for the continued interest and support of our esteemed shareholders and on behalf of the Board would like to extend our assurance that the Board of Directors would continue to work in the best interest of the Company and to create value addition for its shareholders.

SD/-

Damascus, Syria
October 01, 2009

Dr. Ghaith R. Pharaon
Chairman

