

Production update & result preview of 2QFY26

2QFY26: Oil and gas production declined by 1.4% and 4.2% YoY, respectively

Oil and gas production in Pakistan witnessed a decline of 1.4% and 4.2% YoY, respectively, during 2QFY26.

The contraction in hydrocarbon output stems from forced curtailments at major production blocks amid weaker gas demand. Key oil fields, including Mardankhel (-48.1% YoY), Maramzai (-23.9% YoY), Bettani (-72.0% YoY), and Adhi (-42.2% YoY), recorded production declines during 2QFY26. Dhok Sultan also posted a 72.0% YoY drop due to ATA, while Sono registered a 25.8% YoY decline.

In terms of gas production, key fields, including Qadirpur (-26.6% YoY), Sui (-16.4% YoY), and the TAL Block (-5.0% YoY) recorded declines due to forced curtailments. In addition, OGDCL's KPD-TAY plant reported lower output due to ATA. Uch also registered an 11.7% YoY decline in 2QFY26, driven by ATA and weaker power demand.

Discoveries and Production Activity

During the quarter, OGDC and PPL made a major oil and gas discovery at Baragzai X-01 in the Nashpa Block, District Kohat (KPK), across the Kingriali, Datta, Samana Suk, and Shinwari formations. OGDC, the operator with a 65% working interest, and PPL with a 30% stake, reported total discoveries of 9,480 bopd of oil and 23.90 mmcf of gas, translating into an EPS impact of PKR 4.53/share for OGDC and PKR 3.31/share for PPL, respectively, positive for both E&P gaints.

Additionally, OGDC received the sixth of twelve equal monthly interest installments of PKR 7.725bn from PHL, lifting cumulative collections to PKR 46bn (PKR 10.70/share). The company also received PKR 50.1bn (PKR 11.65/share) from Uch Power (Private) Limited against outstanding receivables, reflecting the government's ongoing efforts to resolve energy sector circular debt.

Result Previews:

OGDC: Earnings of PKR 8.17/share expected in 2QFY26

OGDC is expected to report 2QFY26 earnings of PKR 35.1bn (EPS: PKR 8.17), down 15% YoY, mainly due to an 13% YoY decline in oil prices following the plug and abandonment of the Jakhro North-1 well and Khatian-1.

Net sales are projected to fall 4% YoY, reflecting weaker gas output, while oil production improved. Gas production declined across key fields, including Uch (-11.7% YoY due to ATA and weak power demand), Qadirpur (-26.6% YoY), TAL (-5.0% YoY), and KPD (-2.2% YoY). On the oil side, Nashpa output rose 2.1% YoY, while TAL and KPD blocks recorded strong growth of 14.2% YoY (13,331 bopd – not stake adjusted) and 19.3% YoY (10,240 bopd), respectively, though TAL remained below potential due to curtailments.

Exploration expenses are expected to rise 53% YoY, while other income may decline 45% YoY amid lower finance income in a falling rate environment, partly offset by the remaining TFC loss unwind (PKR 0.85/share). The company is also expected to announce a cash dividend of PKR 3.5 per share, taking half year payout to PKR 7.00/share.

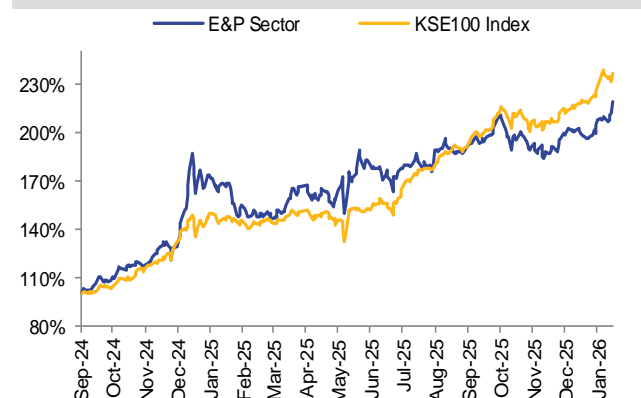
AHL E&P Universe			
	2QFY26	2QFY25	YoY
Oil Production (BOPD)			
OGDC	32,913	31,186	6%
PPL	10,319	10,192	1%
POL	4,443	4,575	-3%
MARI	1,298	1,228	6%
Gas Production (MMCFD)			
OGDC	557	645	-14%
PPL	548	468	17%
POL	58	55	6%
MARI	876	905	-3%

Recent Major Oil and Gas Discoveries

Field	Stake	Oil (bopd)	Gas (mmcf)
Baragzai X-01	OGDC / PPL	2,280	6
LAL X-1	PPL	-	0
Baragzai X-01	OGDC / PPL	4,100	11
Bilitang-1	OGDC / PPL	-	2
Bilitang-1	OGDC / PPL	-	1
Baragzai X-01	OGDC / PPL	3,100	8
Total		9,480	27

Source (s): PPIS, AHL Research

Relative Performance



Source (s): PSX, AHL Research

Zayan Babar Khan | Muhammad Anas Habib

D: +92 21 38280256

zayan.babar@arifhabibltd.com | anas.habib@arifhabibltd.com

www.arifhabibltd.com

PPL: Bottom line to clock in at PKR 7.64/share in 2QFY26

In the financial results 2QFY26, Pakistan Petroleum Limited (PPL) is expected to report a net profit of PKR 20,796mn (EPS: PKR 7.64), compared to PKR 27,336mn (EPS: PKR 10.05) in 2QFY25, reflecting a 23.9% YoY decline.

The earnings decline was driven by a 13.2% YoY drop in oil prices, despite stable gas and oil production. Among key gas fields, Kandhkot output rose 21.1% YoY on a low base, while Sharf and Nashpa increased 10.5% YoY and 14.5% YoY, respectively. On the oil side, Nashpa production edged up 2.1% YoY, while TAL Block output climbed 14.2% YoY to 13,331 bopd (not stake adjusted though remaining below potential due to curtailments). In addition, other income is expected to fell sharply to PKR 2.5bn (-71% YoY), mainly due to one-off gains booked in SPLY.

Decline in realized prices is expected to decrease Net Sales by 7% YoY. In addition to the results, we expect the company to announce an interim cash dividend of PKR 2.00/share, for 2QFY26 (payout of 26%).

MARI: Profitability to arrive at PKR 9.16/share in 2QFY26

Mari Energies Limited (MARI) is expected to post 2QFY26 earnings of PKR 10,992mn (EPS: PKR 9.16), compared to PKR 11,168mn (EPS: PKR 9.30) in 2QFY25, reflecting a 2% YoY decrease.

Among MARI's major gas fields, HRL recorded a 2.8% YoY decline in 2QFY26 due to ATA at FFC's plant, resulting in lower incremental volumes for the quarter. Goru B production remained stable, though the reported figures reflect only two months of the quarter. Meanwhile, output from Shewa was ramped up sharply to 53 mmcf (up 102% QoQ). Operating costs are estimated sharply at PKR 9.9bn (-39% YoY) due to one-off items recorded in SPLY.

POL: Net profit to settle at PKR 20.14/share in 2QFY26

Pakistan Oilfields Limited (POL) is expected to report a profit after tax of PKR 5,716 mn (EPS: PKR 20.14/share), reflecting a 25% YoY decline. Net sales are projected to decrease by 4% YoY, primarily due to an 13.2% YoY decline in average realized oil prices. Additionally, we expect the company to announce a cash dividend of PKR 27 per share in 2QFY26, taking the cumulative payout for 1HFY26 to 70%.

Exhibit: Earnings Forecast of E&P universe

	1HFY26e	1HFY25a	YoY	2QFY26e	2QFY25a	YoY	QoQ
OGDC	17.08	19.17	-11%	8.17	9.63	-15%	-8%
PPL	15.03	18.71	-20%	7.64	10.05	-24%	4%
POL	39.26	35.73	10%	20.14	26.68	-25%	5%
MARI	22.18	25.32	-12%	9.16	9.30	-2%	-30%

Source (s): Company Financials, AHL Research

Analyst Certification: The research analyst(s) is (are) principally responsible for preparation of this report. The views expressed in this research report accurately reflect the personal views of the analyst(s) about the subject security (ies) or sector (or economy), and no part of the compensation of the research analyst(s) was, is, or will be directly or indirectly related to the specific recommendations and views expressed by research analyst(s) in this report. In addition, we currently do not have any interest (financial or otherwise) in the subject security (ies). Furthermore, compensation of the Analyst(s) is not determined nor based on any other service(s) that AHL is offering. Analyst(s) are not subject to the supervision or control of any employee of AHL's non-research departments, and no personal engaged in providing non-research services have any influence or control over the compensatory evaluation of the Analyst(s).

Equity Research Ratings

Arif Habib Limited (AHL) uses three rating categories, depending upon return form current market price, with Target period as Dec 2026 for Target Price. In addition, return excludes all type of taxes. For more details, kindly refer the following table;

Rating	Description
BUY	Upside* of subject security(ies) is more than +10% from last closing of market price(s)
HOLD	Upside* of subject security(ies) is between -5% and +10% from last closing of market price(s)
SELL	Upside* of subject security(ies) is less than -5% from last closing of market price(s)

Equity Valuation Methodology

AHL Research uses the following valuation technique(s) to arrive at the period end target prices;

- Discounted Cash Flow (DCF)
- Dividend Discount Model (DDM)
- Sum of the Parts (SoTP)
- Justified Price to Book (JPTB)
- Reserved Base Valuation (RBV)

Risks

The following risks may potentially impact our valuations of subject security (ies);

- Market risk
- Interest Rate Risk
- Exchange Rate (Currency) Risk

Disclaimer: This document has been prepared by Research analysts at Arif Habib Limited (AHL). This document does not constitute an offer or solicitation for the purchase or sale of any security. This publication is intended only for distribution to the clients of the Company who are assumed to be reasonably sophisticated investors that understand the risks involved in investing in equity securities. The information contained herein is based upon publicly available data and sources believed to be reliable. While every care was taken to ensure accuracy and objectivity, AHL does not represent that it is accurate or complete and it should not be relied on as such. In particular, the report takes no account of the investment objectives, financial situation and particular needs of investors. The information given in this document is as of the date of this report and there can be no assurance that future results or events will be consistent with this information. This information is subject to change without any prior notice. AHL reserves the right to make modifications and alterations to this statement as may be required from time to time. However, AHL is under no obligation to update or keep the information current. AHL is committed to providing independent and transparent recommendation to its client and would be happy to provide any information in response to specific client queries. Past performance is not necessarily a guide to future performance. This document is provided for assistance only and is not intended to be and must not alone be taken as the basis for any investment decision. The user assumes the entire risk of any use made of this information. Each recipient of this document should make such investigation as it deems necessary to arrive at an independent evaluation of an investment in the securities of companies referred to in this document (including the merits and risks involved), and should consult his or her own advisors to determine the merits and risks of such investment. AHL or any of its affiliates shall not be in any way responsible for any loss or damage that may be arise to any person from any inadvertent error in the information contained in this report.

Disclosure required under Research Analyst Regulations, 2015:

In order to avoid any conflict of interest, we hereby disclosed that;
Arif Habib Limited (AHL) has a shareholding in MARI