

REPORT OF THE DIRECTORS

On behalf of the Board of Directors of Sui Southern Gas Company Ltd, we are pleased to present the un-audited results for the half year ended 31 December 2007. A limited scope review by the statutory auditors, as required under the Code of Corporate Governance, has been carried out on the accompanying financial statements.

REVIEW OF OPERATIONS

Sales volume during the period July-December 07 stood at 180.872 BCF witnessing a marginal increase of 0.511 BCF compared with 180.361 BCF for the corresponding period last year.

The sales value for the half year ended December 07 dropped to Rs 35.759 billion from Rs 39.504 billion in July-December 06. This was mainly due to a decrease in average sales price by Rs 19.77/BTU from Rs 226.64 BTU in July-December 06 to Rs 206.87 BTU in July-December 07.

Profit before tax for July-December 07 was recorded at Rs 984 million which indicates an increase of Rs 255 million.

The provision for tax increased by 164% that is Rs 399 million when compared to the corresponding period last year standing at Rs 643 million for six months ended December 07. Net profit after tax for the period records Rs 341 million compared with Rs 485 million of the corresponding period last year.

The T&D cost as a percentage of revenue increased from 5.3% to 6%. Financial charges increased by Rs 448 million over the corresponding period reflecting the impact of interest on late payments of gas producers bills and net impact of increased debt volume.

The production at the meter manufacturing plant recorded an increase of 7% totaling to 259,750 meters produced in the July-Dec 07 period. The meter manufacturing profit showed an increase of Rs 1 million and stood at Rs 43 million.

DEVELOPMENT PROJECTS

Capital expenditure decreased from Rs 4 billion to Rs 2.6 billion, a drop of Rs 1.4 billion when compared to the same period last year. However, addition to assets were Rs 1.7 billion versus Rs 1.5 billion.

The Gas distribution network was increased by 996 km with the laying of mains and service lines as compared to 751 km in the corresponding period of last year. This includes 400 km supply and distribution mains laid in new towns and villages in Sindh and Balochistan versus 295 km. Also 190 km old mains and service lines were rehabilitated / replaced as compared to 114 km in the period July-December 06.

In the period July-December 07, the Company's customer base increased to 1.97 million. New connections were 44,996 versus the budgeted 41,950.

TECHNOLOGY & CUSTOMER SERVICE INITIATIVES

In July 2007, the company became the first corporate entity and also Pakistan's first public utility to complete the implementation of the new Oracle HRMS/Payroll System helping provide a single employee database to cover the entire workforce over the full geographic and company operations.

The Company entered into a customer facilitation alliance with Pakistan State Oil (PSO) by inking an agreement to provide consumers with the facility to pay gas bills at PSO stations in a totally hassle-free environment. We have also entered into a major customer facilitation alliance with MCB, along with M-net thus facilitating the Company's burgeoning 1.9 million customers in paying their monthly utility bills using M-Net and MCB's electronic channels.

In 2007, a customer facilitation agreement was signed by SSGC with 1-Link member banks enabling customers to be able to pay gas bills round the clock using their Bank's cards in a totally secure, hassle-free environment.

The Company also signed a \$5 million agreement with Moseley Associates USA for the design, supply, installation and commissioning of an integrated telecommunication and SCADA system. This arrangement also aims to minimize the Unaccounted for Gas (UFG), facilitate custody transfer for billing purposes and provide support to the online system.

FUTURE OUTLOOK

The Company is taking all possible and necessary measures to reduce UFG and improve its performance.

The LNG import project is also moving forward and the selection of the project development is expected to be completed by the 2nd quarter of 2008.



Salim Abbas Jilani
Chairman Board of Directors



Azim Iqbal Siddiqui
Managing Director

Karachi

28 February 2008