

## REPORT OF THE DIRECTORS

On behalf of the Board of Directors of Sui Southern Gas Company Limited, we are pleased to present the un-audited results for the first quarter ended 30 September, 2008.

### REVIEW OF OPERATIONS

Gas sales volume during the quarter increased to 98.5 bcf versus 90.2 bcf in the corresponding period of FY 2007-08. By value it increased to Rs. 26.6 billion as compared to Rs. 18.1 billion. The average sales price per mmbtu increased to Rs. 288.85 as compared to Rs. 207.59 for the corresponding period last year. The increase or decrease in sales price has no impact on Company profits due to its unique tariff regime. The higher tariff for the Company was set by OGRA mainly to cover increasing cost of gas from the producing fields. Gas is being purchased from about one dozen different producing fields.

In the three months period, your Company extended 74 new industrial connections, 475 commercial and 28,402 domestic. As a result, Company's customer base increased to 2.1 million. Gas Distribution System was extended by 528 km while another 131 km of distribution lines were laid under rehabilitation projects to curtail line losses.

The meter manufacturing plant produced 174,850 meters versus 131,350, an increase of 33%. Sales to SNGPL increased by 51% to 138,100 meters.

There has been a sizeable increase in other income, especially due to royalty receipts from JJVL and increase in sale of gas condensate.


The Company's pre-tax profit of Rs.133 million as compared to Rs.580 million for the corresponding period, decreased by Rs.447 million. The benefit of a higher regulated return on the back of an increase in asset base and increase in other income was offset by adjustment of excess UFG of Rs. 414 million made on the basis of OGRA target of 5.15% whereas the UFG of the quarter was 6.87%. Also there was a significant increase in financial charges (36%) due to additional loans acquired in the last quarter of FY 2007-08 to fund the capital expenditure as well as increase in average mark up rate.

The Unaccounted for Gas phenomenon, being gas volumes lost during transmission and distribution operations, is crucial to Company's bottom-line. Despite efforts and deploying of resources, the UFG element stood at 6.87% for the quarter compared to 5.99% of the corresponding quarter of the previous year and 6.63% for the whole of FY 2007-08. Obviously the management and the Directors are concerned and taking all possible steps to bring about an improvement as it directly impacts Company profitability.

The net profit after tax for the three months period therefore stands at Rs. 86 million compared with Rs. 286 million for the same period last year.

### DEVELOPMENT PROJECTS

The capital expenditure incurred in the three months added upto Rs. 1,909 million as compared to Rs.1,262 million for the previous corresponding period. Transfer to fixed assets amounted to Rs. 801 million versus Rs. 530 million in the corresponding period of the previous year. The capex is proceeding as per plan.

  
**Salim Abbas Jilani**  
Chairman

  
**Umair Khan**  
Managing Director