

MURREE BREWERY COMPANY LIMITED

DIRECTORS REPORT TO THE SHAREHOLDERS

We have pleasure in presenting the first quarter results for the period ended 30th September 2006, which shows a substantial increase in turn over and profit as compared to the corresponding period last year.

Non-alcoholic products sale of the Liquor Division in terms of quantities improved by 234%, beer and liquor by 5% and Tops Tetrapak juices by 2% respectively over the same quarter of the last year.

After tax profit is Rs.36M vs. Rs.27.3M in the corresponding period of the last year. A new glass Melter measuring 9x5M was successfully commissioned in June 2006 along with modernization of the glass production machines. The new melting - forming combination is sufficient to produce 90 Metric Tonnes of glass containers per day.

However, unfortunately the German supplied Recuperator attached to the glass Melter, which was installed about 5 years back and expected to have a service life of 10 years, suddenly developed a leak and consequently led to its total destruction. Urgent steps are being taken to replace the Recuperator which will take at least four months. In this interim period the glass draw will stand reduced to an average of 40 Metric Tonnes per day. Consequently, Murree Glass Division is not expected to meet its budgeted goals in the current year.

Earning per share for the quarter is Rs.3.66 vs. Rs.2.77 as compared to corresponding period of the last year.

We expect the Liquor and Tops Divisions to meet their budgeted goals for the next quarter.

The directors consider the financial and operational performance of the company for the quarter under review to be satisfactory.

Attention of the shareholders is also invited to the Directors Report for the financial year ended June 30, 2006 which was dispatched on 6th October 2006, and provides a detailed review of the company's operations.

Chief Executive

Rawalpindi

Date: 30th October 2006