

MURREE BREWERY COMPANY LIMITED
DIRECTORS' REPORT TO THE SHAREHOLDERS

The Directors are pleased to report a strong performance for the 1st half year to 30th June, 2008. Your company continued to enhance shareholders value through a consistent increase in turnover and profitability.

The Company's share value which was Rs.116/- on 30th June, 2007 enhanced to Rs.182/- on 31st December, 2007.

The Company performance is reflected in all the key financial indicators as compared to same period last year (SPLY).

- Gross turnover of Rs.1,090.7M is higher by 20.1%
- Gross profit of Rs.210.9M is higher by 47.0%
- Operating profit Rs.96.1M is higher by 45.9%
- Profit before tax Rs.111.2M is higher by 45.7%
- Profit after tax Rs.77.0M is higher by 52.8%
- Earning per share at Rs.6.46 vs Rs.4.22 increased by 34.8%

DIVISIONS PERFORMANCE:

Liquor Division : The turnover of alcoholic products improved by 18.55% to Rs.534.0M from Rs.450.4M (SPLY) and the sales of non-alcoholic products improved by 33.04% to Rs.251.5M vs. Rs.188.4M (SPLY). Operating profit of the Division improved by 15.44% to Rs.104.0M from Rs.90.1M (SPLY).

Glass Division: Operating loss decreased to Rs.8.4M from Rs.25.6M (SPLY) mainly due to improvement in production efficiency. However, the efficiency is still below par on the mechanical machines. An electronic 8 Section machine group is under investment scrutiny, which is planned to be installed before year end.

Tops Division: Turnover increased by 10.43% to Rs.292.1M vs Rs.264.5M (SPLY). Operating profit of the Division decreased to Rs.0.5M vs Rs.1.3M previous year. The new A3 Flexi Pack machine presented operational problems which since have been resolved. As a marketing decision, we have decided focus the high end market in QTRs 3 & 4, which may result in a lower turnover but a higher bottom line highest profitability is expected for the year.

Group distribution cost Rs.62.06M vs 36.21M increased by 71.3% which is due to publicity / advertisement expenses and administrative expenses Rs.52.4M vs Rs.41.2M increased by 27.1% which is due to increase in bonuses i.e. 6 to 11 months salary to the employees effective 1st July, 2006.

The improved financial performance significantly increased our contributions to Government revenues as well from Rs.288.0M to Rs.351.2M (SPLY) an increase of 22%.

Capital gains and other income increased to Rs.23.0M from Rs.16.0M (SPLY).

We remain optimistic about the Company's performance in the second half of the year.

Rawalpindi
Date: 28-02-2008

Chairman