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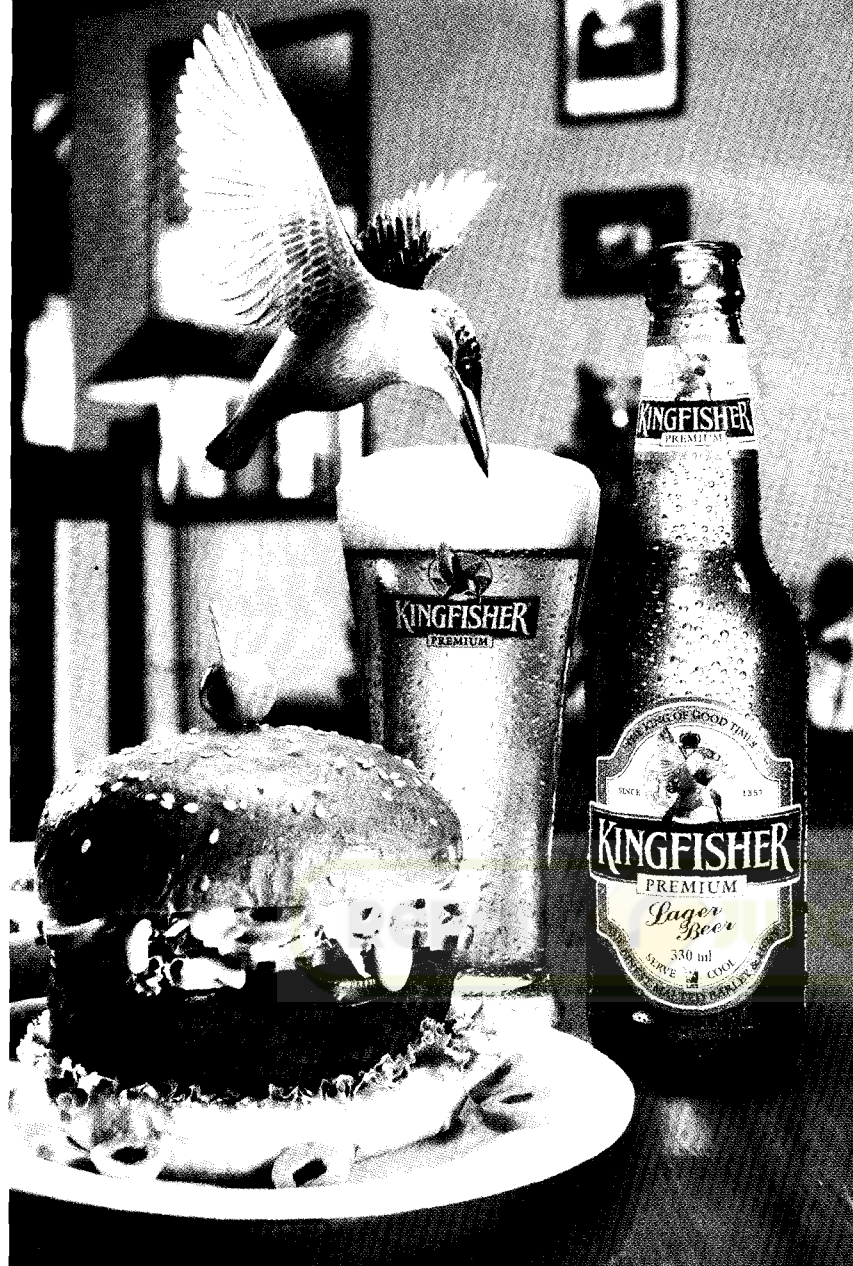


Report Junction

UNITED BREWERIES LIMITED

ANNUAL REPORT 2005 - 2006

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On a new high

The strategic moves that your company has made over the past year have yielded excellent dividends. The tie-up between Scottish & Newcastle and UBL has strengthened the leadership position that UBL holds in a fast growing market of enormous potential.

Currently, per capita consumption of beer in India is around 0.7 litres per annum. While the industry grew by 14 percent last year, UB itself grew 18 percent. UB has over 50 percent market share of this burgeoning market.

Its largest selling brand, Kingfisher commands a 40 percent market share, easily the leading beer brand in the country. Exciting promos and branding exercises will keep Kingfisher miles ahead of the competition in the coming year.

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Cheers
to the
Superbrand!



United Breweries, India's largest repository of good lagers that boasts of brands such as Kingfisher, UB Export, Kalyani Black Label, Sandpiper and Zingaro has been voted a Superbrand in the inaugural listing of Indian Business Superbrands. Interestingly, UB is the only Beverage Alcohol Company to make the listing.

Over the years, UB's brands have become generic to the category they operate in.

Kingfisher, the flagship brand, is synonymous with fun, style and glamour.

In fact, in a syndicated research conducted among youth in India a couple of years ago, the Kingfisher mnemonic was the most recognized mnemonic, second only to the MTV logo.

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Hit the high points

UB, Scottish & Newcastle to launch new brands

Nearly a year into the tie-up, both United Breweries and Scottish & Newcastle are now looking at launching each other's top selling brands in India and abroad.

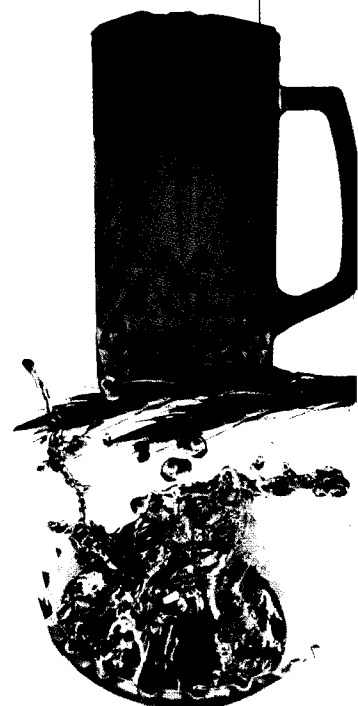
Uncorking Investments

United Breweries Limited will invest over Rs. 400 crore in the company in the coming years. This will facilitate doubling of production capacity from the existing 55 million cases, enabling the company to keep pace with growing demand for beer. These investments will be from internal accruals and debt.

High on new barley

United Breweries Limited has entered into a unique arrangement with the Government of Punjab for the production of its high quality, high yield malting barley, 'VJM 201' in the state.

'VJM 201' was developed in-house by UB.





Brands with a kick!

KF achieves landmark

Kingfisher has become the first beer brand to achieve the landmark of 20 million cases in a single year. The brand was also made available in a new 250 ml bottle, aptly named Stubby.



Kingfisher Strong is Numero Uno

Launched in 1999, impressive growth rates year on year made Kingfisher Strong the fastest growing beer brand in the country, and subsequently, the leader in the strong beer segment within just six years of launch. Kingfisher Strong registered a 36 per cent growth rate for the financial year 2005-06.

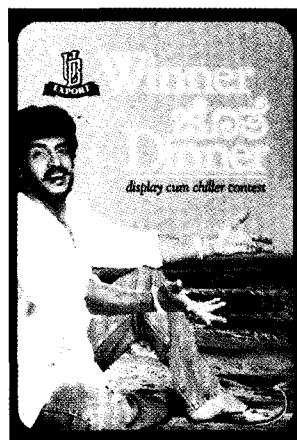
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UB Export

UB Export continues to make waves in Karnataka with trade-centric promotions which were so successful that it had competition copying the idea within a month of implementation!

London Pilsner

London Pilsner is clearly on the growth path in Mumbai and Maharashtra, recording impressive growth in sales.



Zingaro

Zingaro has been wooing consumers with several innovative promos including a virtual derby, an online lottery promo and a bold Holi promo.

Cool packaging

The New Kalyani Black Label and Kalyani Black Label Strong

Kalyani Black Label and Kalyani Black Label Strong were given a total face-lift resulting in a stunningly international looking pack. The packs will definitely help the brand connect better with its target consumers.



Kingfisher in new colours

Good Times, now come in a cool new international colour carton! The Kingfisher 650ml cartons have been reinvented in a new colourful avatar - sporting a beer background, the cartons have turned into a great talking point amongst trade and consumers alike.

Hot campaigns

Kingfisher 'True Fan' campaign

Kingfisher signed on international cricketing celebrities, Andrew Flintoff and Michael Vaughan as brand ambassadors. The resultant campaign on TV and other media has created tremendous recall for the brand.



Kingfisher and Food campaign

The Kingfisher and Food campaign has been constantly gaining steam and rave reviews since its launch. Interesting creatives in both electronic and print media offer a tantalizing glimpse of the delicious food and KF combo.

Sand Piper's Azaad Panchee

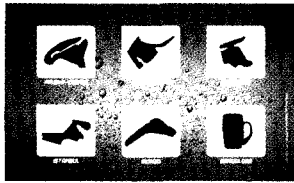
Sand Piper has set the country on fire with its mascot, Azaad Panchee appearing everywhere. The fun advertising campaign has been pulling partygoers in droves across the country.



KBL Khol Dil Khol

Kalyani Black Label, sports a new exciting look, and captures the fun of male bonding in a great new campaign, reflecting a younger, fun persona.





Heady promos

Bangalore catches F1 fever Kingfisher style

Kingfisher F1 screenings were launched across pubs and were met with excellent response in Bangalore, Hyderabad, Kolkata and Delhi. The screenings had about 500 people in attendance, venues were decorated and waiters were given KF branded livery to wear during the race.



Kingfisher Voice of Goa

In an unprecedented promotion, titled 'Kingfisher Voice of Goa', spanning the length and breadth of Goa, Kingfisher searched for the best voice talent in the state. The winner was awarded a prize worth Rs. 2.5 lakhs which included an annual contract with Kingfisher.

Kingfisher rocks IFFI 2005

Kingfisher was one of the key sponsors for the International Film Festival of India in Goa.



Sizzling events

Haute Fashion, Cool Kingfisher

The Wills India Fashion Week in Delhi was the epicenter of the Indian fashion world and Kingfisher was right in the middle of all the excitement, as Associate Partner of the event.

Kingfisher Model Hunt

Kingfisher organized Delhi's first ever major Model Hunt, which attracted more than 600 participants and became the talking point amongst India's party set. Through a tie up with CNN IBN, Kingfisher showcased the hottest sightings from the event.

Kingfisher Swimsuit Calendar 2006

Kingfisher India's No. 1 Beer brand, unveiled the fourth edition of its eagerly awaited annual swimsuit calendar - Kingfisher Swimsuit Special Australia 2006, amidst much fanfare.



Kingfisher at the Big Bang Awards

Kingfisher won several accolades from the advertising fraternity at the annual Big Bang Awards in Bangalore. The 'Kingfisher True Fans' commercial received the Silver prize, in the 'Best TV Commercial Category'. The 'Food tastes great with Kingfisher' campaign also won numerous awards including Gold in the 'Best Continuing Campaign Category', Gold in the 'Press Campaign Category' and Bronze in the 'Television Commercial Category'.

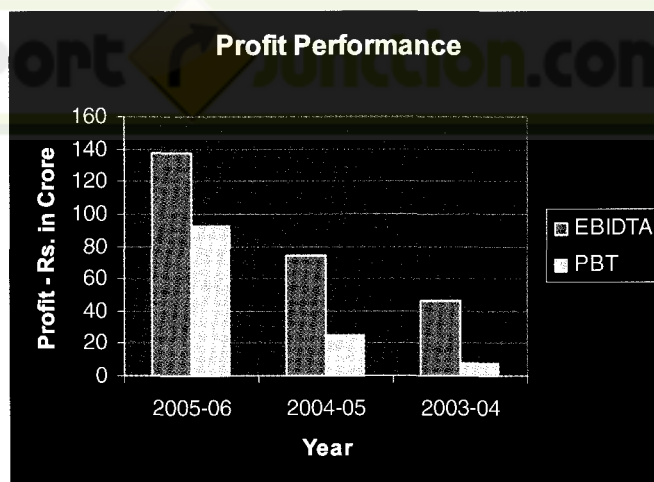
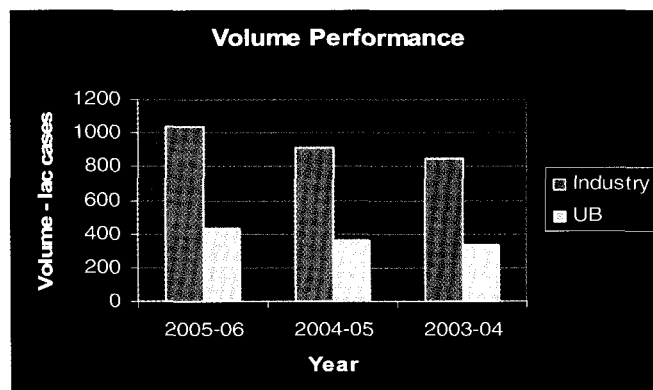
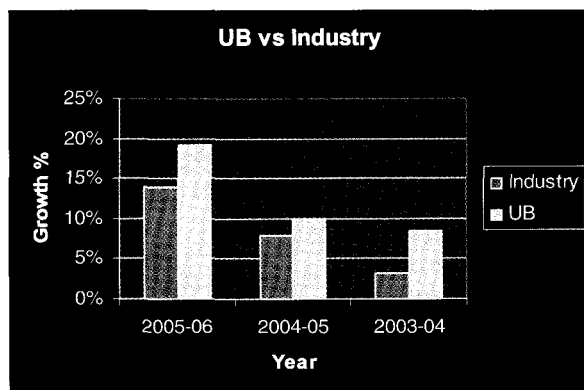


The Great Indian Oktober Fest

For the first time ever, Kingfisher staged an Indian version of Germany's Oktoberfest in Bangalore. Aptly dubbed, 'The Great Indian Oktober Fest', the event was nothing short of a Hollywood production!

Achievements

- UB voted "Business Superbrand" in the inaugural listing of Indian Business Superbrands
- United Breweries outperforms the industry and posts volume growth of 18%
- Kingfisher 2005 Swimsuit Calendar bags FAB Award
- Barley R&D centre at Patiala recognised by ICAR for conducting national barley trials
- UB ties up with Punjab Govt for barley production
- Kingfisher Strong numero uno in Karnataka



- Operating Margin has increased from 14% to 20%
- EPS has risen by Rs.13.4 to Rs.18.8 after adjusting for non recurring items in this year.
- Return on capital employed now at 18.0% Vs 13.6%



Chairman's Statement

Dear fellow shareholders,

I address you today with great satisfaction on the completion of a year which was, in many ways, a record one. Our company has turned in a sterling performance on multiple fronts. Booming brands, increased market shares and improved profitability have helped creation of great value. The 103% increase in the market capitalisation of our company is testimony to the all round performance. Total shareholder return for the year is 125.5%. What is more, the company has initiated a number of steps which will stand us in good stead in the coming years.

The year saw our brands consolidating their leadership in the market. Against an industry growth of 14% we have recorded growth of 18% thereby increasing the combined market share of UB Group to over 50%.

Kingfisher Lager Beer, our flagship superbrand has achieved the rare distinction of crossing 20 million cases of sales in a single year - the first brand to do so in the country.

The draw of the powerful Kingfisher branding and our commitment to delivering outstanding quality has helped Kingfisher Strong to power itself to the top spot among Strong Beers in India - an achievement that is all the more noteworthy as it has been achieved in six short years from initial launch.

The year saw continuing appreciation and awards both for the products as well as our communications with Kingfisher being recognised as a Superbrand. In fact, in an independent survey carried out by a major national publication, Kingfisher came on top as the most prestigious Corporate name in India. The famous Kingfisher Calendar won the International FAB award for the second year running.

I can also report several important events on the corporate front -

- the capital induction by Scottish & Newcastle, in the early part of the fiscal, saw the infusion of Rs. 4642 million into the company.
- this enabled us to repay over Rs. 2.1 billion of debt.
- consequent reorganisation through integration of the operations of the erstwhile Joint Venture Millennium Alcobev Private Limited, (previously named Millennium Alcobev Limited), the demerger of Associated Breweries' brewing operations into the company and the merger of Mangalore Breweries were initiated during the year. I am pleased to report to you that the respective High Courts have given favourable directions wherever necessary.
- we also embarked on a major acquisition, with an agreement to purchase India's biggest brewery - KBDL located in the outskirts of Bangalore.
- all the foregoing have resulted in operating synergies and cost savings.
- consequently, profitability of the business has improved dramatically and our operating margins have reached internationally acceptable levels, given the regulatory constraints that the industry continues to operate under in India.



- as a part of our ongoing efforts to make United Breweries a more investor friendly company we have split the face value of our scrip to Re 1. This has enabled small investors to participate in our prosperity, and has been widely welcomed.

Friends, India has the most youthful population in the world, and our consumer confidence levels are also the highest in the world. For the last several years, the country has witnessed general prosperity led by near double digit economic growth. Large numbers of people are set to enter the workforce over the next few years. These young earners are saving less than previous generations while spending increasingly on items of personal consumption such as food, drink and entertainment.

Our company, with its array of fine products and mega brands is well set to capture the upsides of this impending explosion in demand.


To prepare ourselves, your company has plans to invest over Rs. 4 billion in the manufacturing network over the next three years. This is over and above the KBDL acquisition. The plan envisages both setting up of Greenfield breweries as well as augmentation of capacity and technology at existing sites. These will be funded by a combination of internal accruals and debt which can be serviced from incremental cash flows arising from these investments.

Conscious of our corporate social obligations, our company has initiated several projects such as Rain Water Harvesting, Recycling of water and rice husk boilers to reduce use of scarce resources. These have not only helped the company save money, but also have been deeply appreciated by the local communities.

Discussions are at an advanced stage with Scottish & Newcastle for their engagement in the distribution of Kingfisher in various global markets. S&N have a very credible reputation and track record of such distribution, and the new arrangements to take effect from next year should see considerable increase in our international presence.

In conclusion, our company looks to the future with optimism and confidence. We are on the road to becoming one of the most respected and admired companies in India.

I take the opportunity to place on record my gratitude to all those who have contributed to our success viz, our employees, directors, customers, suppliers, bankers and most importantly you our shareholders.



Dr. Vijay Mallya
Chairman



Board of Directors



Dr. Vijay Mallya
Chairman



Ravi Nedungadi
President & CFO
The UB Group



Kalyan Ganguly
Managing Director



John Simon Hunt
Director



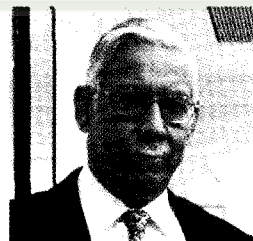
John Dunsmore
Director



Veronica Lesley Jackson
Director



Chug Yoginder Pal
Director



Chhagan Lal Jain
Director



Sunil Kumar Alagh
Director

The Team



Shekhar Ramamurthy
Executive Vice President
Sales & Marketing



Cedric Peter Vaz
Executive Vice President
Manufacturing



J. Noronha
Senior Vice President
HRD



Govind Iyengar
Company Secretary