

ANNUAL REPORT
2004 - 2005

**GOOD TIMES
HAVE TAKEN WING**

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UNITED BREWERIES (HOLDINGS) LIMITED

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The king of good times



Kingfisher Airlines Limited, a wholly owned subsidiary of United Breweries (Holdings) Limited, started operations on May 9, 2005 with its inaugural commercial flight from Mumbai to Bangalore.

Kingfisher Airlines has an unique Kingfisher Class configuration with 174 seats in a spacious layout.

Kingfisher Airlines is a full service 'value carrier' with inflight entertainment, incorporating a personal television screen in each seat, offering 10 channels of audio and five channels of video.

The Indian public can now experience a whole new form of air travel, where everything is designed to delight: Efficient yet warm. Stylish yet comfortable. And convenience inbuilt at every step. In short, a world class flying experience at a very affordable price.

By March 2006, Kingfisher Airlines would have a fleet of over 11 spanking new Airbus A320 aircraft, and will be operating to all the metros and other major cities across India.

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is flying

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A view from the cockpit of UBHL

UB Holdings consolidates

United Breweries Holdings Limited (UBHL) has undertaken a restructuring exercise to consolidate its operations under one roof.

Further to the demerger of the brewing business in 2002, UBHL had created a number of subsidiary companies in the past for pursuing certain business activities and also to facilitate the restructuring.

The Board of UBHL, met in Mumbai on December 10, 2004 and approved the merger of ten subsidiary companies into UBHL. The companies being merged are, UB Global Corporation Limited, UB General Investments Limited, UB Transit Systems Limited, UB Information and Consultancy Services Limited, UB Networks (Bangalore) Private Limited, UB Publications Limited, UB Pharmaceuticals Limited, MWP Limited, The Asian Age (South) Limited and The Asian Age (West) Limited.

The appointed date of this merger is April 1, 2004. Since these entities are already fully owned subsidiaries, there would be no change of shareholding structures, and investments in these companies would stand extinguished.

At the same meeting the Board also approved the merger of United Breweries of America Inc., a British Virgin Islands company which controls Mendocino Brewing Co. Inc., in the USA and its subsidiaries in the UK.

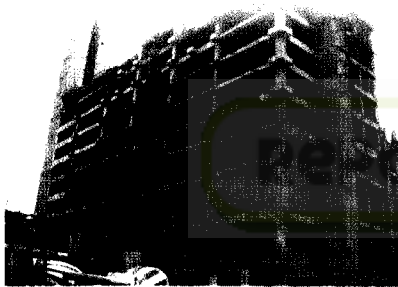
The scheme of merger was approved by the Honourable High Court of Karnataka on August 8, 2005.

UB City gathers momentum

UB City, the seven acre project, is fast reaching the first phase of completion. One of the largest 'mixed-use' development projects, UB City with its prime location close to Cubbon Park in Bangalore, has

already started receiving expressions of interest for pre-leasing of its business premises.

UB City will also house all the UB Group offices under one roof in UB Towers.



United Breweries Limited

The new United Breweries Limited emerged out of the demerger of the beer business from the erstwhile United Breweries Limited, now renamed United Breweries (Holdings) Limited.

United Breweries Limited has an association with brewing over the last five decades, and today commands a market share of 48 per cent. One out of every three beers sold in the country is a Kingfisher. Kingfisher beer is currently available in 52 countries worldwide.

Its strategic partnership with UK based Scottish & Newcastle will enable the company to introduce Kingfisher beer in more global markets. Simultaneously, the company will also launch Scottish & Newcastle's international brands in India.



**BIGGEST
MIXED-USE
DEVELOPMENT
IN THE
HEART OF
BANGALORE**

**BEER ZOOMS
TO A 48%
NATIONAL
MARKET
SHARE**

McDowell & Company Limited

McDowell is the flagship of the UB Spirits Division which is the dominant player in the beverage alcohol business in India, with a national market share of 52 per cent. All operating companies in the Spirits Division viz., Herbertsons Limited, Triumph Distillers & Vintners Pvt. Limited, and Shaw Wallace Distilleries Limited, are proposed to be merged into McDowell & Company Limited. Upon completion of this merger, McDowell & Company Limited will be renamed as United Spirits Limited.

UB Spirits Division is today the second largest marketer of beverage alcohol in the world. It has in its fold 15 millionaire brands. Four of these millionaire brands have been featured in the 100 top global brands by retail value. The total retail value of UB Spirits Division's brands stands at three billion US Dollars.

Herbertsons Limited

Herbertsons Limited entered the UB Group in 1973 as the primary marketing channel for its IMFL brands, and rose to be the third largest spirits company in India. Its lead brand, Bagpiper Whisky which sold 7.30 million cases last fiscal, is India's largest selling whisky and is ranked fourth amongst all whiskies worldwide. It ranks third amongst the fastest selling non-Scotch whiskies and is also featured in the Top 15 fastest growing brands in the world.

TDV

Triumph Distillers & Vintners Private Limited, is an ultimate subsidiary of McDowell & Company Limited. It has two major brands in its portfolio – Gilbey's Green Label Whisky and Alcazar Vodka, both of which have been creating ripples in the marketplace.

Gilbey's Green Label notched sales of almost 2.5 million cases during the last fiscal, while Alcazar became the largest selling vodka brand in Mumbai during the same period with a 70 per cent increase in sales.

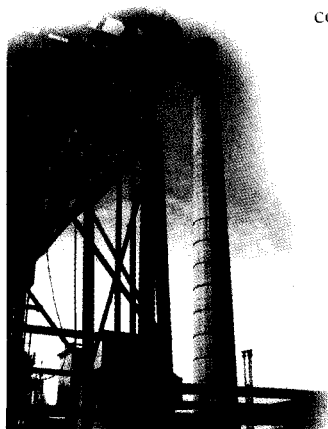


SECOND
LARGEST
SPIRITS
MARKETER
IN THE
WORLD

FIFTEEN
MILLIONAIRE
BRANDS

UB SPIRITS
BRANDS
RETAIL
VALUE USD
3 BILLION

UB Engineering Limited



UB Engineering Limited is one of the leading Indian engineering companies, specialising in the erection and installation of industrial plants. The company is strongly focused on the Turnkey Division for projects in Power, Fertilizers, Oil & Gas, Fire Fighting, Effluent Treatment, Agrotech and other sectors from concept to commissioning, on-site fabrication, installation, overhauling and maintenance.

The company has recently bagged an order worth Rs.88 crore from the Paschimanchal Vidyut Nigam Limited, Meerut for rural electrification works. This is the single largest contract ever awarded to UB Engineering since its inception. The company's order book has now swelled to Rs.220 crore.

Mangalore Chemicals & Fertilizers Limited

In 1990, the UB Group took over Mangalore Chemicals & Fertilizers Limited, which was classified 'a potentially sick unit' with accumulated losses in excess of Rs. 60 crore. Today, the direction and firm management of the UB Group has not only turned around this company, but has also helped it become one of the most efficient and profitable naphtha based urea producers in the country with famous brands like Mangala Urea and DAP. For the past seven years, it has been continuously yielding good profits.



It was recently awarded the prestigious certification on Occupational Health and Safety Management System, conforming to OHSAS 18001:1999 standard, by Det Norske Veritas, a global

certifying agency, based in the Netherlands.

It had earlier also received the ISO 14001 certification in 2003 for its Environment Management System. This has also been upgraded to the latest version, ISO 14001:2004 alongwith the OHSAS certification.

Aventis Pharma Limited

UBHL's stake in Aventis is around 10 per cent. A global pharmaceutical company that discovers, develops and markets branded prescription drugs and vaccines to protect and improve the quality of human life around the world.



Aventis has been a focused value-driven corporate which seeks to consolidate and penetrate fresh markets in its key therapeutic segments. The market value of UBHL's investments in Aventis as on March 31, 2005 was close to Rs.288 crore.

ORDER
BOOK
SOARS TO
RS. 220
CRORE

ISO
14001:2004
CERTIFICATION
APPROVED

SALES
GROWTH OF
7% AGAINST
MARKET
GROWTH OF
5.6%



UBSN Limited, UK

UBSN Limited, based in Faversham, Kent in the United Kingdom, is an ultimate wholly-owned subsidiary company of Mendocino Brewing Co. Inc., USA. UBSN, through its holding company UB International (UK) Limited, has an exclusive licensing arrangement with United Breweries Limited, for brewing and distribution of Kingfisher lager beer in Europe and Canada. They predominantly sell in the UK, and enjoy a leadership position in ethnic Indian restaurants and food and beverage outlets there, as well as in Europe.

Mendocino Brewing Company Inc, USA

Mendocino Brewing Company Inc, was set up in 1983 as part of the Craft Beer brewing renaissance in the USA. Mendocino has two state-of-the-art breweries, one in Ukiah, 110 miles north of San Francisco and the other at Saratoga Springs, New York.



Over the years, Mendocino has won a number of awards for its quality craft beer. Red Tail Ale, Blue Heron Pale Ale are just two of its most popular brands. These products are available in

35 states and are handled by over 90 distributors nationwide in the US.

UB Global

Formerly known as UB Global Corporation Limited, the company has now been merged into UBHL. It now operates as the Exports Division of UBHL. For UB Global, the world is its canvas. A recognised 'Golden Status' export house, its exports comprise beer, spirits, leather footwear, processed foods, pharmaceutical products and customised perfumeries.

The shoe business, with its factories located in and around Bangalore is a major earner of precious foreign exchange.

Over the years, it has received successive APEDA Awards for outstanding export performance. It has also been instrumental in making Kingfisher beer available across 52 countries.



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KINGFISHER
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LAGER IN
EUROPE'S
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RESTAURANTS

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BEERS

'GOLDEN
STATUS'
EXPORT
HOUSE

Chairman's

Dear fellow Shareholders,

The year 2004-2005 has been an eventful one for our company with a number of significant events. These include a comprehensive merger of ten Indian subsidiaries and one foreign company with United Breweries (Holdings) Limited. This re-organization was initiated with the intent of simplifying the structure and creating sustainable value for all of us. The mergers which were blessed by the Hon'ble High Court of Karnataka on August 8, 2005 has resulted in the integration of profitable businesses and investments which were earlier held through a chain of subsidiaries into United Breweries (Holdings) Limited directly.

During the year, a new subsidiary, Kingfisher Airlines Limited took wing in what promises to be one of the largest and most exciting businesses that our company has ever undertaken. De-regulation of the economy combined with economic progress, putting higher disposable income in the hands of Indian consumers has led to the emergence of exciting new opportunities in the Aviation Sector. It is an acknowledged fact that domestic air traffic in any country grows at approximately double the rate of GDP growth. Starting from an extremely low base of about 15 million annual passengers in India, the growth is expected to be exponentially higher. In fact, the recent statistics of the Ministry of Civil Aviation shows growth in excess of 20% per annum.

Kingfisher is a brand which has been developed over decades on the promise of lifestyle and meeting consumer aspirations, and cuts across the emerging youthful population, which closely identifies with the Kingfisher brands. Kingfisher Airlines sets out to meet the needs of an emerging India with an unique value offering which has been extremely well received. From the first flight taking to the skies on May 9, 2005 between Mumbai and Bangalore, Kingfisher Airlines has, in six short months, already grown to a fleet of seven brand new Airbus aircraft flying 50 flights daily across the country. The company has aggressive plans to expand its operations domestically and is also

positioned to fly overseas routes in the near future as soon as regulations permit.

Kingfisher Airlines is expected to be one of the cornerstones of potential value creation for all shareholders.

In the beverage space, the recent acquisition of Shaw Wallace & Company Limited by McDowell & Company Limited, and the plans for integration of the various spirits companies including Herbertsons Limited and Triumph Distillers & Vintners Limited with McDowell & Company Limited has resulted in a multi-fold increase in the value of this company's investments in McDowell & Company Limited.

Excellent management practices, economies of scale and synergies from the integration have already begun to demonstrate significantly improved profitability in the spirits business, and this is expected to be sustained over the years to come with consequential increase in the value of our investments on a sustainable basis.

The joint venture between United Breweries Limited and Scottish & Newcastle Limited has also resulted in a considerable re-rating and upswing in value of our company's investments into United Breweries Limited. Strong growth and improved profitability is also expected in this business. Discussions are on with Scottish & Newcastle for a strong push of the Kingfisher brand of beer into various international markets, riding on the distribution strengths of Scottish & Newcastle. This initiative will open up new opportunities for sustained growth globally. The merger of United Breweries of America Inc., a BVI company, brings to our fold international rights for the distribution of Kingfisher and other allied brands in various countries of Europe and America. It also brings the ultimate ownership of two breweries on the East Coast and West Coast respectively of the United States of America, together with local brands of craft beer under our fold. These are all opportunities that will be tapped in the coming years.

Our Real Estate development on the site of the erstwhile Bangalore Brewery is making rapid progress. The skyline of Bangalore will be prominently changed with the completion of a state-of-the-art modern multi-use complex by calendar year 2006. This development, named as "UB City", will be one of the most prestigious and valuable pieces of real estate in the fast growing city of Bangalore. I expect

the company to tie up arrangements for lease of the built-up premises by the early part of next year, and this will afford a permanent stream of income for our company.

UB Global is the Export Division of your company and is a recognized "Golden status" export house. This Division generates a substantial export business primarily of leather footwear, processed foods, pharmaceutical products, customized perfumeries and beverage alcohol products.

UB Engineering Limited, one of our company's investments, specializes in erection and installation of industrial plants focused on power, fertilizers, oil and gas, effluent treatment etc. The recent order of Rs. 88 crore from Paschimanchal Vidyut Nigam Limited, Meerut, for rural electrification work takes the company's order book to over Rs. 220 crore.

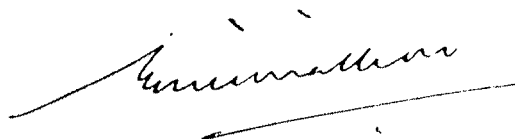
Mangalore Chemicals & Fertilizers Limited continues to be one of the most efficient fertilizer units in the country. From a company loaded with debts and losses at the point of takeover, it has grown to be a model manufacturer with a strong brand franchise.

Our company continues its holdings in Aventis Pharma Limited, one of the leading pharmaceutical majors in India with a strong commitment to health care. Aventis consistently introduces the latest therapeutic products for the benefit of the country.

During the year, our company disposed off its entire shareholding in Bayer CropScience Limited and the profits from the same are reflected in the accounts of this year.

I am confident that all the foregoing initiatives will lead to the continuing growth of our extremely valuable company.

In conclusion, I wish to thank the Board of Directors, employees, suppliers, customers, Bankers and of course you Shareholders, for your continued support to our company.



Dr. Vijay Malviya
Chairman

Chairman
Dr. Vijay Mallaya

Managing Director
R. N. Pillai

P. Subramani
Sr. Vice President - Legal
& Company Secretary



P. A. Murali



Sidhartha Mallaya



A. Harsh Bhat



Subhash R. Gupta
Executive Vice Chairman
The UB Group



A. K. Ravi Nedungadi
President and Chief
Financial Officer
The UB Group



THE DIRECTORS

Auditors
M. S. Vishnu Ram & Co.
Chartered Accountants, Bangalore - 10.