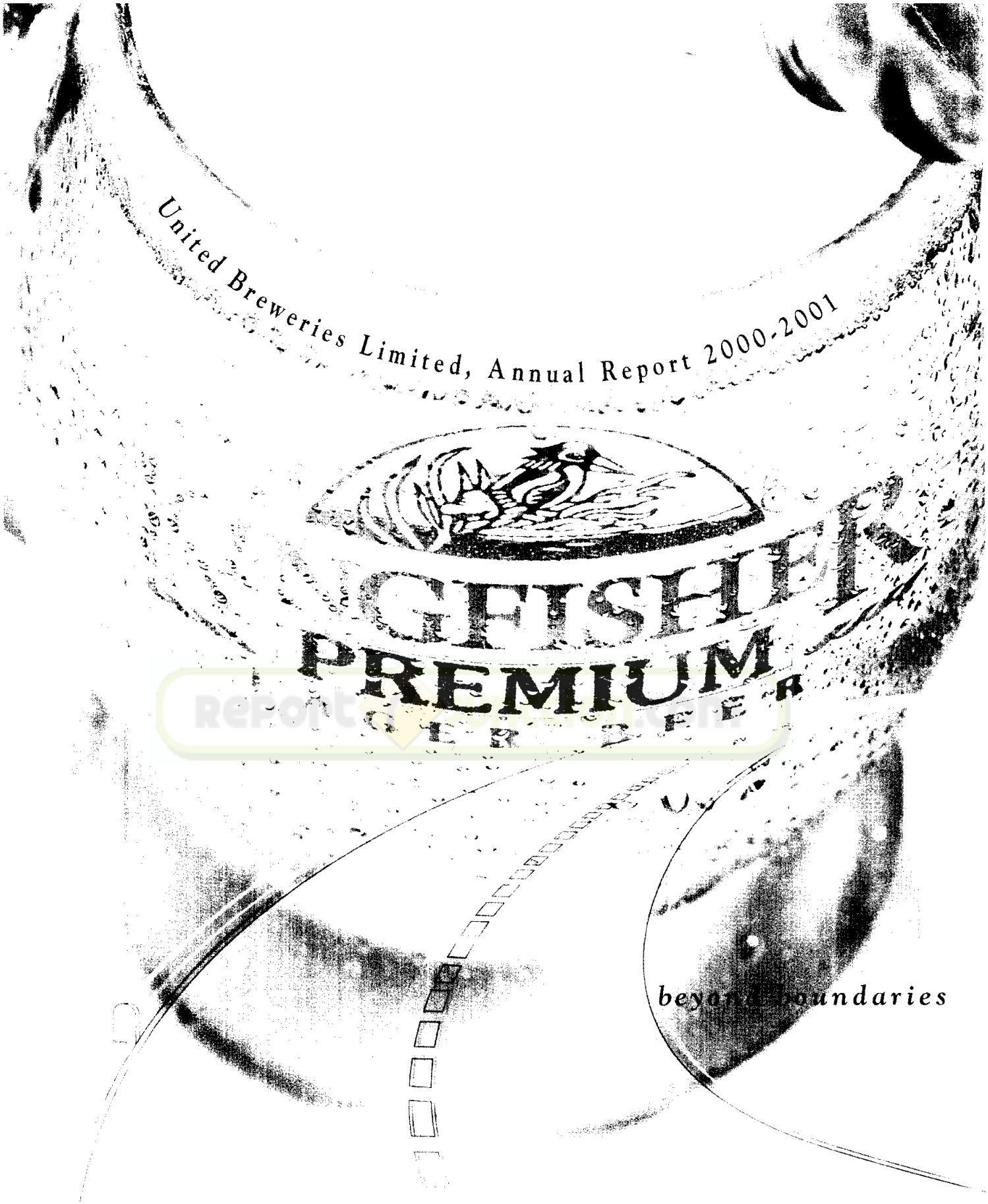
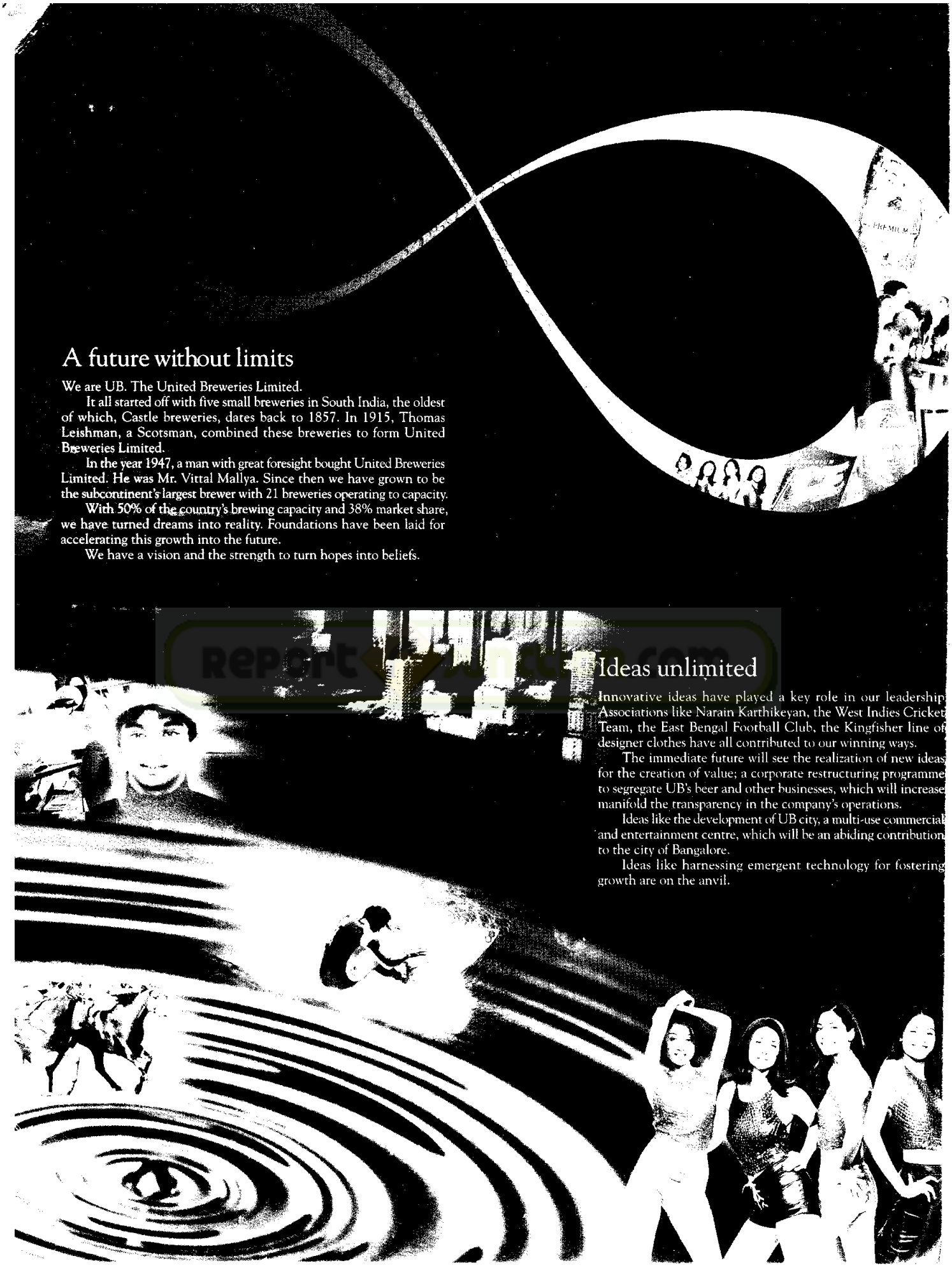
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A future without limits

We are UB. The United Breweries Limited.

It all started off with five small breweries in South India, the oldest of which, Castle breweries, dates back to 1857. In 1915, Thomas Leishman, a Scotsman, combined these breweries to form United Breweries Limited.

In the year 1947, a man with great foresight bought United Breweries Limited. He was Mr. Vittal Mallya. Since then we have grown to be the subcontinent's largest brewer with 21 breweries operating to capacity.

With 50% of the country's brewing capacity and 38% market share, we have turned dreams into reality. Foundations have been laid for accelerating this growth into the future.

We have a vision and the strength to turn hopes into beliefs.

Ideas unlimited

Innovative ideas have played a key role in our leadership. Associations like Narain Karthikeyan, the West Indies Cricket Team, the East Bengal Football Club, the Kingfisher line of designer clothes have all contributed to our winning ways.

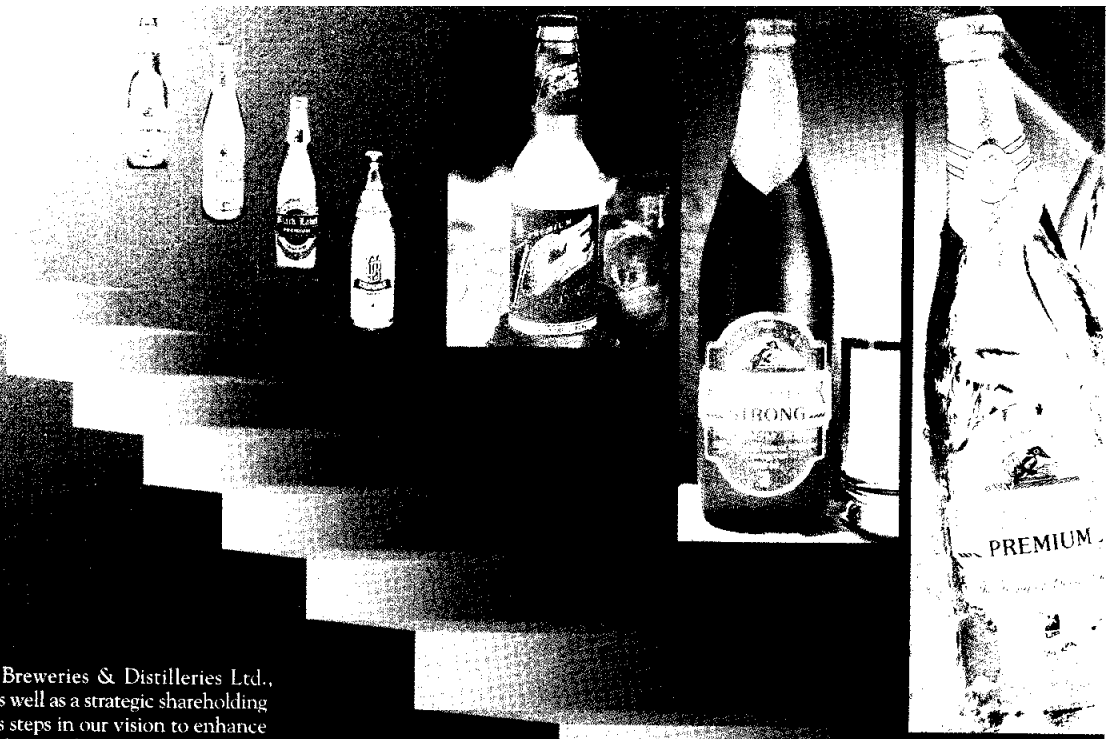
The immediate future will see the realization of new ideas for the creation of value; a corporate restructuring programme to segregate UB's beer and other businesses, which will increase manifold the transparency in the company's operations.

Ideas like the development of UB city, a multi-use commercial and entertainment centre, which will be an abiding contribution to the city of Bangalore.

Ideas like harnessing emergent technology for fostering growth are on the anvil.

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Growth unlimited

The recent acquisition of Associated Breweries & Distilleries Ltd., Mangalore Breweries & Distilleries Ltd., as well as a strategic shareholding in Inertia Industries Ltd., are all judicious steps in our vision to enhance UB's leadership in the Indian brewing industry. These acquisitions have brought both capacities and brands into our fold to help us meet the growing needs and aspirations of the consumer.

The resounding success of Kingfisher Strong and the positive consumer response to the launch of UB Ice, UB Export, London Pilsner, etc. stand testimony to UB's market skills. Kingfisher – our Star Brand continues to dominate the industry.

The combination of investments in strong brands and capacity will ensure that UB meets and exceeds market expectations in the future.



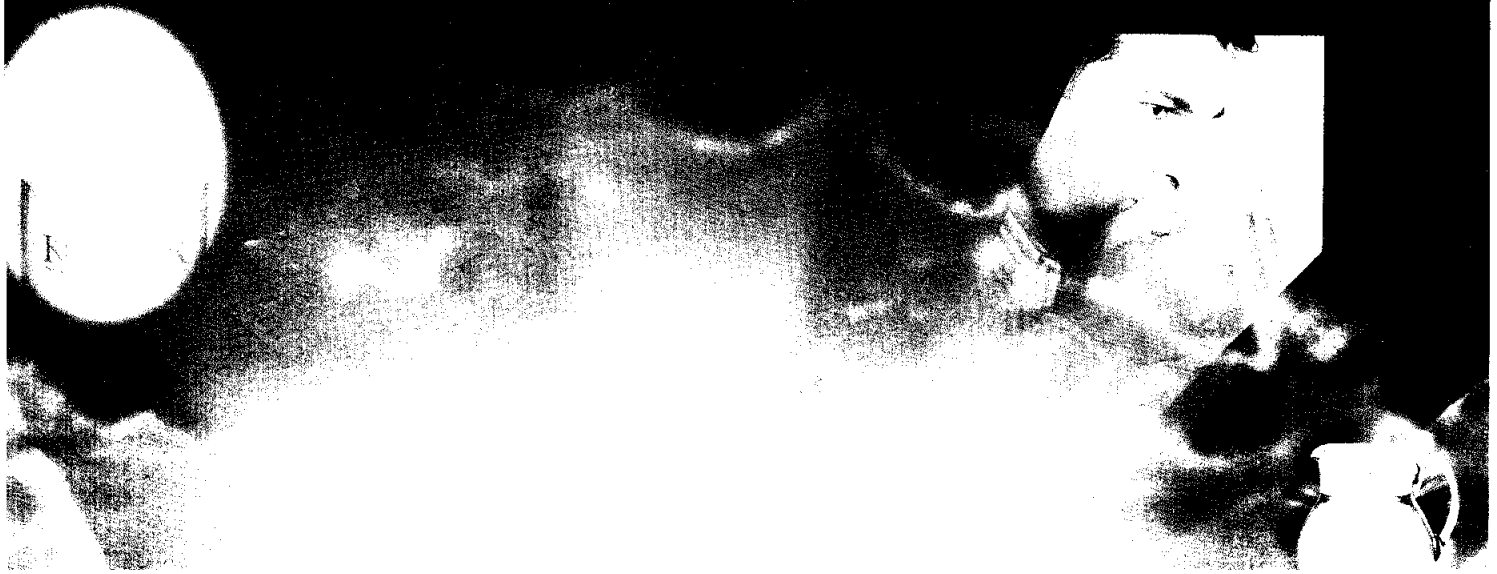


Beyond horizons

We are poised on the verge of growth – growth not only in sales and market shares, but also in terms of the evolution of the company. To rededicate our future, we plan to focus all our resources on our core brewing business.

In order to meet the aspirations of globalisation of our key brands and affording the Indian consumer the choice of the world's best, we have decided to seek a strategic investment from a major global brewer.

Such an association will yield significant gains to all stakeholders.



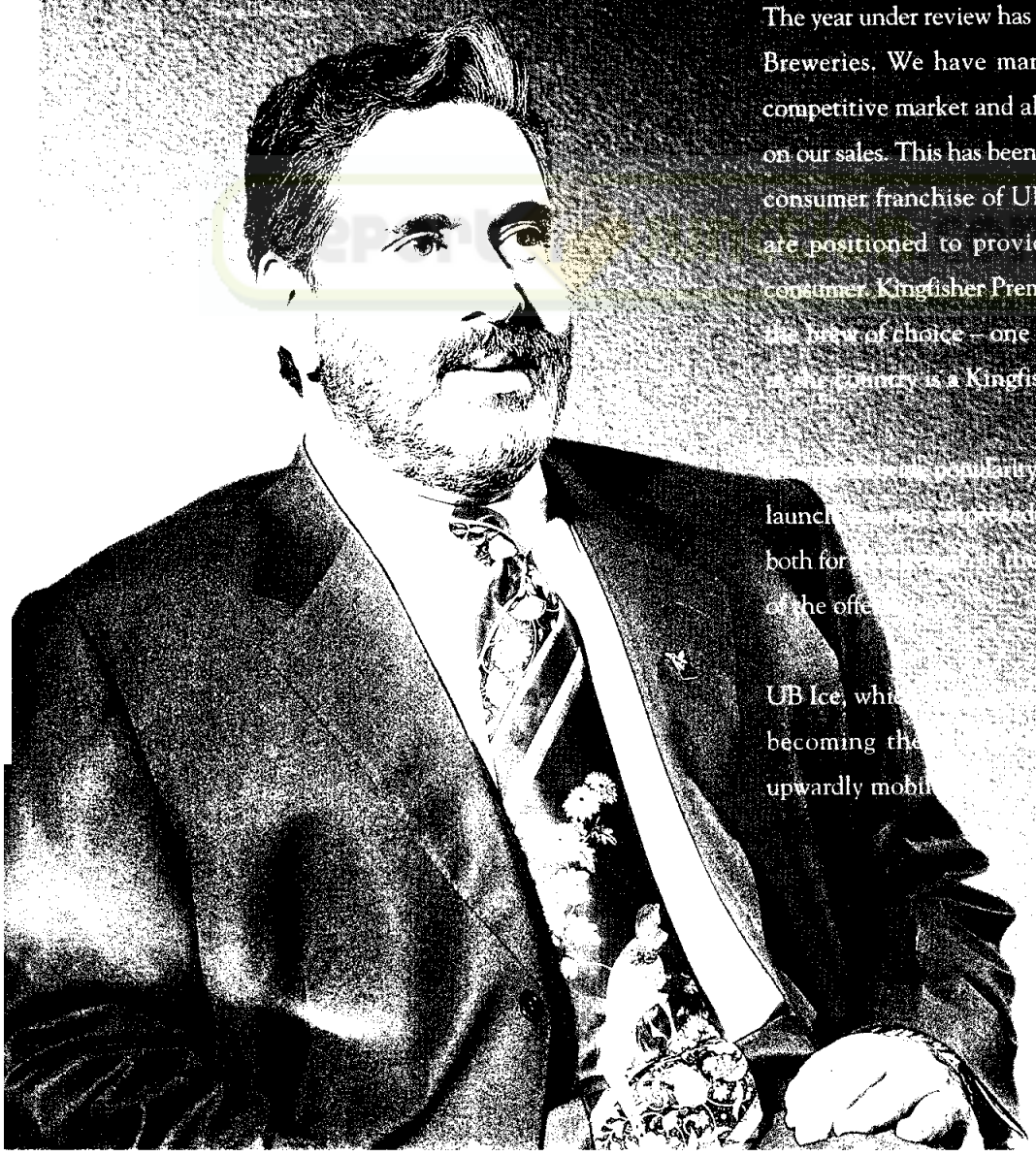
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Chairman's Statement

Dear Shareholders,

We meet this year on a more somber note than during our last general meeting. The recent ravages of national disasters, which have affected many lives, have been aggravated by the steep downturn of the Indian, and indeed, the global economy. Every day's headlines bring fresh news scams, improprieties and irresponsibilities. All these contribute to the failing of a civil society. It is a measure of the growing maturity of the country and the beneficial impact of economic deregulation, that despite these various contrary indicators, there is still some resilience in the economy. The entrepreneurial spirit, which has been unshackled after decades of over-regulation, will triumph. Increasing competition among producers is leading inexorably to more efficient use of resources and increases in productivity, both of which will benefit the consumer. From the days of rationing where the consumer had to woo the producers or the bureaucrat, the scales have turned and today we see a situation in every sector of the consumer regaining his franchise and competitive producers offering the benefit of choice.



The year under review has been a good one for United Breweries. We have managed growth in a highly competitive market and also retained higher margins on our sales. This has been made possible by increased consumer franchise of UB's offerings. All of which are positioned to provide the best value to the consumer. Kingfisher Premium Lager continues to be the brew of choice – one of every 4 beers consumed in the country is a Kingfisher.

The popularity of Kingfisher Strong whose launch has been a well-deserved success, is testimony, both for the brand, as well as the quality of the offe

UB Ice, whi is fast becoming the and upwardly mobi

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In order to consolidate UB's leadership position and to lay the foundation for high growth in the years to come, your company has made investments of over Rs. 860 million to acquire both brands and capacities. We have acquired 65% of Associated Breweries & Distilleries Ltd., a venerable brewing house in Mumbai. A good brand of this company, London Pilsner, is still a potent force in several parts of the country. A variant, London No. 1 Strong, has since been introduced with positive response.

Kingfisher Premium Lager continues to be the brew of choice - one of every 4 beers consumed in the country is a Kingfisher

The acquisition of a strategic stake in Inertia Industries Ltd., brings capacities in Haryana where the company lacks its own brewery, as well as a modern brewery in Aurangabad to augment capacities in the key Maharashtra market. Sandpiper beer, which is marketed by your company associate, Millennium Alcobev Ltd., is owned by Inertia.

The acquisition of 97% of capital in Mangalore Breweries & Distilleries Ltd., provides a strategic vital manufacturing facility in Western Karnataka and reinforces UB's supremacy in the local market.

The combination of UB's existing breweries, the new acquisitions and the various toll manufacturing arrangements, gives your company control over approximately half of the total brewing capacity in the country.

You are aware that India is a unique nation with almost half a billion people below the age of 21. Growing urbanization and exposure to international culture together with a demographic composition of our population ensures a vast market to be tapped on a sustainable basis in future. I am confident that the state governments will see the benefits of loosening controls on the brewing industry and free the availability of beer in the near future. This, no doubt, will lead to an explosion in the demand for beer, a situation that your company is gearing itself to meet.

Large potential markets and the low current levels of penetration make India a destination of choice for international brewing investments. Your company considers itself beneficial to have a major international brand in its portfolio offerings within the country. We have long felt that Kingfisher has growing acceptance in the international markets but has lacked the resources and distribution network to significantly improve availability of the brand overseas.

In order to meet both these objectives, your Board has decided to seek a strategic minority investment by a major international brewing company. Kotak Mahindra Credit Capital Ltd., one of India's leading merchant bankers and in association with Goldman Sachs, has been appointed to advise your company in this regard. There has been extremely positive response from all major players and we are confident of making a choice by the end of the current year.

The acquisition of a strategic stake in Inertia Industries Ltd., brings capacities in Haryana where the company lacks its own brewery, as well as a modern brewery in Aurangabad to augment capacities in the key Maharashtra Market

In order to facilitate the induction of a strategic partner for the brewing business as well as to unlock value in

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other assets, such as development of the Bangalore land, we have devised a corporate restructuring plan to demerge the brewing business of the company from its other businesses. As a consequence of this demerger, you will participate in two separate companies – one being a pure brewing company and the other an investment holding company with valuable investments and a steady stream of cash flows, which will arise through the development of property. Turning to the other investments of the company, I am pleased to report that the amalgamation of the various spirits companies with McDowell & Co. Ltd., has now been completed and the resultant new company is now based at Bangalore. McDowell, together with Herbertsons Ltd., continues to dominate the Indian spirits business.

Despite a mild summer in many key markets, United Breweries has performed well in the first quarter and recorded a growth of 11% against an estimated industry growth of 2%.

National Sorghum Breweries, South Africa, has been recently renamed as United National Breweries. This company has turned in a creditable performance with a profit of ZAR 19 million (equivalent to Rs. 110 million) during the year 2000. Steps are being taken to realize the value of United Breweries' investment in this company.

Mangalore Chemicals & Fertilizers Ltd., has turned in a profit of Rs. 415 million during the fiscal year 2000-01

Mangalore Chemicals & Fertilizers Ltd., has completed its rehabilitation with a repayment of all its institutional and bank debts in the previous year. This company too has turned in a profit of Rs. 415 million during the fiscal year 2000-01. Our investments in Aventis Pharma Limited (previously Hoechst Marion Roussel Ltd.) and Aventis CropScience Ltd., continue to prosper. Both the companies have had an excellent first half year with good growth prospects.

The current fiscal year is expected to see significant changes in the corporate restructuring of your company and its holdings, all of which will go to substantially improve value to you. In the process, steps are also being taken to further improve standards of corporate governance and transparencies of reporting so as to bring United Breweries at par with the best in the industry.

United Breweries has performed well in the first quarter and recorded a growth of 11% against an estimated industry growth of 2%

In conclusion, I wish to thank my colleagues on the Board and the management team for their support and contribution during the year. Shareholders, suppliers, customers, the financial community and employees have all contributed to UB in the year and I thank them.

Yours sincerely,



Vijay Mallya
Chairman

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DIRECTORS

Vijay Mallya, Chairman

Morris Mathias

Shrikant Gordhandas Ruparel

Mani Narayanaswami

N. Srinivasan

T.S. Narayana Rao

COMPANY SECRETARY

P. Subramani

AUDITORS

Fraser & Ross
Chartered Accountants
Bangalore

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LEGAL ADVISORS

Crawford Bayley & Co.
Solicitors, Advocates & Notaries
Mumbai

REGISTERED OFFICE

1/1, Vittal Mallya Road,
Bangalore 560 001

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report of the directors

The Directors of United Breweries Limited present their Report with Audited Accounts of your Company for the year ended March 31, 2001.

FINANCIAL RESULTS *(Figures in '000s)*

	2000-2001		1999-2000	
	Rupees	Rupees	Rupees	Rupees
The working of the Company for the year under review resulted in a Profit, after providing for Depreciation and Taxation		31,034		110,024
Balance brought forward from the previous year		117,551		116,812
Debenture Redemption Reserve written back		—		69,187
		148,585		296,023
which your Directors have appropriated as follows:				
To Contingency Reserve	—		75,000	
To General Reserve	15,000		11,400	
Proposed Dividend Including Tax	62,376	77,376	92,073	178,473
Which your Directors propose be carried forward		71,209		117,550

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DIVIDEND

Your Directors have pleasure in recommending a Dividend for the year ended March 31,2001 on the Equity Shares at Rs. 1.50 per Share.

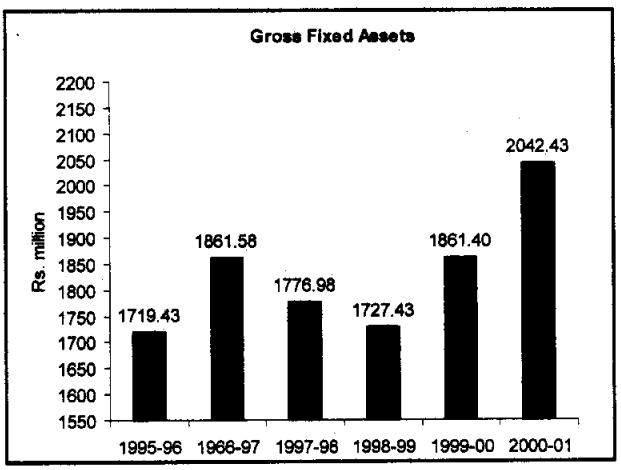
CAPITAL

The Authorised Capital and issued and Subscribed Capital remained unchanged at Rs. 1,000,000,000 and Rs. 377,349,270 respectively. The validity of the balance Convertible Warrants with an option to allot 2,640,500 Shares has been extended to March 31, 2002.

MANAGEMENT DISCUSSION AND ANALYSIS
OPERATIONS

The Turnover of your Company registered a growth of 25% for the financial year ended March 2001. Volumes grew from 218 Lakh - dozens to 253 Lakh - dozens in the year ended March 2001, registering a growth of 16%. This compares with the industry growth of 7.60%.

In order to consolidate our leadership and to cater for prospective acceleration of growth rates, your Company has, through a 100% subsidiary, acquired 65% of Associated Breweries and Distilleries Ltd., 97% of Mangalore Breweries and Distilleries Ltd. and 41% of Inertia Industries Ltd.



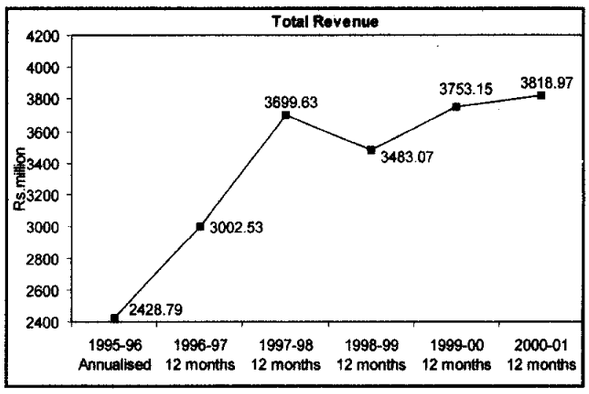
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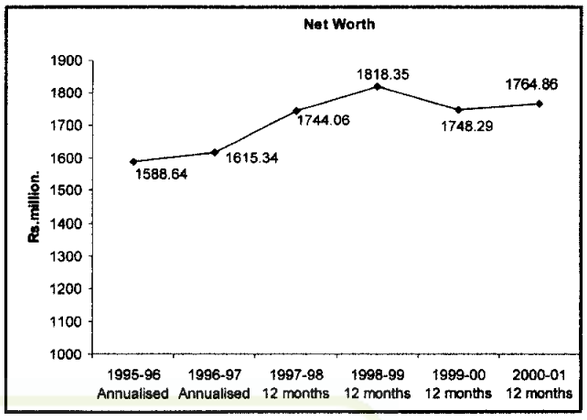
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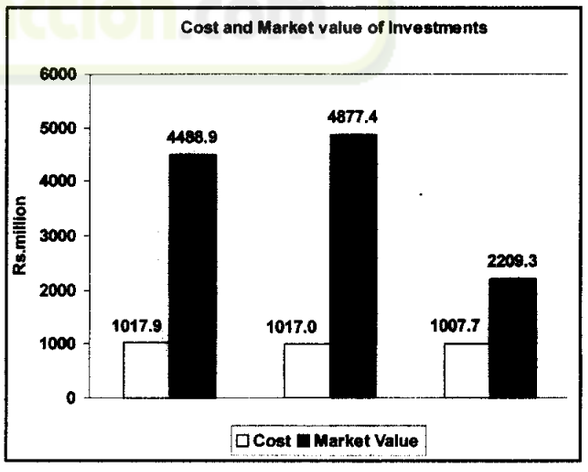
HIGHLIGHTS OF THE YEAR'S OPERATIONS ARE:

- **Kingfisher Lager,** despite stiff competition from domestic as well as multinational brands, registered its highest ever sale crossing 16 million cases; i.e., one in every 4 beers consumed in the country is a **Kingfisher.**
- **Kingfisher Strong** has had spectacular launch, and in its first complete year of availability, crossed 4 Million cases in Sales.
- **UB ICE,** has been relaunched and is very popular with the younger and trendy consumers.
- Initiatives taken by the manufacturing team enabled the Company to contain the variable cost push to a little over 2 percent only - well below the level of inflation in the country;
- Strategic investments were made for expansion of capacities in the key markets of Andhra Pradesh and Maharashtra;
- Involvement of employees in customer contact programmes across the country made the Company more customer responsive;
- Operational PBIDT was well above the budgeted level;
- Overall volume was higher than the budgeted level;
- Four of our Breweries obtained ISO Certificates and initiatives are in progress in respect of other Breweries.
- Strategic investments were made in acquiring Breweries in Key markets to further consolidate the leadership position of UB. We have now, under our control, around 50 percent of the installed capacity in the country, and
- **Kingfisher** was again the fastest growing brand of beer in the U.K.

There has been a drop of Rs. 63 Crore in other income, mainly on account of lower sale of investments during the year in comparison to the previous year. This was one of the principal reasons for the reduced profitability of the year under review. However, your Directors remain committed to the programme of divestment of non-core assets that should bring in significant value in the current year. It is







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however, worth emphasising, that the core Brewing Business on its own, has produced satisfactory results.

PROSPECTS

With an excellent year behind us, the current year assumes great significance. The team will again put all its resources to maximum use to produce further growth in 2001-2002. **ICE** Beer has now made its presence felt in Pondicherry. The Andhra Pradesh Government has allowed reintroduction of **"Draught"** Beer. Various States have introduced new initiatives which are expected to have a positive impact on the industry as a whole, with particular benefits accruing to your Company which is the market leader in the industry.

On the policy front continuous effort with the Government of Andhra Pradesh has resulted in registration of **Kingfisher Strong, Kingfisher Gold** and **ICE** Beer. The Government of Tamilnadu has granted an increase in price after constant follow up. Some market friendly assessments are expected from other key States also.

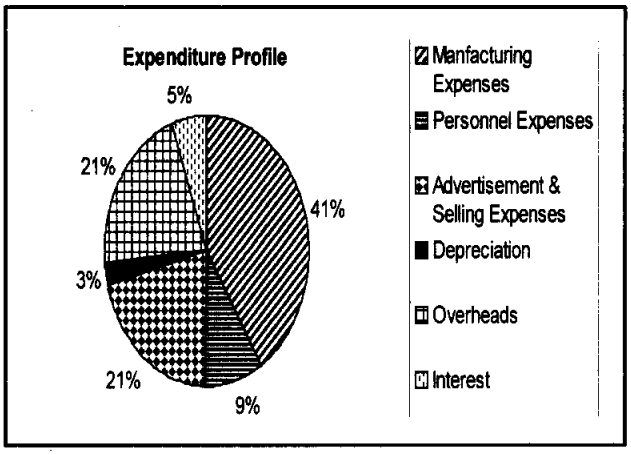
Your Directors are cautiously optimistic that the country will progressively move to a more benign regulatory environment for the Beer industry. In most countries of the world, the brewing industry is subjected to significantly less controls on pricing and distribution than the spirits business. With the increasing integration of India with the global economy it is anticipated that similar trends will gradually emerge in India as well.

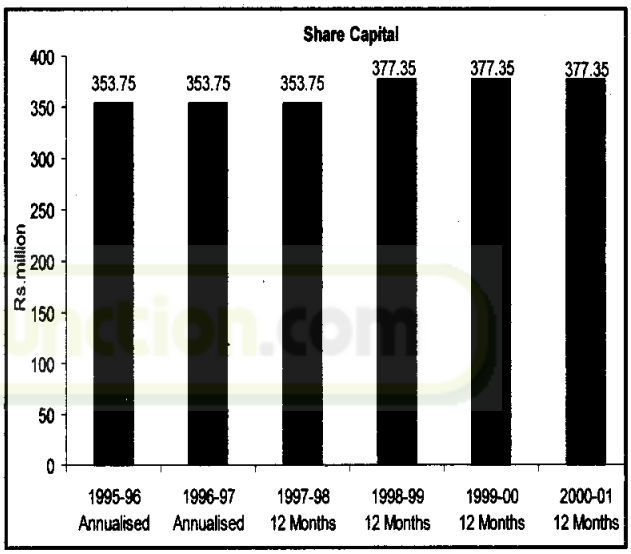
The first quarter registered a growth of 11%, in a lacklustre market enabling the Company to add 200 basis points to its market share.

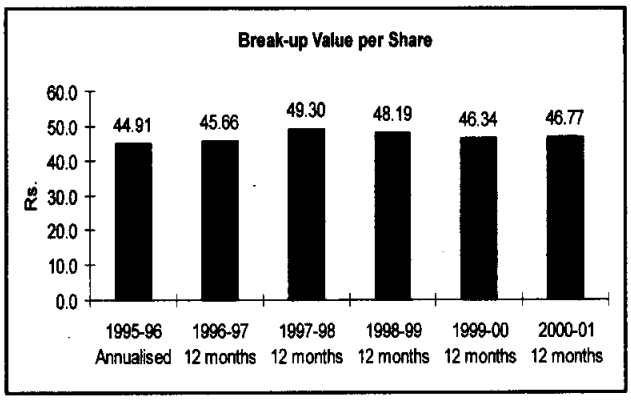
In order to capitalise on these conditions, your Board has decided to invite a strategic minority investment into UB's brewing business and has appointed Kotak Mahindra Capital Company to advise us in this regard. Initial responses have been extremely positive.

To facilitate this process, your Company will also embark on a comprehensive restructuring plan which will see the creation of a focussed **'Beer only'** Company and an investment Company which, apart from the Bangalore Real Estate will control the largest Spirits Company in India.

Your Company will continue to aggressively promote its brands and constantly improve the already high quality of its offerings.







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