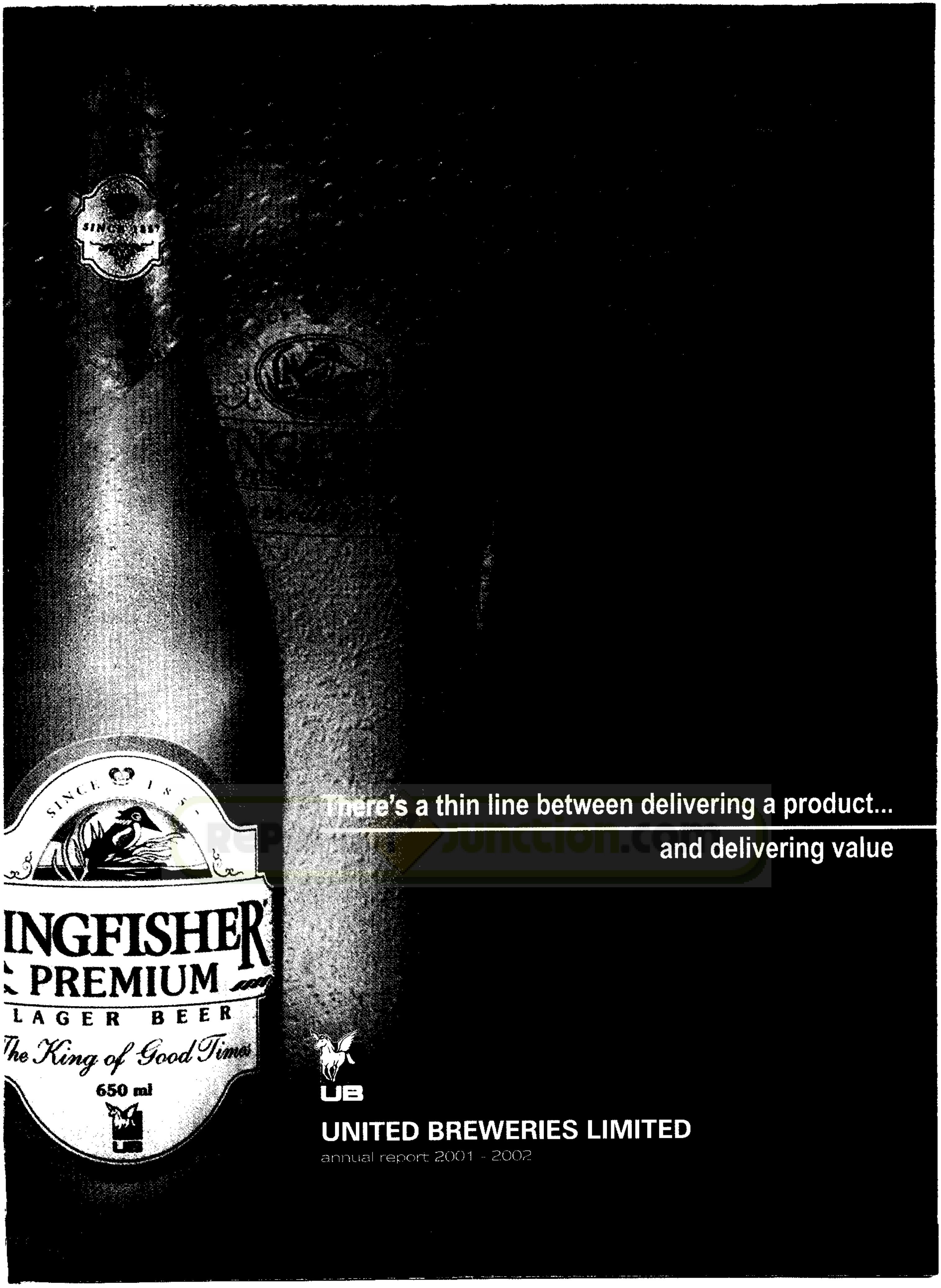
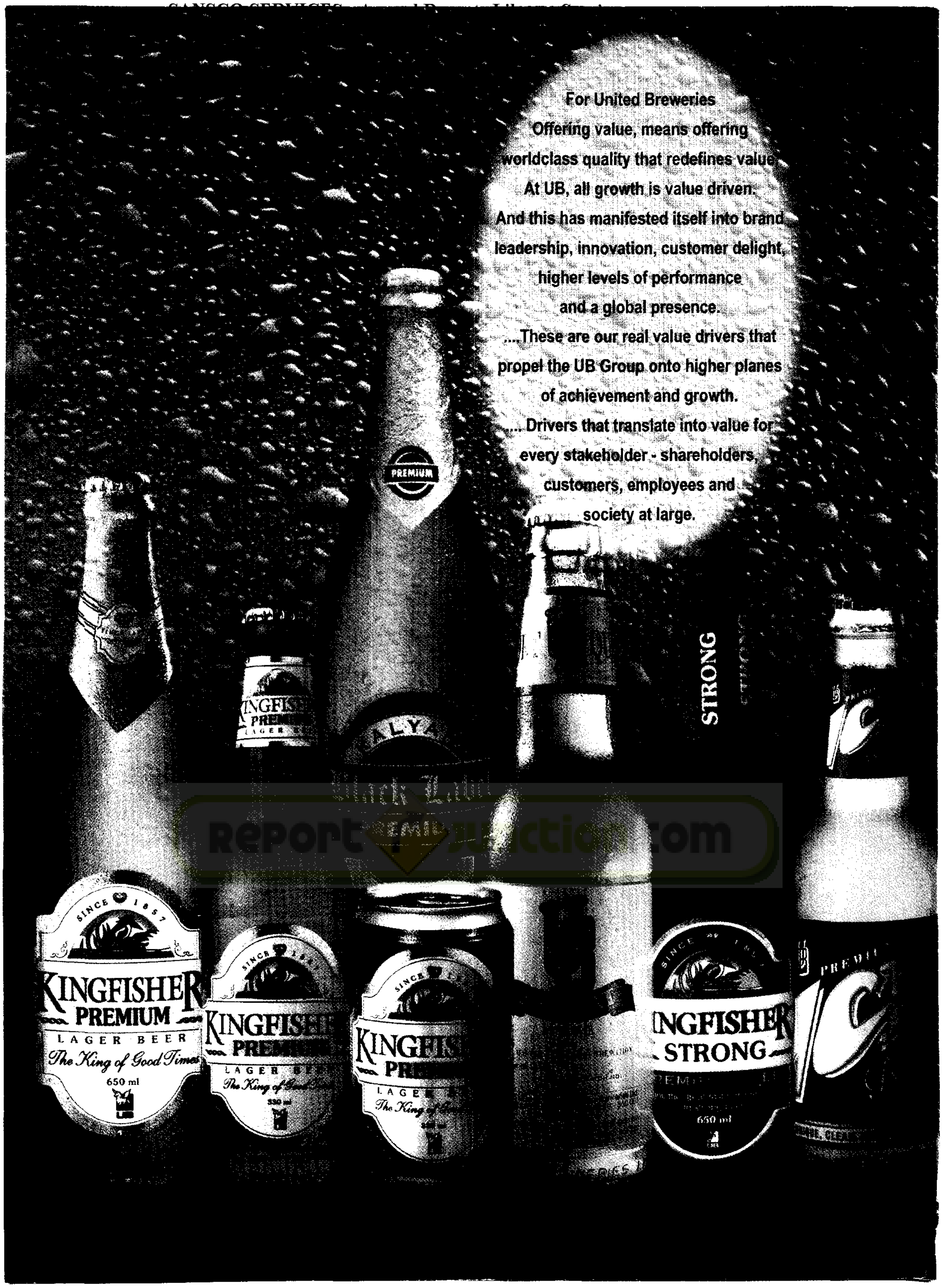


There's a thin line between delivering a product...
and delivering value

UB

UNITED BREWERIES LIMITED

annual report 2001 - 2002


For United Breweries
Offering value, means offering
worldclass quality that redefines value.
At UB, all growth is value driven.
And this has manifested itself into brand
leadership, innovation, customer delight,
higher levels of performance
and a global presence.
....These are our real value drivers that
propel the UB Group onto higher planes
of achievement and growth.
.... Drivers that translate into value for
every stakeholder - shareholders,
customers, employees and
society at large.
PREMIUM
STRONG
KINGFISHER
PREMIUM
LAGER BEER
The King of Good Times
650 ml
KINGFISHER
STRONG
650 ml

TO OUR SHAREHOLDERS

"*We have won the trust of thousands of shareholders year after year for many decades now. The Group has translated its rich experience and unmatched expertise into a 12% topline growth and improved operational efficiency that in turn translate into shareholder value. In our endeavour to reinforce shareholder value, we have focused on structural changes and strategic growth plans for greater efficiency. At UB, we are committed to performing beyond expectations.*"

CHAIRMAN'S STATEMENT

Dear Shareholders,

It is with particular pleasure that I welcome you all to this members meeting which marks the completion of one phase in UB's journey which heralds in a new beginning.

The order of the Hon'ble High Court of Karnataka giving effect to the scheme of arrangement under which the beer business of UB has been de-merged with effect from the appointed date of August 1, 2001 fulfills my commitment to you of our intent to create a focussed brewing entity which could pursue its destiny both nationally and globally as a high quality brewer. By the time of the general meeting, your Company would have completed all necessary formalities for issue of new shares in the ratio approved by the High Court and these shares would also have been listed on all important stock exchanges, thus affording shareholders liquidity of their holdings.

As I stated earlier the de-merger marks the fulfillment of one chapter in the history of your Company and the birth of another exciting chapter with the strategic understanding that we have arrived at with Scottish & NewCastle Plc (S&N) a major international brewer with over US$ 6 billion in turnover and US$ 5.4 billion in terms of market capitalization.

Whilst the specifics of the understanding with S&N have been detailed in the Directors Report, I would take the opportunity of commenting on the vision and rationale behind this extremely important step and how this arrangement will work to the benefit of all shareholders.

Given the demographics of India with a young population accounting for over 500 million and the very low per capita consumption of beer presently, there is wide spread expectation that India will be one of the most exciting and growth oriented beer markets in the world in coming years.

Beer with its low alcohol content is more acceptable and palatable to youngsters globally to satisfy their initial choice in preference to hard liquor.

In India, historically, irrational government policies have resulted in the proliferation of cheap alcohol in preference to beer. This is both unethical and contrary to trends all over the world and it is my belief that governments will realise the need to channelise consumption patterns to the advantage of low alcohol products such as beers and wines.

Universally, all countries have one dominant brewer who is able to retain the major share of the Industry pie. The only exception has been in China, which reports a very unprofitable environment for brewers seeking market share.

In anticipation of the inevitable deregulation of the Industry, UB has taken steps to not only consolidate its leadership but also to ensure that it is poised to be the dominant brewer in line with International standards. With this strategic intent, you are aware that your Company has made several acquisitions which have brought both capacities and brands into our fold. These include Inertia Industries Limited, Associated Breweries and Distilleries Limited, EMPEE Breweries Limited, Mangalore Breweries & Distilleries Limited and GMR Beverages and Industries Limited with well-known brands such as Sand Piper, London Pilsner and Marco Polo.

Kingfisher is a product whose quality of offering meet both the tastes and aspirational requirements of the consuming public not only in India but in over 35 countries around the world. I have long been proud of Kingfisher's position as the flag bearer of Indian brands in the global arena.

The arrangement with S&N enables your Company to further capitalize on its dominant status in a fast emerging *growth market in a manner calibrated to benefit all stake holders.* Your Company has consciously worked out an arrangement whereby funds are introduced by S&N in the form of optionally convertible instruments, convertible at a time of UB's choice and at a valuation which would be carried out at the point of conversion, so as to reflect the future value then prevailing. In this manner, UB is able to substantially reduce its debt burden and improve free cash flow available for distribution immediately without having to dilute its equity base at current valuations which is reflective only of historical performance rather than of imminent future potential.

Such arrangements also envisage a further impetus to the globalisation of UB's core brands. S&N have a long track record of distribution of third party brands and your Company proposes to take advantage of these strengths in the distribution of Kingfisher in world markets. The performance of UB brands will also be augmented by this arrangement as S&N will make available such of its international brands suitable for distribution by UB, domestically.

As you are aware, UB has been in the forefront of engaging various State Governments in dialogue so as to encourage policy initiatives that are beneficial to the industry and revenue accretive to the exchequer. These initiatives together with the imperatives of the on going globalization and de-regulation in all sectors of the Indian economy will, I am confident, result in a more liberal regime which should encourage the growth of the Beer industry. Your Company, as the undisputed leader, will stand to significantly benefit from this process.

The performance of your Company during the last financial year has seen positive improvements in market share with impressive growth in both Lager and Strong Beer categories. We are particularly proud of having reached the No.2 position amongst strong beer players in the country in a short span of just two years. As you are aware, recent initiatives such as the introduction of UB Export in a low cost pint bottle has taken the war for share of the consumer throat into the soft drink arena. Both Karnataka and West Bengal, where this has been implemented have witnessed spectacular response from the consumer and your Company will explore ways to extend this momentum to other parts of the country.

The first quarter of the current year has witnessed a continuation of the growth recorded in the previous year. The volumes of beer sold at 9 million doz. represents a growth of 18% over the previous year and compares with an industry growth of 10%.

These historical changes in the constitution of your Company will, I am confident, lay a firm foundation for sustainable high growth to the advantage of all of us gathered here today.

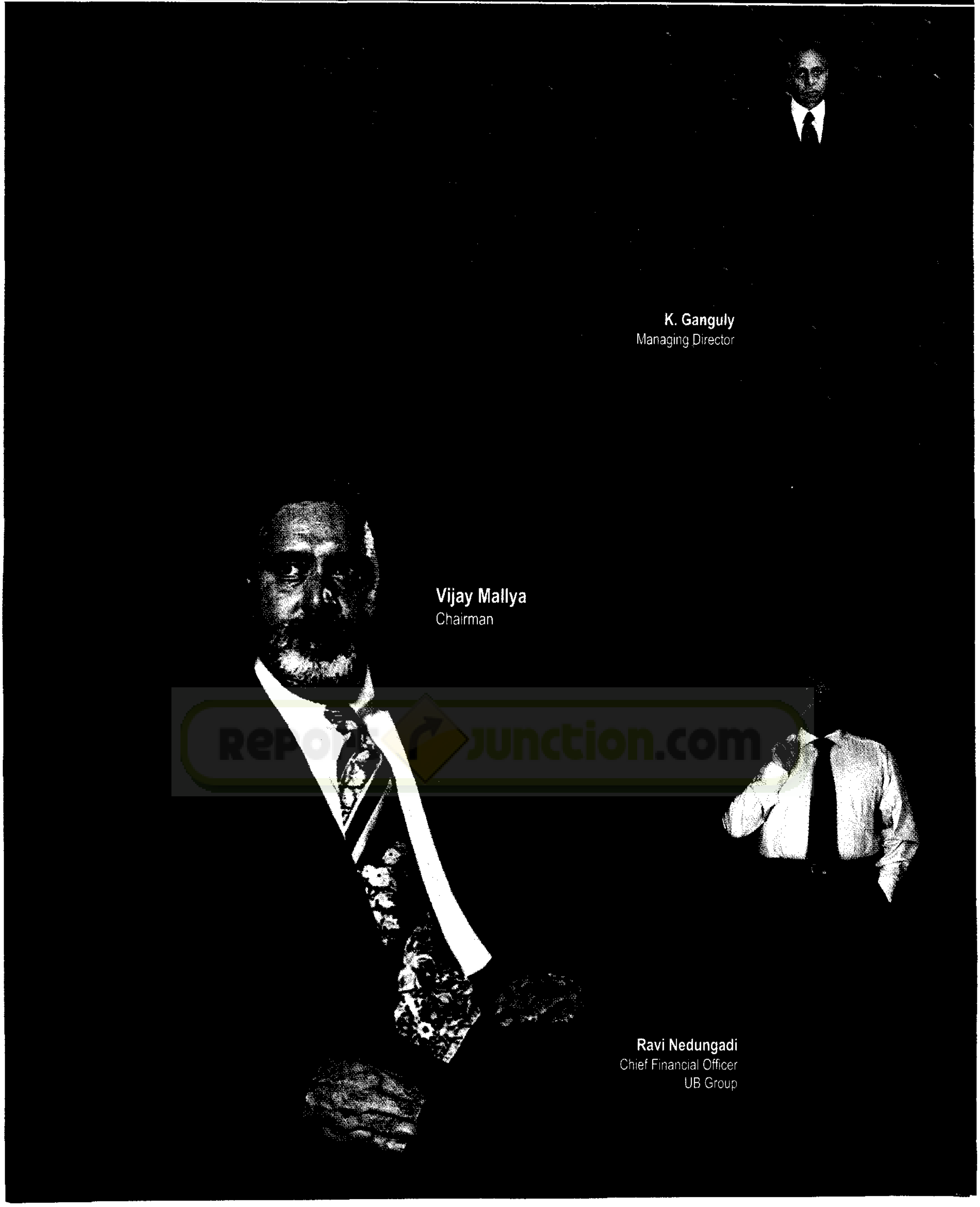
In keeping with UB's commitment to be in the forefront of corporate governance, we have constituted a Board of Directors that comprises leading professionals who can actively contribute to the future of your Company. We have also implemented various facets of corporate governance in advance of listing of your Company's shares on the stock exchanges.

I conclude by recording my deep appreciation to my colleagues on the Board, the Management Team, the shareholders, suppliers, customers, financial community and employees who have all contributed to UB's performance in the past year and who will steer the Company to greater heights in the years to come.

Thank you,

Vijay Mallya
Chairman

THE MANAGEMENT TEAM



K. Ganguly
Managing Director

Vijay Mallya
Chairman

Ravi Nedungadi
Chief Financial Officer
UB Group

P.A. Murali
Senior Vice
President - Finance

K.K. Batra
Senior Vice President
Strategic Planning &
Business Re-Engineering

Shekhar Ramamurthy
Senior Vice President -
Sales & Marketing

Joe Noronha
Divisional Vice
President - HRD

N.K. Mittal
Executive Vice President -
Manufacturing

Govind Iyengar
Company Secretary

CUSTOMER VALUE

"Beer making is a fine art. We take great care to blend, create and deliver the finest flavours and tastes. It is about understanding what the new-age customer is looking for, studying varying palates, harnessing world-class technology and then delivering."

United Breweries has long been the sub-continent's largest brewer. The Company controls Twenty breweries supplying a wide variety of beers to customers across segments as well as geographies.

Kingfisher is today a strong global brand with its worldclass quality, international packaging and availability across 50 countries. Kingfisher Premium Lager Beer has emerged as India's biggest beer brand.

Extreme success of recent Kingfisher Strong makes it the 2nd largest player in the strong beer market with record sales of 5.5 million cases in the year. Kalyani Black Label, UB Export and London Pilsner have been given a strong impetus with innovations in supply chain management and effective marketing initiatives which challenge the soft drink domain.

UB Ice has been relaunched and has a strong following among youth.

All-time efforts have resulted in sales of 26 million cases registering a growth of 12% in volume and a market share increase from 32% to 34%.

SHAREHOLDER VALUE

"The shareholder remains the focus of our growth strategy. Ensuring stability in a dynamic environment and growth in competitive times is a commitment we have made and kept for decades now."

UB has been outperforming the industry consistently. Last year, UB grew by 12% while the industry grew by 6%. Thanks to its wide dispersion of manufacturing locations in a highly regulated environment and powerful Brands, UB is in a unique position of strength & capability to capitalise on opportunities.

The magnitude of opportunity can be gauged from the current per capita consumption level of 0.62 litre - one of the lowest in the world. UB has invested in capacities to ensure stability and cost reduction strategies that will progressively lead to shareholder value.

Project Disha, a task force focussed on value engineering, has come up with several suggestions that have contributed to market share and profit to restrengthen UB leadership in coming years. Strategic investments have been made in capacity expansion.

PEOPLE VALUE

"Corporate excellence is not a destination. It is an ongoing process that converts every single individual - as an individual and as a part of a team. The journey towards corporate excellence is fired by a mission and the passion to achieve."

The Company's HR policies and practices are geared to unleash the power that resides in each and every one of the UB team members. This power is channelised so as to deliver the Company objective.

Several Leadership and Involvement Training Programmes has equipped the UB Sales team with quality selling and motivational skills.

Involvement of all UB employees in customer contact programmes across the country enhances the Company's responsiveness to the customer.

The ESOP scheme being introduced in the Company will ensure even higher levels of employee motivation and commitment to value creation.

BRAND VALUE

"Leadership is not just a number game. What is important is the impact you can create with your brand. Kingfisher today, is more than just beer - it has evolved as the definition of 'good life' in the minds of young consumers."

UB products have very easily emerged as the most popular, most memorable and the most powerful brands all over the country. People across age groups and regions are familiar with the "Oo - La - La" tune.

The positioning "King of Good Times" is immediately and unanimously identified with Kingfisher which has today become a household name. The company continues to invest in Kingfisher brand building. High profile brand ambassadors like Narain Karthikeyan, Rohit Bal, Ritu Beri, Karun Chandok, Baichung Bhutia, etc. have further reinforced the brand.

In keeping with the brand image, Kingfisher is an official sponsor of mega events like Fashion shows, Derbies, Sports, etc.

International events like the October fest, Hug Sixes, etc. add to the equity of the Mega Brand.

CORPORATE VALUE

"The strategic alliance formed with Scottish & Newcastle enables UB to consolidate its position as the dominant player in the Indian Brewery landscape."

There's a thin line between consolidation...
...*and* leadership

United Breweries' leadership in the Indian brewing industry will be further consolidated through the newly concluded strategic alliance with Scottish and Newcastle (S&N).

S&N's turnover of $6 billion, market capitalization of $ 6.4 billion and a net profit of $660 million make it among the top 10 international brewers.

Scottish and Newcastle will invest approximately Rs.4.3 billion in the strategic alliance which will facilitate introduction of S&N's international brands such as Kronenbourg, Johnsmiths, New Castle Brown Ale, etc. into India.

UB will also utilize the global network of S&N for distribution of its renowned Kingfisher brand.