



UB Group to Consolidate Airlines Business - Demerger of Scheduled Airline business of Kingfisher Airlines Limited into Deccan Aviation Limited

Bangalore, 31 January, 2008

The Board of Directors of Kingfisher Airlines Limited and Deccan Aviation Limited, at their meeting held today have approved the Demerger of Scheduled Airline business of Kingfisher Airlines Limited into Deccan Aviation Limited. The residual entity in Kingfisher Airlines Limited will retain the Ground Handling and Training business. The demerger will be effective from April 1, 2008, subject to all statutory compliances. The combined airline Company will be named 'Kingfisher Airlines Ltd.'

Under the Scheme of Arrangement, the Board of Directors also considered, sale of the charter business of Deccan Aviation Limited into a separate entity to be jointly owned by Captain Gopinath and the UB Group. The sale consideration is based on valuation carried out by independent valuation firm, Grant Thornton, appointed by the Board.

The Board of Directors of the Companies also approved the Share Exchange ratio recommended by independent valuation firms, KPMG and Dalal & Shah. Based on the recommendation by the independent valuation firms, shareholders of Kingfisher Airlines Limited will be allotted 3 shares in Deccan Aviation Limited for every 7 shares held in Kingfisher Airlines Limited.

Commenting on the proposed consolidation Dr. Mallya, Chairman of UB Group said, **"The combined airline will create a more competitive business, both in scale and scope of operations to emerge as a market leader in the Indian domestic aviation industry". He also stated "that the operational integration will help in optimizing revenue, cost and capital synergies"**.

Captain Gopinath, Chairman of Deccan, commented that coming together of the two airlines has given a new direction to the Indian Aviation industry. He also said that the proposed consolidation will create significant value for all stakeholders and the combine will be a "Juggernaut", which will change the economic landscape of the country.

The consolidated entity will retain the eligibility to fly on international routes in August 2008. The proposed structure will also ensure that the benefits of carry forward of losses are available to the consolidated entity. Ambit Corporate Finance is the Financial Advisor to the proposed consolidation.

About Deccan:

The Deccan-Kingfisher combine is the largest airline in Indian aviation connecting 69 destinations and operating over 570 flights daily with a fleet of 78 aircraft. Launched in August 2003, Deccan's affordable fares and value added facilities have created a niche in Indian aviation and realized the aspirations of millions of Indians. Deccan presently flies to 63 destinations nation wide with a fleet of 42 brand new aircraft and operates 350 flights daily. Following Deccan's strategic alliance with The UB Group owned Kingfisher Airlines, Deccan has embarked on a renewed phase of growth and enhancement making itself the airline of choice for the metro and non metro traveler alike.

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