

Report of the Directors

Your Directors have pleasure in presenting this Annual Report on the business and operations with audited accounts of your company for the year ended March 31, 2010.

FINANCIAL RESULTS

Your Company's financial performance for the year ended March 31, 2010 is summarized below:

(Rupees in Million)

| Particulars | 2009-2010 | 2008-2009 |
|--|----------------|-----------|
| Net Income | 20751.3 | 17475.7 |
| Profit before Interest & Depreciation | 2949.0 | 2675.2 |
| Interest | 555.0 | 896.4 |
| Depreciation | 882.7 | 762.1 |
| Profit before non-recurring items | 1511.3 | 1016.7 |
| Non-recurring items | — | — |
| Profit before Taxation | 1511.3 | 1016.7 |
| Provision for Taxation | (541.6) | (391.8) |
| Profit after Tax available for appropriation | 969.7 | 624.9 |
| Appropriation | | |
| Dividend on Equity Shares (including Taxes thereon) | | |
| Interim dividend paid | — | 42.1 |
| Final dividend proposed | 100.7 | 42.1 |
| Dividend on Preference Shares paid (including Taxes thereon) | 86.7 | 86.7 |
| Transfer to General Reserve | 100.0 | 65.0 |
| Balance your Directors propose to carry to the Balance Sheet | 682.3 | 389.0 |

DIVIDEND

Your Board of Directors take pleasure in declaring a dividend of 36% for the year ended March 31, 2010.

Your Company paid a dividend on the Cumulative Redeemable Preference Shares (CRPS) at the rate of 3% under the terms of the issue of the 24.69 million CRPS held by Scottish & Newcastle.

CAPITAL

The Authorized Share Capital of the Company remained unchanged at Rs.2,800 million, comprising Equity Share Capital of Rs.300 million and Preference Share Capital of Rs.2,500 million. The Issued, Subscribed and Paid-up Share Capital as on March 31, 2010 stood at Rs.2,709 million, comprising of Equity Share Capital of Re.1 each aggregating to Rs.240 million and Cumulative Redeemable Preference Shares of Rs.100 each aggregating to Rs.2,469 million.

ALLIANCE WITH HEINEKEN N.V.

As a result of the acquisition of Scottish & Newcastle by Heineken, the effective ownership of 37.49% of Equity holding in your Company now effectively vests in Heineken. Your Company has entered into a new Shareholders' Agreement inter alia with Heineken. A comprehensive business partnership with Heineken has been agreed, thereby formalizing their entry into your Company as an equal promoter. The Parties have agreed upon key commercial terms for the production of 'Heineken' in India, which will accelerate the growth of the premium beer segment throughout India. At the same time, your Company will work with Heineken to expand the international presence of the 'Kingfisher' brand through Heineken's global footprint.

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

The per capita consumption of beer in India continues to be very low compared to other countries. There has been a steady growth in the Indian Beer Industry of about 15% per year in the last five years, with Industry volumes crossing 200 million cases in financial year 2009-2010 from about 100 million cases in financial year 2003-2004. Considering the Indian demographics, with around 70% of the population below the age of 30 years, growing income and increasing international influence, the industry is expected to maintain if not exceed, its growth at present rate. While the Industry grew by 10% in volume terms during the last financial year your Company's volumes grew by 20%.

The Indian market infrastructure is a barrier to higher growth. In India, alcohol is available in around 65,000 outlets including shops, bars and restaurants which translates to roughly one outlet for every 18,000 residents, whereas the global average for the same is one outlet per 250 residents and the corresponding figure for China is one outlet for every 300 residents. For instance, in urban conglomeration like Greater Mumbai, there are around 2,500 outlets while in Shanghai, which has similar population base, the number of outlets selling alcohol is 18,000. An encouraging development is that in some cities, like Mumbai, the government has started to issue licenses for outlets to sell beer and wine only, delinking it from the sale of spirits. This development should facilitate future growth.

Taxation is another major factor which adversely affects the Indian brewing industry. In India, all alcoholic beverages are taxed uniformly, irrespective of their alcohol content. Consequently, same rate of taxation is applied for spirits, lager beer, strong beer and other alcoholic beverages, resulting in higher price for beer relative to high alcohol beverages. Across the globe, levies on beer are typically at half the rate applicable to spirits, providing an incentive for consumers towards lower alcohol beverages.

Due to the prevalent excise taxation structure, the majority of Indians who consume alcohol prefer to purchase spirits over beer as it contains higher alcohol at a similar price. Therefore in India, unlike most other countries, consumption of spirits is higher than beer. Some States have recently started to delink beer taxation from spirits, thereby promoting a logical growth in the future.

Taxation & Regulation of alcohol being a State subject under the Constitution of India, each State has separate set of regulations, restrictions and taxation structure for alcoholic beverages. Some States also impose high export duties and restrictions on the export of beer outside the State. Even the sales & distribution structure varies from State to State as some markets are open while in most States primary sale is canalized through State controlled corporations.

Over the last 5 years, a plethora of foreign brands have entered the country as 100% Foreign Direct Investment is permitted thereby increasing the choice of brands and competition. All major global brewers are now present in India. Despite this, your Company has been able to extend its market leadership position.

OPERATIONS

Volumes during 2009-2010 were buoyant in the Northern & Western markets, but sales in key Southern States were adversely affected. A change in taxation structure in Karnataka and the voluntary withdrawal of your Company's brands in the first quarter of the year 2009-2010 from Andhra Pradesh, on account of a stand off on pricing between beer producers and the State Government, impacted sales in these key markets.

Your Company has successfully commissioned its largest greenfield brewery with a capacity of 6 Lac HL per annum in the State of Andhra Pradesh which became operational in January 2010. The greenfield brewery has been built to international specifications and has adopted several international standards like HAZOP for safe operation, and HACCP, the worldwide standard for food certification. The brewery has been built with a commitment to the environment and your Company has taken various steps to reduce the overall carbon footprint. The latest equipment has been installed with a vision of productivity and environmental conscience. In keeping with its new mantra, 'Conserve, Connect & Conquer', your Company's unique environmental initiative on inclusive water management, the plant design aims not just to deliver water consumption levels exceeding world class standards, but also to maintain the water table levels and the greenery around the brewery. In view of production at enhanced capacity at the new greenfield brewery and to achieve economies in scale of operation, the management has discontinued its operations at its Hyderabad brewery.

Your Company received the prestigious Water Digest Award for the year 2009-2010 in the categories of Best Water Conserver – Waste Water Management Company, and Corporate Social Responsibility for water practices supported by UNESCO, PHDCCI and various Government of India agencies. The brewing unit of your Company at Palakkad has been awarded the State First Prize for 'Pollution Control and Environmental Protection' among medium scale industries in Kerala for 2008. This is the third consecutive year that the unit has received this coveted award. It earlier won the second prize in the same category in the year 2006 and the first prize in 2007.

Acquisition of land at Nanjangud, Karnataka through KIADB has been completed and your company will commence setting up of a new brewery in this profitable State.

Your Company has shifted from furnace oil fired boilers to solid fuel boilers in most of its breweries, leading to savings in the cost of fuel. To contain the increase in bottle cost, your Company has introduced dedicated design registered bottles in select markets. We expect the benefits of this initiative materialising from the financial year 2010-2011.

Heineken owns breweries in Andhra Pradesh and Maharashtra. Your Company has now the benefit of utilization of capacity available at these two breweries.

SALES

Your Company continues to lead the beer market with a sale of 101 million cases and combined national market share crossing 50%. The net sales for the year 2009-2010 stood at Rs.19,975 million as against net sales of Rs.16,983 million in the

Report of the Directors (contd.)

financial year 2008-2009, registering a growth of 18% over the comparable figure in the previous year. This spectacular result has been achieved despite impasse in supply to the Andhra Pradesh market during peak season and excise increases in Karnataka. Your Company has a market share that now stands at over 50%, and is twice the size of its nearest competitor. Your Company along with its associates controls over 63% of the mild beer market and over 46% of the strong beer market in India. The ubiquitous “Kingfisher” brand continues to be the largest selling beer brand in India while “Kingfisher Strong” has grown by 22%.

Region wise, the Northern market grew by 33% particularly due to growth in the States of Rajasthan and Uttar Pradesh. The Eastern markets grew by 70% on account of high growth in the States of Bihar, Jharkhand, West Bengal, Orissa and North Eastern States. The Southern markets grew by 7% as the growth in the States of Kerala and Tamil Nadu was offset by the de-growth of Karnataka market and halting of sales in Andhra Pradesh. The Western markets grew by 19% riding on growth in the States of Madhya Pradesh and Maharashtra and a decline in Daman & Diu.

Your Company has launched a new super premium brand by the name ‘Kingfisher Ultra’ which has been widely acclaimed in the markets of its launch. Your Company has also launched an All Season beer by the name ‘Kingfisher Red’ in the North and East markets. ‘Kingfisher Red’ is developed following a unique process and can be consumed even at 14 to 17 degrees Celsius, without any change in the taste of beer.

The Brand ‘Kingfisher’ has been awarded the prestigious Gold Medal in the World Beer Championship 2009.

MANUFACTURING EXPENSES

Manufacturing expenses for the financial year 2009-2010 were Rs.10,088 million constituting 50.5% of the net sales as against Rs. 8,693 million in the previous financial year which constituted 51.2% of the net sales.

A significant increase in price of second hand bottles on account of hoarding by bottle traders has adversely affected manufacturing costs. Your Company has recently introduced patented bottles with a view to gain strategic control of this major item of cost. Since the bottles are patented and the name and logo of your Company are embossed on the bottles, they cannot be used by other brewers and are to be necessarily supplied back to your Company. The cost associated with accelerated investment in new patented bottles is expected to be recovered by a drop in the price of second hand bottles.

Your Company has entered into long term agreements for securing supply of malt & barley thereby minimizing the fluctuation in price of these ingredients.

Most of the units have installed solid fuel boilers which has resulted in a reduction of fuel cost. The breweries are continuously improving efficiencies in the brewing process as well as in packing thereby reducing the manufacturing costs.

PERSONNEL AND OTHER OPERATING EXPENSES

Personnel expenses of your Company stood at Rs.989 million as compared to Rs.871 million in the previous year. This constituted 5% of the net sales as against 5.1% of the net sales in the previous year. Other operating expenses amounted to Rs.1,094 million constituting 5.5% of the net sales. Personnel and other operating expenses were contained despite increased volumes during the year.

SELLING AND BRAND PROMOTION EXPENSES

During the period under review, your Company has spent 28% of net sales on selling and brand promotion exercise as compared to 25.2% of net sales spent in the previous year.

During the year, your Company continued its investments in brand building, especially behind the Kingfisher Brand. Kingfisher continues its high profile association with five of the eight IPL teams as their ‘Good Times Partner’. This association was effectively leveraged both through communication as well as consumer and trade contacts.

Kingfisher further strengthened its association with football by signing on as the title sponsor of the Goa Professional League.

Kingfisher continued to leverage on the excitement and glamour of Formula-1 by being a very visible and prominent sponsor of the Force India team.

Kingfisher also continued its association with large city-based sporting events such as the Mumbai Marathon, Delhi Half Marathon and the World 10K race in Bangalore.

Kingfisher and fashion have been synonymous for over a decade. Kingfisher has strengthened its association with fashion by being a key sponsor to the India Couture Week, Wills Lifestyle India Fashion Week and the Lakme Fashion Week, apart from the fashion weeks in Kolkata, Chennai and Bangalore.

Music has been another significant platform that Kingfisher has used over the years. During the year, the pub-based rock festival – ‘Kingfisher Pubrock Fest’ was extended to 20 cities and over 75 shows. The Kingfisher Voice of Goa talent hunt has grown from strength to strength and has firmly entrenched Kingfisher extremely close to the hearts of Goans.

Report of the Directors (contd.)

The eighth edition of the much awaited and world acclaimed 'Kingfisher Swimsuit Calendar' was released in January to a tremendous response. Your Company's association with India's No.1 Lifestyle TV channel 'NDTV Good Times' continued into its third year.

PROFIT BEFORE INTEREST, DEPRECIATION AND TAXATION (PBIDT)

PBIDT for the year under review stood at Rs.2,949 million as compared to Rs.2,675.2 million in the previous year, reflecting an increase of 10.2%. This increase in PBIDT is resulting from strong revenue growth and sustained investment behind your Company's brands.

INTEREST AND DEPRECIATION

Interest paid during the year amounted to Rs.555 million as against Rs.896.4 million in the previous year. Depreciation for the year was Rs.882.7 million as compared to Rs.762.1 million in the previous year.

There has been reduction in the interest cost as compared to the previous year due to exchange gains in the current year compared to losses in the previous year and the payment of a term loan commitment fee in the previous year. Depreciation has increased on account of continued investment in production capacities, including the investment in the greenfield Andhra Pradesh brewery.

PROFIT BEFORE AND AFTER TAXATION

The Profit Before Taxation for the year stood at Rs.1,511.3 million as compared to Rs.1,016.7 million in the previous year reflecting an increase of around 48.6%. The Profit After Taxation stood at Rs.969.7 million as against Rs.624.9 million in the previous year reflecting a growth of 55.2%.

PROSPECTS

While multinational companies are expected to increase competition in the premium beer segment, established domestic brands, particularly those of your Company have the advantage of having an established brand equity. Several international brewers have currently built brand associations and are marketing their brands aggressively through various point-of-sale promotions throughout their distribution networks. Your Company has the benefit of a strong route to market combined with India's leading brands.

A double digit growth rate is expected for the coming years, resulting from the increase in disposable income and the growth of consumers entering the legal drinking age.

On-trade sales are expected to grow considerably with growing affluence among young consumers together with the culture of frequenting pubs and clubs that is now spreading to second-tier cities. Off-trade sales are meanwhile expected to be boosted by the gradual deregulation of beer retail through supermarkets/hypermarkets and beer & wine licenses.

In order to augment capacities in critical markets, expansion in Karnataka is expected to commence in the next financial year.

ENVIRONMENTAL INITIATIVES

Besides corporate social responsibility, water conservation has been our key focus area. Also, with the expected future growth, its importance has considerably increased. Most of our units have a constraint on disposal of waste water, and therefore, the Company has embarked upon a plan to install sophisticated equipment and modification process so as to reduce consumption of water and its disposal. This will in turn reduce need for acquisition of additional lands for waste water disposal. As an environmental initiative, your Company has installed bottle washers incorporating the latest technology at all units and is encouraging rain water harvesting at these units. Your Company has also collaborated with several agricultural universities for cultivation of identified crops with waste water from the Brewery being used for irrigation on a select basis.

Dry yeast recovery has also been earning revenue as an ingredient for probiotics, as a mixer with spent grain and pesticides. Going ahead, as an environment friendly initiative, your Company is determined to focus on measures for reduction of process loss during production, reduction of pollutants and other wastages and utilization of natural methods of root zone treatments such as usage of duck weed / water hyacinth as an economical method for water purification. This is being done in addition to reducing pollutants which will in turn reduce load on the effluent treatment facility and thereby assist in conservation of the environment.

SOCIAL INITIATIVES

Social responsibility is integrated in the corporate philosophy of your Company and we have been able to positively impact the lives of the communities that we work in. Primary Health, Primary Education and Water are the three key areas for our interventions. Each initiative undertaken is long term and sustainable and addresses a specific need of the local community. These are implemented and monitored in partnership with representatives of the community. Our teams work relentlessly to ensure that each of these meet the needs of the local people. In Education, the objective is to ensure that quality education is

Report of the Directors (contd.)

imparted to children from the underprivileged strata of the society. Here your Company's representatives work closely with local schools to provide better infrastructure, mid day meals, stationery and uniforms as well as deployment of teachers to enhance the quality of education. In primary health, your Company's endeavour has been to ensure that the community has access to primary healthcare. These are either in the form of Primary Health Centres set up by us or mobile health services where a qualified doctor travels in an ambulance to villages that do not have primary health facilities. Your Company's initiatives in water have been to both conserve as well as provide potable water to the local community. These interventions have earned us the trust and appreciation of the community, local bodies and Governmental agencies. Your Company's initiatives in Primary Health in 7 locations have benefitted over 6000 people. In Education, the interventions have enhanced the quality of education for over 1000 students in 7 locations and we have been able to facilitate access to water for over 13000 locales in 6 locations.

INTERNAL CONTROL SYSTEM

Your Company has established a robust system of internal controls to ensure that assets are safeguarded and transactions are appropriately authorized, recorded and reported. Internal Audit evaluates the functioning and quality of internal controls and provides assurance of its adequacy and effectiveness through periodic reporting. Your Company's internal control systems are adequate and are routinely tested and certified by statutory and internal auditors. The process adopted provides reasonable assurance regarding the effectiveness and efficiency of operations, reliability of financial reporting and compliance with applicable laws and regulations.

In order to continuously upgrade the internal control system, to be in line with International best practices and to ensure proper corporate governance, your Company has implemented risk assessment, control self assessment and legal compliance management systems. These have been updated during the year under review.

The internal control system evaluates adequacy of segregation of duties and reliability of management information systems, including controls in the area of authorization procedures and steps for safeguarding assets. Planned periodic reviews are carried out for identification of control deficiencies and opportunities for bridging gaps with best practices along with formalization of action plans to minimize risks.

Your Company believes that the overall internal control system is dynamic, and reflects the current requirements at all times, hence ensuring that appropriate procedures and controls, in operating and monitoring practices are in place.

Internal Audit reports to the Audit Committee and recommends control measures from time to time.

OPPORTUNITIES & THREATS

With growing demand, the domestic production of beer is on the rise. With further investments, your company has been able to upgrade and expand its capacities and also its brands. International brewers have established breweries across India in order to extend their brand presence to more States. With these international brands starting domestic production in India, indigenous brands such as your company's face increasing competition. International premium lager is growing steadily (though on a smaller base) as the companies have expanded their distribution across India, and have launched several new brands during the year under review. Despite this influx of new entrants, Kingfisher Lager continues to not just maintain market share but indeed increased it beyond 50% during the period under report.

India is predominantly a spirits market and beer is a minority preference for those who consume beverage alcohol. The low penetration in beer consumption in comparison to international levels offers the expectation of substantial and sustainable growth in demand for beer in years to come, particularly given the youthful age of India's populace. It is expected that gradually there will be a deregulation in the Indian beer industry too, giving it a boost.

Foreign brewers have been eyeing the Indian market for some years now as India is widely acknowledged to be the last untapped big growth market. However, consistent investments by your Company, in the product, packaging and communication, along with well established distribution, puts UB in a strong position, as seen by consistent improvements to the Company's national market share.

RISK MANAGEMENT

Your Company has evolved a framework for management of Business Risks. Towards this end the company has identified risk categories under strategic risks, operative risks, information technology risks, financial risks. This is audited regularly by the internal audit team.

Continuity and sustainability of the business is as important to stakeholders as growing and operating the business. Managing risks and protecting the business from the effects of disasters, failures and reputational damage are focal points on the management's agenda.

RISKS AND CONCERNS

The Indian beer industry is plagued with myriad taxes & levies that vary from State to State. These along with price regulation, inadequate market infrastructure and restrictions in interstate movement of beer, pose a great challenge for the industry.

Report of the Directors (contd.)

Unlike most developed countries where beer is less regulated and available freely, high level of regulation and higher end consumer price hampers beer sales in India.

Uniform tax regime for beer in all States will be a boon for the industry. If implemented, it will help the beer industry by rationalizing end consumer prices in all States, as is in the case of other consumer goods. Globally, the policy of uniform taxation has been a success because of inherent positive implications on Government revenue. In addition to economic contribution, a uniform tax structure will also create increased agro linkages that are beneficial to a country like India.

It is important to realize that the beer sector can contribute immensely to the agricultural sector, as beer is an agro-based product. Barley farmers particularly stand to benefit from the growth of the beer sector.

Additionally, the continuing control on pricing as exercised by a number of State Governments has resulted in our inability to raise prices on roughly 60% of our sales. This has had a direct bearing upon the Company's profitability. As this challenge continues in the current financial year, it has resulted in a number of key markets becoming unattractive from a financial perspective.

Your Company has explored a variety of avenues to contain the risk of continued increase in basic costs and has entered into a number of long term agreements for sourcing vital inputs. There has been a continuing review of the long term strategy for procurement at an economical cost.

Excessive regulation and further extensions of Government intervention, in the areas of distribution and pricing, is affecting the growth and profitability of the industry as well as restricting Government revenues. In addition, restrictions on advertising and licensing of retail outlets continue to present challenges to the Industry.

Inclusion of alcoholic beverages into Goods and Service Tax (GST), is uncertain. Non-inclusion of alcoholic beverages in purview of GST would be against the fundamental concept of GST and could have a material negative impact. However, even if it is included there may be material negative impact on input cost.

HUMAN RESOURCES

People continue to be the focal point of the organization's development. Your Company believes in building a stimulating, conducive and transparent culture that drives high level of performance. For a high performance organization, it is imperative that it has right people in the right job equipped with the right set of skills. As such, the emphasis this year was in identifying and developing people capability to ensure that we not only maintain but accelerate our rate of growth and performance. With this intent, an in-depth evaluation of role requirement vis a vis the individual's strength was carried out. This was to ensure right deployment of people and also identify their developmental needs that will strengthen and consolidate our leadership pipeline. The organization also completed the succession planning exercise that has also enabled us to fill critical positions internally.

We continued to significantly improve our performance in the areas of productivity and safety by means of focused initiatives. Your Company maintained harmonious employee relations during the year. The transition of workforce from the existing plant to the new greenfield also happened seamlessly.

As on March 31, 2010, the total employee strength at United Breweries Limited stands at 1661. Your Directors place on record their sincere appreciation to all employees for their contribution towards the continuous success of the organization.

SUBSIDIARY COMPANIES

Associated Breweries & Distilleries Limited remains a wholly owned Subsidiary of your Company while your Company holds 51% of equity in Maltex Masters Limited.

Your Company has received approval from the Central Government exempting your Company from attaching the Accounts etc., of its subsidiaries viz. Associated Breweries & Distilleries Limited and Maltex Masters Limited with the balance sheet of your Company. In terms of the approval so granted by the Central Government, the Accounts, etc., of the above subsidiaries are not required to be attached with the balance sheet of the holding company. However, these Accounts will be provided on request to any member requiring to have a copy, on receipt of such request by the Company Secretary at the Registered Office of the Company.

Statement pursuant to Section 212 (1) (e) also forms part of the Annual Report.

CONSOLIDATION

As per the Listing Agreement, Consolidated Accounts conforming to applicable Accounting Standards are attached to this Annual Report.

DEPOSITORY SYSTEM

Your Company has entered into Agreement with National Securities Depository Limited and Central Depository Services (India) Limited in accordance with the provisions of the Depositories Act, 1996 and as per the directions issued by Securities and Exchange Board of India.

Report of the Directors (contd.)

DIRECTORS

The Board of Directors of your company has been reconstituted and broad based to comprise of 12 Directors with a balanced combination of Promoters and Independent Directors. Mr. John Hunt and Mr. John Nicolson opted out of the Board. Mrs. Kiran Mazumdar Shaw and Mr. Madhav Bhatkuly have been inducted on Board as Independent Directors with effect from October 26, 2009. Mr. Duco Reinout Hooft Graafland, Mr. Sijbe Hiemstra and Mr. Guido de Boer were inducted on Board with effect from December 07, 2009. Mr. Stephan Gerlich was appointed to the board on July 02, 2010.

The Board places on record the contributions of outgoing Directors during their tenure on the Board of your Company.

Mr. Chugh Yoginder Pal, Mr. A K Ravi Nedungadi and Mr. Sunil Alagh retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

AUDITORS AND AUDITORS' REPORT

M/s Price Waterhouse, Statutory Auditors hold office until the conclusion of the ensuing Annual General Meeting and are eligible for re-appointment.

There are no qualifications or adverse remarks in the Auditors' Report which require any clarification or explanation.

LISTING REQUIREMENTS

Your Company's Equity Shares are presently listed at the Bombay Stock Exchange Limited, National Stock Exchange of India Limited and the Bangalore Stock Exchange Limited. The listing fees have been paid to all the Stock Exchanges for the year 2010-2011.

During the year under review, the Securities of your Company have been delisted from Stock Exchanges at Chennai and New Delhi upon application made in terms of special resolution passed by the members in this regard.

CASH FLOW STATEMENT

A Cash Flow Statement for the year ended March 31, 2010 is appended.

CORPORATE GOVERNANCE

A Report on Corporate Governance forms part of this Report along with the Certificate from the Company Secretary in practice.

FIXED DEPOSITS

The Company has not invited any Fixed Deposits.

PARTICULARS OF EMPLOYEES, CONSERVATION OF ENERGY & TECHNOLOGY ABSORPTION, ETC.:

Information in accordance with sub-Section (2A) of Section 217 of the Companies Act, 1956, read with the Company's (Particulars of Employees) Rules, 1975, forms part of this Directors' Report and is annexed. Particulars required under Section 217(1)(e) are also annexed.

DIRECTORS RESPONSIBILITY STATEMENT

Pursuant to Section 217(2AA) of the Companies Act, 1956, your Board of Directors report that:

- in the preparation of the Annual Accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, if any.
- accounting policies have been selected and applied consistently and that the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit of the Company for that period.
- proper and sufficient care have been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956, for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

ACKNOWLEDGEMENT

Your Directors wish to place on record their appreciation for the continued support received from shareholders, banks and financial institutions. Your Directors are also grateful to the Company's business partners and customers for their continued support and patronage. Finally, your Directors wish to acknowledge the support and contribution on the part of all employees who constitute our most valuable asset.

By Authority of the Board,

Bangalore
July 21, 2010

Kalyan Ganguly
Managing Director

Guido de Boer
Director & CFO

STATEMENT UNDER SECTION 217(1)(e) OF THE COMPANIES ACT, 1956

A. Conservation of Energy

Energy conservation measures taken by the Company:

Electrical Energy

- Vapour absorption machine is being commissioned at Bangalore unit for generating chilled water for wort cooling instead of using high electricity consuming reciprocating compressors.
- Draft control on alternate fuel boilers installed to reduce electricity consumption at Palakkad, Orissa & Mangalore units.
- Lighting energy savers installed at Mumbai, Bangalore & Mangalore units.
- Focus on optimal work in process during the off season has reduced refrigeration load and consequently saved on energy consumption.
- Installed variable frequency drives in Mumbai on high load motor to reduce energy consumption.
- De-superheaters in Refrigeration compressor installed at Bangalore, Kalyani & Palakkad units to reduce electricity consumption.
- Chilled water generation through CO₂ evaporation implemented at Mumbai to reduce electrical consumption.

Fuel Oil Consumption

- De-superheaters installed at Bangalore, Palakkad and Kalyani units to generate higher feed water temperature in boilers leading to reduced solid fuel consumption.
- After successful implementation of alternate fuel boilers at units located at Punjab, West Bengal and Andhra Pradesh, alternate fuel boilers are installed at all units except at Cherthala and Goa. This has reduced fuel cost substantially.

Water Conservation

- Recycling of effluent treated water with programmable logic control operated reverse osmosis plant installed at Mallepally, and Ludhiana units to ensure water conservation.
- Rainwater harvesting initiative is being undertaken at Mallepally unit in a phased manner to save water and enhance the ground water table.

Environment

- LED coupled with solar power & geo thermal office cooling system installed at Mallepally unit. Vapor Heat recovery systems are installed at Mumbai & Mallepally units.
- Heat recovery system installed in Mumbai to reduce fuel consumption and reduce heat emission into the atmosphere. This has a positive impact on reduction in global warming.
- Commissioned CO₂ recovery plant at all units. This has reduced release of green house gases into atmosphere.

B. Technology Absorption

- First Mash filter & high speed 36000 BPH bottling line commissioned at Mallepally unit in Andhra Pradesh.
- Coil cooler installed for Diesel Generator (DG) sets at Mallepally unit in place of Radiators to increase efficiency of DG sets during longer running hours at high temperature regions.
- Latest technology in labellers, Auto PU controlled Pasteurizer and fillers for beer packaging has been implemented at Mallepally. This has resulted in improved quality, reduced wastages and higher productivities on the line.
- Double Evacuation Filler commissioned in Cherthala unit.
- Automation and Auto Blowdown installed in the boilers on selective basis.

C. Research and Development

The Company has continued its Research & Development (R&D) programme in the area of development of two row malting variety of Barley. The Company is expecting to shortly launch a flavoured beer in the market by utilizing the technology developed by our R&D department.

D. Foreign Exchange Inflow and Outflow (Rs. in Million)

Foreign Exchange earned : 9.42

Foreign Exchange used : 738.30

Annexure to Directors' Report (contd.)

STATEMENT UNDER SECTION 217 (2A) OF THE COMPANIES ACT, 1956 READ WITH THE COMPANIES (PARTICULARS OF EMPLOYEES) RULES, 1975 (EMPLOYED FOR FULL YEAR)

| Sl. No. | Name | Age | Date of Joining | Total Remuneration | Designation | Educational Qualifications | Experience in Years | Previous Employment |
|---------|----------------------|-----|-----------------|--------------------|---|---|---------------------|---|
| 1 | K Ganguly | 59 | 1-Feb-79 | 33876106 | Managing Director | B.A. (Hons.), PGDBM (XLRI) | 37 | EVP - Marketing & Sales McDowell & Co. Ltd. |
| 2 | Shekhar Ramamurthy | 49 | 15-May-89 | 18910553 | Dy. President | B.Tech. (Civil) - IIT, Delhi, PGDBM - IIM - Kolkata | 23 | General Manager - Marketing Herbertsons Ltd. |
| 3 | Cedric Vaz | 51 | 15-May-06 | 9404063 | EVP - Manufacturing | B.Tech. (Chem. Engg.), IIT - Kanpur | 28 | Head Operations - Cadbury India Ltd. |
| 4 | J Noronha | 55 | 15-Jul-91 | 8651142 | EVP - Human Resources | B.Com. (Hons.) PGDPM-IR (XLRI) | 30 | Personnel Manager - The Oberoi Bogmalo Beach, Goa |
| 5 | Perry Goes | 45 | 14-Jun-04 | 7603786 | SVP - MIS, Strategic Planning & Business Analysis | B.E. (Mech.), PGDBM (Mktg-Fin & HR) - Goa Inst. of Mgmt. | 23 | Group Leader for Business Analytics - Honeywell Technologies Solutions Labs |
| 6 | Sudhir Jain | 50 | 15-Jan-04 | 4529166 | DVP - Operations - South & West | B.E. (Mech.) University of Roorkee | 24 | G M Plant Operations - Pepsico India Holdings P. Ltd. |
| 7 | Kiran Kumar | 42 | 28-Apr-97 | 7489206 | SVP - Sales | B.Com., PGDBM IIM - Ahmedabad | 19 | Marketing Manager - Herbertsons Ltd. |
| 8 | Vivek Agnihotri | 40 | 01-Mar-09 | 3082756 | GM-Instl. Sales & Customer Mktg. | B.Com., MBA (Marketing) | 15 | Kingfisher Airlines Ltd. |
| 9 | Umesh Hingorani | 41 | 2-Feb-93 | 4191295 | DVP - Business Development | BBA - University of Southern California | 17 | Marketing Manager - Castle Breweries Ltd. |
| 10 | R K Jindal | 49 | 19-Mar-85 | 4925478 | DVP - Operations North & East and Malting | B.Com., F C A | 25 | First Employment |
| 11 | Govind Iyengar | 43 | 5-Feb-01 | 5047026 | DVP - Legal & Company Secretary | B.Com., L.L.B., ACS | 20 | Company Secretary - Citurgia Biochemicals Ltd. |
| 12 | Govind Tiwari | 58 | 12-Feb-75 | 5304010 | DVP - UBL Goa & Contract Units | B.Sc., PGDIFAT, DBA, PGDM & IR | 40 | Asst. Brewer - Indo Lowenbrau Breweries Ltd., Faridabad |
| 13 | Sharad Dalmia | 45 | 1-Feb-01 | 3629681 | DVP - Engineering & Projects | B.E. (Mech.), PGDM (Mech. & Elec. Engg.) (Jamshedpur Tech. Inst.) | 23 | General Manager - McDowell & Co. Ltd. |
| 14 | George Paul | 46 | 6-Jan-03 | 3775894 | AVP - UBL Rajasthan | B.Tech. (Mech.), MBM (Asian Inst. of Mgmt.) | 22 | General Manager - A W Faber Castel (I) Pvt. Ltd. |
| 15 | R Santosh Kumar | 45 | 1-Jul-98 | 4835879 | DVP - Commercial | B.E., PGDCA | 22 | Mfg. Manager - Pepsico India Holdings |
| 16 | Samrat Chadha | 37 | 2-May-97 | 3673183 | General Manager, Sales - West | B.Sc., PGDM (T.A. Pai Mgmt. Inst.) | 13 | First Employment |
| 17 | Gurpreet Singh | 35 | 20-Apr-98 | 3544549 | General Manager - Marketing | B.Com., PGDM (T.A. Pai Mgmt. Inst.) | 12 | First Employment |
| 18 | M R Srinivasan | 58 | 15-Jul-89 | 3135187 | AVP - UBL Mangalore | B.Sc., MSW (University of Mysore) | 36 | Personnel Executive - Indl. Relations & Welfare - Cipla Ltd. |
| 19 | P A Poonacha | 39 | 1-Jul-96 | 4241712 | AVP - Finance | B.Com., ACA, AICWA | 15 | Accounts Executive - BPL Sanyo Technologies Ltd. |
| 20 | R Raghupathy | 50 | 10-Jul-89 | 3349725 | General Manager - Corporate Accounting | B.Com., AICWA | 27 | Accounts Executive - Laurel Aromatics Pvt. Ltd. |
| 21 | P L Murugappan | 39 | 27-Sep-97 | 3409282 | General Manager - Finance | B.Sc., MBA (Fin.), AICWA | 18 | Head Finance - Cipla Ltd. (Bangalore Unit) |
| 22 | Jayant Basu | 58 | 11-May-98 | 3491441 | AVP - UBL Kalyani | B.Sc., PGDPMIR, LLB, MBA | 36 | Plant Manager - Pfizer Ltd. |
| 23 | S Ramakrishnan | 50 | 1-Jun-95 | 3882606 | AVP - IT | M.Com., Dip. in Comp. Sc. | 25 | Senior Manager - Systems - McDowell & Co. Ltd. |
| 24 | Susheel Kumar | 58 | 19-Apr-02 | 2931639 | AVP - UBL Nelamangala | B.Sc., Tech., Bio Engg. & PGDMM | 33 | Chief Executive - Empee Breweries Ltd. |
| 25 | Rakesh Chandra Gupta | 41 | 1-Jun-04 | 3058102 | AVP - UBL Mumbai | B.E. (Mech.), MFM, Master in SAP-PS, MDP | 18 | Senior Manager - Projects - Birla Management Corporation |
| 26 | C Gouri Sankar | 44 | 14-Mar-07 | 3136132 | AVP - Srikakulam | B.E. (Mech.), Adv. Dip. in Business Admn. | 21 | Senior Manager - Production - Asian Paints (I) Ltd. |
| 27 | A K Das | 56 | 14-Jan-81 | 2716744 | AVP - Aurangabad | M.Com. | 31 | Indo Lowenbrau Breweries Ltd. |
| 28 | A V Ganesh Ramu | 49 | 01-Mar-83 | 2449750 | General Manager - Brewing & Technical | B.Sc., PGD Business Mgmt. Masters in Brewing - UK | 27 | First Employment |
| 29 | A Narayanan | 43 | 03-Nov-93 | 2573604 | General Manager-Chennai | B.Tech. ME., EGMP (IIM-B) | 20 | Skol Brewries Ltd. |
| 30 | Nirmal Rajani | 47 | 01-Jun-98 | 2494732 | General Manager Sales - South | B.Com. | 27 | McDowell & Co. Ltd. |

Annexure to Directors' Report (contd.)

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|---|-----------------------|----|-----------|---------|--------------------------------|---|----|--|
| 31 | Shyamal Mittal | 50 | 02-May-01 | 2564511 | General Technical Manager | M.Sc. (Micro Biology) | 27 | Shaw Wallace & Co. Ltd. |
| 32 | Prem Korah | 36 | 20-May-04 | 2455282 | General Marketing Manager | B.E. (Electronics), MBA (XIMB) | 10 | Cavincare Pvt. Ltd. |
| 33 | Madhusudhan Sharma | 39 | 01-Jul-05 | 2764484 | AVP - Projects | B.E., MBA | 15 | G M R Beverages & Industries Ltd. |
| 34 | Ajay Jairath | 46 | 09-Jan-07 | 2563912 | General Manager - UBL Ludhiana | B.Tech. (Chem. Engg.) MBDA (Intl. Marketing) | 23 | International Packaging Products Pvt. Ltd. |
| 35 | Ramakrishnan S | 46 | 22-Jan-07 | 3056879 | AVP - UBL Palakkad | B.E. (Chem. Engg.) PGDM | 23 | Organics Aromatics Pvt. Ltd. |
| 36 | Eswar Van Sharma | 41 | 06-Mar-08 | 2804086 | General Manager - Innovation | B.E. (Civil & Environmental Engg.) PGDM (XIM) | 16 | McCann Erickson |
| Employed for part of the year and in receipt of remuneration in aggregate of not less than Rs. 24,00,000/- per annum | | | | | | | | |
| 1 | Guido de Boer* | 38 | 01-Oct-09 | 6989448 | Director & CFO | M.Sc., Economics & Business | 13 | Heineken International B.V. |
| 2 | Ravikanth Sabnavis | 41 | 12-Mar-07 | 2730898 | DVP - Marketing | B.E., MMS | 18 | Marketing Manager, Heinz India Pvt. Ltd. |
| 3 | Samar Singh Shekhawat | 44 | 09-Nov-09 | 2634407 | SVP - Marketing | B.A. MBA (Marketing) | 20 | Spencers Retail Ltd. |

All the employees mentioned above are in full time employment with the Company.

AVP – Assistant Vice President, DVP – Divisional Vice President, SVP – Senior Vice President, EVP – Executive Vice President, CFO – Chief Financial Officer.

*Mr. Guido de Boer was appointed as Director & CFO effective December 7, 2009.

NOTES:

- Remuneration shown above includes salary, allowance, medical, leave travel expenses and monetary value of perquisites as per Income Tax Rules. None of the employees mentioned above is a relative of any Director of the Company except Mr. Umesh Hingorani, who is related to Dr. Vijay Mallya. None of the above mentioned employees holds more than 2% of the paid-up equity capital in the Company.

By Authority of the Board,

Bangalore
July 21, 2010

Kalyan Ganguly
Managing Director

Guido de Boer
Director & CFO

“Persons constituting group coming within the definition “group” for the purpose of Regulation 3(1)(e)(i) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997 include the following:”

Dr. Vijay Mallya
Mr. Sidhartha V Mallya
Ms. Ritu Mallya
Kamsco Industries Private Limited
The Gem Investment & Trading Company Private Limited
Mallya Private Limited
McDowell Holdings Limited
United Breweries (Holdings) Limited
Pharma Trading Company Private Limited
Vittal Investments Private Limited
Devi Investments Private Limited
VJM Investments Private Limited
Scottish & Newcastle India Limited
Heineken International B.V.
Heineken N.V.
Scottish and Newcastle India Private Limited

UNITED BREWERIES LIMITED