DIAGEO
INDIA

United Spirits Limited

Registered Office:
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January 23, 2019

BSE Limited,
(Regular Office & Corporate Relations Dept.)
Dalal Street, Mumbai 400 001
Scrip Code : 532432

National Stock Exchange of India Ltd
Exchange Plaza, C-1 Block G,
Bandra Kurla Complex,
Bandra East, Mumbai- 400051
Scrip Code : MCDOWELL-N

Dear Sir/Madam,

Sub: Intimation of un-audited results for the Quarter and nine months ended December 31, 2018.

The Board of Directors of the Company at the meeting held today, considered and taken on record the un–audited financial results of the Company for the Quarter and nine months ended December 31, 2018 ("UFR"). The Limited Review Report ("LRR") thereon received from Statutory Auditors of the Company was placed at the said Meeting. UFR along with the LRR and a Press Release in the respect of this UFR are being uploaded on to your websites along with this letter.

Thanking you,

Yours faithfully,
for **United Spirits Limited**

V. Ramachandran
Company Secretary

Enclosed: As Above

UNITED SPIRITS LIMITED

A DIAGEO Group Company

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001

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Statement of Standalone Unaudited results for the quarter and nine months ended December 31, 2018

(INR in Millions except for earnings per share data)

		3 months ended December 31, 2018	3 months ended September 30, 2018	3 months ended December 31, 2017	9 months ended December 31, 2018	9 months ended December 31, 2017	Previous year ended March 31, 2018
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	(a) Revenue from operations	77,636	71,282	71,373	213,070	191,687	260,691
	(b) Other income	614	249	236	1,077	850	2,060
	Total income	**78,250**	**71,531**	**71,609**	**214,147**	**192,537**	**262,751**
2	**Expenses:**						
	(a) Cost of materials consumed	11,487	11,552	11,129	31,953	29,184	40,693
	(b) Purchase of stock-in-trade	1,192	741	726	2,187	1,643	2,375
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	491	(947)	59	608	930	(177)
	(d) Excise duty	52,627	49,001	48,740	145,661	131,723	178,990
	(e) Employee benefits expense	1,587	1,414	1,496	5,049	4,748	6,601
	(f) Finance costs	552	415	658	1,526	2,020	2,611
	(g) Depreciation and amortisation expense	355	350	337	1,044	984	1,351
	(h) Others:						
	(i) Advertisement and sales promotion	2,671	2,005	2,599	6,788	5,675	7,882
	(ii) Other expenses	4,103	3,192	3,901	11,099	10,310	14,112
	Total expenses	75,065	67,723	69,645	205,915	187,217	254,438
3	**Profit / (loss) before exceptional items and taxation (1-2)**	**3,185**	**3,808**	**1,964**	**8,232**	**5,320**	**8,313**
4	Exceptional items (net) Refer Note 10	(202)	-	(126)	(202)	(278)	90
5	**Profit / (loss) before taxation (3 + 4)**	**2,983**	**3,808**	**1,838**	**8,030**	**5,042**	**8,403**
6	Income tax expense						
	(a) Current tax charge	1,286	1,419	217	3,219	1,472	2,401
	(b) Deferred tax charge / (credit)	(227)	(198)	274	(513)	63	385
	Total tax expense	**1,059**	**1,221**	**491**	**2,706**	**1,535**	**2,786**
7	**Profit / (loss) for the period (5-6)**	**1,924**	**2,587**	**1,347**	**5,324**	**3,507**	**5,617**
8	Other Comprehensive Income						
	A. Items that will be reclassified to profit or loss	-	-	-	-	-	-
	B. Items that will not be reclassified to profit or loss						
	(i) Changes in fair value of FVOCI equity instruments	-	-	-	-	-	-
	(ii) Remeasurements of post-employment benefit obligations	20	20	(12)	60	(36)	126
	(iii) Income tax credit/ (charge) relating to these items	(7)	(7)	4	(21)	12	(43)
	Total other comprehensive income, net of income tax	**13**	**13**	**(8)**	**39**	**(24)**	**83**
9	**Total Comprehensive Income (7+8)**	**1,937**	**2,600**	**1,339**	**5,363**	**3,483**	**5,700**
10	**Earnings per share of INR 2/- each (refer note below):** Basic and Diluted (INR)	2.65	3.56	1.85	7.33	4.83	7.73

Note:
The shareholders of the Company approved the sub-division of 145,327,743 equity shares having a face value of INR 10/- each into 726,638,715 equity shares having a face value of INR 2/- each through postal ballot effective June 3, 2018. The record date for the sub-division was June 18, 2018. The Earnings per share information in the financial results reflect the effect of sub-division for each of the periods presented.

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United Spirits Limited

Notes to the Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 2018

1. United Spirits Limited ('the Company') is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing and through strategic franchising of some of its brands. The Executive Committee of the Company (being the chief operating decision maker) assesses performance and allocates resources for the business of the Company as a whole and hence the management considers Company's business activities as a single operating segment (viz. beverage alcohol).

2. This Statement has been prepared in accordance with the Companies (Indian Accounting Standards) Rules, 2015 (as amended) prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies to the extent applicable.

   Effective April 1, 2018, the Company has adopted Indian Accounting Standard 115 (Revenue from contracts with customers). The new standard is based on the principle that revenue is recognised when control of goods or services is transferred to the customer and provides a single, principles based five-step model to be applied to all sales contracts. It replaces the separate models for goods, services and construction contracts under previous standards (Indian Accounting Standard 11 and Indian Accounting Standard 18) which was based on the concept of transfer of risks and rewards. It also provides further guidance on the measurement of sales on contracts which have discounts and rebates by applying variable consideration principles.

   Based on the evaluation of commercial arrangements with customers, the Company has identified certain discounts/ rebates/ incentives to customers which need to be accounted upfront. The Company has applied the Standard from April 1, 2018 and has adjusted the cumulative effect of adoption of Indian Accounting Standard 115 aggregating to INR 374 million (net of tax amounting to INR 198 million) in the Retained earnings as at April 1, 2018. The impact on account of adoption of the Indian Accounting Standard 115 on the results for the quarter and nine months ended December 31, 2018 is not material.

3. **Additional Inquiry**

   As disclosed in the financial statements for the years ended March 31, 2017 and March 31, 2018, upon completion of the Initial Inquiry which identified references to certain additional parties and certain additional matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an additional inquiry into past improper transactions ('Additional Inquiry') which was completed in July 2016 and which, prima facie, identified transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company's former non-executive Chairman, Dr. Vijay Mallya, and other potentially improper transactions. All amounts identified in the Additional Inquiry have been provided for or expensed in the financial statements of the Company or its subsidiaries in prior periods. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances with applicable laws in relation to such fund diversions.

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4. **Subsidiaries Rationalisation**

a) In relation to its subsidiaries and pursuant to its strategic objective of divesting non-core assets which began with the divestment of Bouvet Ladubay S.A.S, Chapin Landais S.A.S and United Spirits Nepal Pvt Ltd, the Company has reviewed its subsidiaries' operations, obligations and compliances, and made plans for their rationalisation through sale, liquidation or merger ("Rationalisation Process").

b) During the quarter ended September 30, 2018, the Company entered into an agreement for the sale of its entire 51% equity holding in Liquidity Inc. and has sought approval of regulatory authorities for divesting its stake in Liquidity Inc., as well as for liquidating two of its wholly owned overseas subsidiaries, United Spirits Trading (Shanghai) Company Limited and Montrose International S.A.. During the quarter ended December 31, 2018, the Company has also sought regulatory approval in respect of liquidating its wholly owned subsidiary, USL Holdings Limited including its three wholly owned step-down overseas subsidiaries. The completion of the above sale as well as liquidations by the Company are subject to regulatory and other approvals (in India and overseas). During this Rationalisation Process, if any historical non-compliances are established, the Company will consult with its legal advisors, and address any such issues including, if necessary, considering filing appropriate compounding applications with the relevant authorities. At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential non-compliances if any, with applicable laws.

c) On January 16, 2019, the Company completed the sale of its entire equity shares held by the Company in its wholly owned subsidiary Four Seasons Wines Limited (FSWL) along with wine brands and FSWL's interest in its associate Wine Society of India (WSI), to Quintella Assets Limited and Grover Zampa Vineyards Limited. The shares were sold for a total sale consideration of INR 319 million. Following the completion of this sale, the Company does not hold any shares in FSWL or WSI and FSWL has ceased to be a subsidiary of the Company. Also refer Note 10.

5. **Loan to United Breweries (Holdings) Limited ('UBHL')**

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan aggregating to INR 5,971 million for the period from April 1, 2014 to December 31, 2018 (including INR 317 million and INR 951 million for the quarter and nine months ended December 31, 2018 respectively). The Company has offset payable to UBHL under the trademark agreement amounting to INR 82 million and INR 245 million for the quarter and nine months ended December 31, 2018 respectively against the aforesaid loan and other receivable from UBHL. The cumulative offset up to December 31, 2018 amounted to INR 1,276 million which comprises of interest on aforesaid loan aggregating to INR 846 million, loan receivable of INR 211 million and other receivable from UBHL aggregating to INR 219 million. Consequently the corresponding provision for interest, loan and other receivable has been reversed to 'Other Income' in the relevant periods, to the extent of aforesaid offset.

Since UBHL had defaulted on its obligations under the Loan Agreement, the Company sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 8, 2018, the arbitral tribunal passed a final award against the Company. The reasons for this adverse award are disputed by the Company, and the Company has obtained leave from the High Court of Karnataka to file a challenge against this arbitral award. The Company has on July 6, 2018 filed the petition challenging the said award before the Jurisdictional Court in Bangalore (the "Court"). The Court has issued notice pursuant thereto on the Official Liquidator and the hearing has commenced. Notwithstanding the arbitration award,

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based on management assessment supported by an external legal opinion, the Company continues to offset payable to UBHL under the trademark agreement against the balance of loan receivable from UBHL.

6. **Excess managerial remuneration**

a) The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 million and INR 153 million to the Managing Director & Chief Executive Officer ('MD & CEO') and the former Executive Director and Chief Financial Officer ('ED & CFO'), respectively, was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 51 million to the MD & CEO and by INR 134 million to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, by letters dated April 28, 2016 did not approve the Company's applications. On May 24, 2016 the Company resubmitted the applications, along with detailed explanations, requesting the Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO. Consequent to the notification of Section 197(17) of the Companies Act, 2013 effective September 12, 2018, the pending application of MD & CEO resubmitted to the Central Government seeking approval automatically stands abated. The Company has, during January 2019, secured the requisite approval from shareholders by way of postal ballot exercise approving the waiver of excess remuneration paid to MD & CEO.

b) Certain amendments have been carried out, *inter alia,* to Section 198 and Schedule V of the Companies Act, 2013 ("Act") by way of the Companies (Amendment) Act, 2017, which are effective from September 12, 2018 ("Amendments"), relating to the remuneration payable to directors by a company. The Company has negative free reserves and accumulated losses of approximately INR 26,580 million as of March 31, 2018. Pursuant to these Amendments, the accumulated losses of a company are required to be set off against the profits in a given financial year while calculating the profit of the Company for such financial year under Section 198. Consequent to the aforesaid amendments, the profit of the Company (calculated in terms of Section 198) is expected to be negative for the financial year ending March 31, 2019. As a result, remuneration paid and payable to Executive Directors may exceed the limits as per Schedule V read with Section 197 of the Act for the year ending March 31, 2019 and remuneration payable to Non-executive Directors is likely to exceed the limits as per Section 197 both read with Section 198 as amended.

   The Company has, during January 2019 secured the requisite approval of the shareholders by way of postal ballot exercise for the remuneration paid/ payable to the Executive Directors and remuneration payable to Non-executive Directors for the financial year ending March 31, 2019, March 31, 2020 and March 31, 2021 or till the end of the Directors tenure of appointment/ reappointment, whichever is earlier, notwithstanding that such remuneration may exceed the limits specified under Section 197 and Schedule V of the Companies Act, 2013 as amended.

7. **Regulatory notices and communications**

The Company has previously received letters and notices from various regulatory and other government authorities as follows:

a) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Securities Exchange Board of India ('SEBI'), in relation to the Initial Inquiry, Additional Inquiry, and matters arising out of the Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya to which the Company has responded. No further communications have been received thereafter;

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b) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Ministry of Corporate Affairs ('MCA') in relation to its inspection conducted under Section 206(5) of the Companies Act, 2013 during the year ended March 31, 2016 and subsequent show cause notices alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. The Company had also received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. During the year ended March 31, 2018, the Company filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices, and requested the Registrar to drop one show cause notice based on expert legal advice received. The Company is awaiting a response from the Registrar to the aforesaid applications. The management is of the view that the financial impact arising out of compounding/ adjudication of these matters will not be material to the Company's results;

c) as disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, from the Directorate of Enforcement ('ED') in connection with Agreement dated February 25, 2016, entered into by the Company with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002, to which the Company had responded. No further communications have been received thereafter; and

d) as disclosed in the financial statements for the year ended March 31, 2017 and March 31, 2018, from the Company's authorised dealer banks in relation to certain queries from the Reserve Bank of India ('RBI') with regard to: (i) remittances made in prior years by the Company to its overseas subsidiaries; (ii) past acquisition of the Whyte and Mackay group; (iii) clarifications on Annual Performance Reports ('APR') submitted for prior years; and (iv) compliances relating to the Company's overseas Branch office, to all of which the Company had duly responded.

8. **Dispute with a bank**

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from a bank in earlier years under a consortium arrangement, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition filed on November 6, 2013 is pending before the Hon'ble High Court of Karnataka. In August 2015, the bank obtained an *ex parte* injunction in proceedings between the bank and Kingfisher Airlines Limited (KFA), before the Debt Recovery Tribunal, Bangalore ('DRT'), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such *ex parte* order passed in proceedings in which neither the Company nor the USL Benefit Trust were enjoined as parties. In February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of INR 459 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial asset. On January 19, 2017, the DRT dismissed the

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application filed by the bank seeking the attachment of USL Benefit Trust shares. During the quarter ended September 30, 2017, the bank filed an ex-parte appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, the Company has been impleaded in the proceedings subsequent to the DRAT's order. The appeal is pending for final hearing. With regard to the writ petition filed before the Hon'ble High Court of Karnataka, an early hearing application was allowed and the hearing of the main matter has commenced during the quarter ended December 31, 2018.

9. **Receivable from Bihar government**

As disclosed in the financial statements for the years ended March 31, 2016, March 31, 2017 and March 31, 2018, the Government of Bihar in exercise of the powers conferred under Section 19(4) of the Bihar Excise Act, 1915 through its notification dated April 5, 2016 imposed a ban on trade and consumption of Indian Made Foreign Liquor and foreign liquor in the state of Bihar.

The notification was challenged in the Hon'ble High Court of Patna which set aside the notification by an order dated September 30, 2016, and held Section 19(4) of the Bihar Excise Act, 1915, as amended by Bihar Excise (Amendment) Act, 2016, as ultra vires the Constitution of India. Subsequently, the Government of Bihar re-imposed prohibition by notifying a new legislation i.e., The Bihar Prohibition and Excise Act, 2016, on October 2, 2016. The Government of Bihar also preferred a special leave petition ("SLP") before the Hon'ble Supreme Court against the judgement of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. The Company had sought refund of VAT of INR 288 million and Excise duty of INR 265 million aggregating to INR 553 million (including VAT of INR 179 million and Excise duty of INR 175 million paid by the Company's tie-up manufacturers) from the Government of Bihar under the applicable law at that time, in respect of billed stocks returned by Bihar State Beverages Corporation Limited ("BSBCL") or stocks destroyed pursuant to the notifications.

The Company had received a letter dated August 16, 2017 from the Government of Bihar, stating that it is not liable to refund the aforesaid VAT and Excise duty under the Bihar Prohibition and Excise Act, 2016. Thereafter, on October 17, 2017, the Company filed a writ petition before the Hon'ble High Court of Patna seeking refund of the aforesaid VAT and Excise duty, paid by the Company to the Government of Bihar.

During the quarter ended September 30, 2018, consequent to the order of the Hon'ble High Court of Patna in response to the above mentioned writ petition, the Company has received a refund of VAT of INR 73 million and Excise duty of INR 0.04 million from Government of Bihar. The Company is taking appropriate steps to pursue the remaining amounts of VAT as well as the Excise duty refunds. The matter was heard on December 18, 2018 wherein the Hon'ble High Court of Patna reserved the matter for final orders. The Company has provided for these amounts as a matter of prudence in view of uncertainty around the amount of time it may take to recover the said amounts.

During the quarter ended March 31, 2018, the Company had received a demand from BSBCL seeking demurrage charges for the stock that was lying in their warehouses post the imposition of prohibition till the same was shifted out of the state pursuant to the orders of the Supreme Court. The Company has refuted the claim and has filed a detailed response. During the quarter ended December 31, 2018, there is no further development on this matter.

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10. Details of Exceptional items- loss, net [Refer Note 4(c)]

Particulars	Quarter ended December 31, 2018	Nine months ended December 31, 2018
Income on interest on loan given to subsidiary, related to earlier years	205	205
Reversal of allowance for doubtful interest on loan to subsidiary	17	17
Reversal of allowance for doubtful loan to subsidiary	432	432
Impairment loss on equity investment in subsidiary	(876)	(876)
Others	20	20
Total	**(202)**	**(202)**

11. During the quarter, the Company has come across potential differences in process losses and potential resultant differences in the inventory of a few categories of work in progress in certain plants. The Company is in the process of undertaking a review in affected plants, with the help of an independent expert as required, in order to ascertain the actual quantum of differences, if any. Should the findings establish any differences, the Company will take appropriate steps to understand the causes and address the same. At this stage, the Company is unable to determine the related financial impact, if any, arising from such potential differences. Accordingly, the results for the quarter and the nine months ended December 31, 2018 do not include any adjustment in respect of the above.

12. The Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 2018 has been reviewed by the Audit and Risk Management Committee of the Board of Directors and approved by the Board of Directors at their meetings held on January 23, 2019. The statutory auditors of the Company have carried out a limited review of this Statement of Standalone Unaudited Financial Results for the quarter ended December 31, 2018.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Place: Bengaluru
Date: January 23, 2019

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The Board of Directors
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Independent Auditors' Report on Review of Interim Results for the quarter ended December 31, 2018

Introduction

1. We have reviewed the unaudited financial results of United Spirits Limited (the "Company") for the quarter ended December 31, 2018 which are included in the accompanying 'Statement of Standalone Unaudited financial results for the quarter and nine months ended December 31, 2018' (the "Statement"). The Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the "Listing Regulations, 2015"), which has been initialled by us for identification purpose. The Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

Scope of Review

2. We conducted our review in accordance with the Standard on Review Engagement (SRE) 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Institute of Chartered Accountants of India. This Standard requires that we plan and perform the review to obtain moderate assurance as to whether the Statement is free of material misstatement.

3. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data and thus provides less assurance than an audit. We have not performed an audit and, accordingly, we do not express an audit opinion.

Basis for Qualified Conclusion

4. We draw your attention to Note 11 to the Statement, which states that the Company has come across differences in the process losses and potential resultant differences in the inventory of few categories of work in progress in certain plants, for which the company is taking appropriate steps as described in the aforesaid Note. At this stage the Company is not able to determine the related financial impact, if any, and consequently we are unable to comment on the impact of this matter on the Company's results for the quarter ended December 31, 2018, as reported in the Statement.

Qualified Conclusion

5. Based on our review conducted as above, except for the matter stated in Basis for Qualified Conclusion in paragraph 4 above, nothing has come to our attention that causes us to believe that the Statement has not been prepared in all material respects in accordance with the applicable Accounting Standards prescribed under Section 133 of the Companies Act, 2013 and other recognised accounting practices and policies, and has not disclosed the information required to be disclosed in terms of Regulation 33 of the Listing Regulations, 2015, including the manner in which it is to be disclosed, or that it contains any material misstatement.

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Emphasis of Matter

6. We draw attention to the following matters:
   a) As explained in Note 6 (a) to the Statement, the Managerial remuneration for the year ended March 31, 2015 included amounts paid to managerial personnel in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). The Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration from the former ED & CFO.

   b) As explained in Note 3 to the Statement, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO, pursuant to the direction of the Board of Directors, had carried out an Additional Inquiry that revealed transactions indicating actual and potential diversion of funds from the Company and its Indian and overseas subsidiaries to, in most cases, Indian and overseas entities that appear to be affiliated or associated with the Company' erstwhile non-executive Chairman and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Company or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Company, if any, arising from potential non-compliances with applicable laws in respect of the above.

   c) As explained in Note 4 to the Statement, pursuant to its strategic objective of divesting non-core assets and rationalization of its subsidiaries, the Company has commenced the rationalization process and has sought approval of regulatory authorities for divesting its stake in an overseas subsidiary and liquidating three of its wholly owned overseas subsidiaries (and three of its wholly owned step-down overseas subsidiaries). The completion of the above divestment as well as liquidations by the Company are subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of potential historical non-compliances, if any, with applicable laws, with respect to its overseas subsidiaries.

   d) As explained in Note 8 to the Statement, the Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). The Court has directed the Bank not to deal with the pledged assets of the Company (including the shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Company in the Court.

   e) Note 7 to the Statement:

      i) regarding clarifications sought by Securities and Exchange Board of India on matters covered by the Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement entered into by the Company with its erstwhile non-executive Chairman to which the Company has responded;

      ii) regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. Further, the Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the "Registrar")

Price Waterhouse & Co Chartered Accountants LLP LLPIN AAC-4362 FRN 304026E/E-300009 Bangalore

inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Company thereafter had filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and had requested the Registrar to drop one show cause notice based on expert legal advice received, for which response is awaited.

iii) regarding the ongoing investigation by the Directorate of Enforcement in connection with the agreement entered into by the Company with its erstwhile non-executive Chairman and investigations under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company had responded; and

iv) regarding clarifications sought by Authorised Dealer banks in relation to certain queries from the Reserve Bank of India with regard to remittances made in prior years by the Company to its overseas subsidiaries, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Reports submitted for prior years and clarifications on compliances relating to the Company's overseas Branch office, to which the Company had responded.

Our conclusion is not modified in respect of the matters described under paragraph 6 above.

For Price Waterhouse & Co Chartered Accountants LLP
Firm Registration Number: 304026E/ E-300009

Pradip Kanakia
Partner
Membership Number: 039985

Place: Bengaluru
Date: January 23, 2019

DIAGEO
INDIA

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter and nine months ended 31 December 2018

(Standalone only)

Net sales grew 12% in the nine months enabled by Prestige & Above portfolio

Third quarter performance highlights:

- Net sales grew 11%; enabled by the performance of Prestige and Above segment as well as benefitting from lapping of a weaker comparative in the prior year, when the business was impacted by expected route to market changes in certain states.
- Prestige & Above segment net sales grew 16%, albeit on a weaker base, as a result of continued focus on premiumisation.
- Popular segment reported net sales declined 3%. Underlying net sales, after adjusting for the impact of operating model changes declined 2%. Net sales of Popular segment in priority states declined 5%.
- Gross margin was 47.3%, almost flat versus last year, as the positive impact from improved mix and productivity savings was offset by adverse impact of COGS inflation.
- Reported EBITDA was Rs. 348 Crores, up 28%. EBITDA margin was 13.9%, up 188bps, primarily driven by savings in operating costs, which more than offset a 3% increase in marketing investment. Underlying* EBITDA margin improvement was 91bps.
- Interest costs were Rs. 55 Crores, 16% lower than prior year, despite a rising interest-rate environment, driven by lower debt and improved debt-mix.
- Profit after tax was Rs. 192 Crores, up 43%; PAT margin was 7.7%, up 174bps.

Nine months performance highlights:

- Reported net sales grew 12%, as a result of double-digit growth in the Prestige & Above segment as well as benefitting from lapping a lower base which was impacted by the highway ban last year. Net sales excluding the one-off impact of operating model changes grew 13%.
- Prestige & Above segment performance was robust with net sales growth of 18% and 5ppts positive price/mix.
- Popular segment reported net sales grew 1%. Underlying net sales adjusted for the impact of operating model changes grew 2%. Net sales of Popular segment in priority states grew by 4%.
- Gross margin was 48.5%, up 141bps, mainly due to productivity gains, improved mix and flow through effect of pricing that more than offset the adverse impact of inflation. Underlying gross margin improvement, net of the impact of operating model changes, was 113bps.
- Reported EBITDA was Rs. 973 Crores, up 30%; reported EBITDA margin was 14.4%, up 196bps, primarily driven by increased gross margin and savings in operating costs, which more than offset a 20% increase in marketing investment. Underlying* EBITDA increased by 28%; underlying* EBITDA margin was 15%, up 173bps.
- Interest costs were Rs. 153 Crores, 24% lower than prior year, driven by lower debt and more favourable debt-mix and despite a rising interest rate environment.
- Profit after tax was Rs. 532 Crores, up 52%; PAT margin was 7.9%, up 205bps.

**Underlying movement excludes the one-off impact of operating model changes and one-off costs.*

Anand Kripalu, CEO, commenting on the quarter and nine months ended 31 December 2018 said:

"I am pleased with our performance as we delivered double-digit sales growth for a third consecutive quarter this year. During the quarter, overall net sales growth was 11%, benefitting from lapping the impact of expected route to market changes last year, while also driven by momentum in Prestige & Above segment.

During the quarter, net sales of Prestige & Above segment grew 16%, bringing net sales growth of the segment to 18% during the first nine months of the year. Although this growth was on a low comparative, we are encouraged to see the underlying momentum in the category return this year.

Despite no increase in gross margin versus last year, we delivered an EBITDA margin improvement of 188bps through savings in our operating costs. We achieved this even as we continued to increase marketing investment, with a reinvestment rate of 10.7% during the quarter.

We made further progress in monetizing some of our non-core assets; and that, together with an improved operating performance, have helped us deliver an overall PAT increase of 43% during the quarter.

While we have been in a relatively stable operating environment this year, looking ahead, we do expect the general elections to have an impact on our sales during the next quarter. We will however continue to make progress towards our strategic priorities in order to capture the long-term opportunity in spirits market in India. We also reiterate our medium-term ambition to grow topline by double digits consistently and to improve EBITDA margin to mid-high teens."

DIAGEO INDIA

KEY FINANCIAL INFORMATION

For the nine months ended 31 December 2018

Summary financial information

		F19 P9 YTD	F18 P9 YTD	Movement %
Volume	*EUm*	**60.5**	57.6	**5**
Net sales	*Rs. Crores*	**6,741**	5,996	**12**
COGS	*Rs. Crores*	**(3,475)**	(3,176)	9
Gross profit	*Rs. Crores*	**3,266**	2,821	**16**
Staff cost	*Rs. Crores*	**(505)**	(475)	6
Marketing spend	*Rs. Crores*	**(679)**	(568)	20
Other Overheads	*Rs. Crores*	**(1,110)**	(1,031)	8
EBITDA	*Rs. Crores*	**973**	747	**30**
Other Income	*Rs. Crores*	**108**	85	27
Depreciation	*Rs. Crores*	**(104)**	(98)	6
EBIT	*Rs. Crores*	**976**	734	**33**
Interest	*Rs. Crores*	**(153)**	(202)	(24)
PBT before exceptional items	*Rs. Crores*	**823**	532	**55**
Exceptional items	*Rs. Crores*	**(20)**	(28)	(27)
PBT	*Rs. Crores*	**803**	504	**59**
Tax	*Rs. Crores*	**(271)**	(154)	76
PAT	*Rs. Crores*	**532**	351	**52**

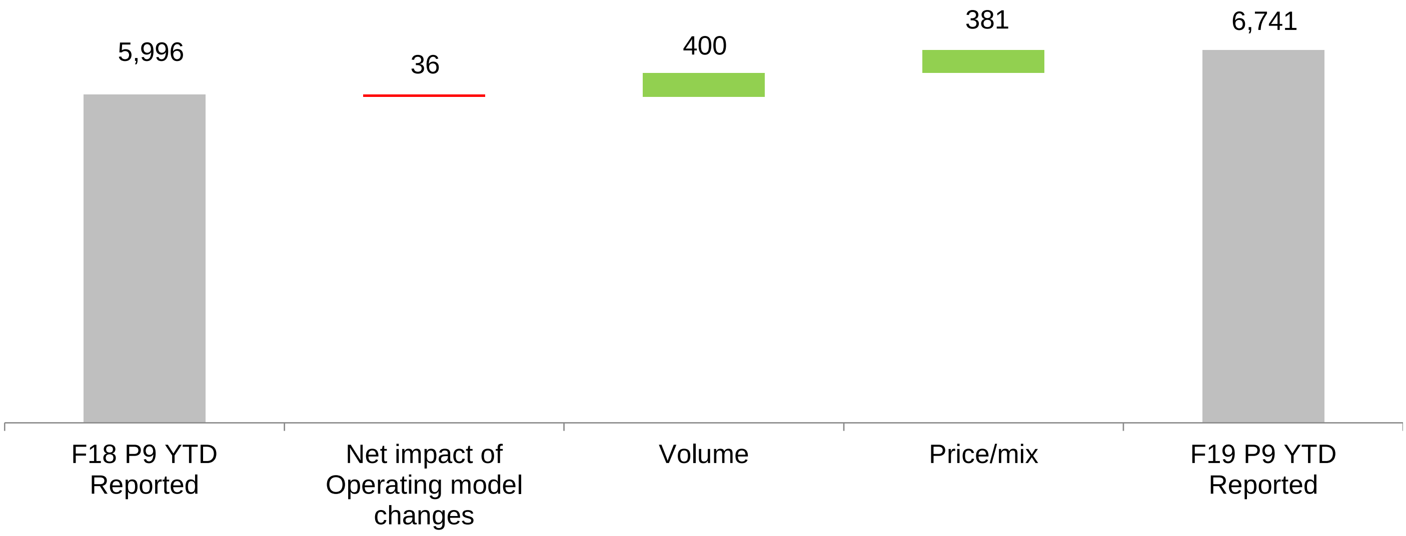
Key performance indicators as a % of net sales:

		F19 P9 YTD	F18 P9 YTD	Movement bps
Gross profit	%	**48.5**	47.0	141
Staff cost	%	**7.5**	7.9	43
Marketing spend	%	**10.1**	9.5	(61)
Other Overheads	%	**16.5**	17.2	73
EBITDA	%	**14.4**	12.5	196
PAT	%	**7.9**	5.8	205
Basic earnings per share	*rupees*	**7.3**	4.8	2.5rupees
Earnings per share before exceptional items	*rupees*	**7.5**	5.1	2.4rupees

The company in compliance with Schedule III of the Companies Act, 2013 has reported revenue from operations inclusive of excise duty.

EPS for F18P9 has been adjusted to reflect the new number of shares post the 1:5 share-split that became effective in F19.

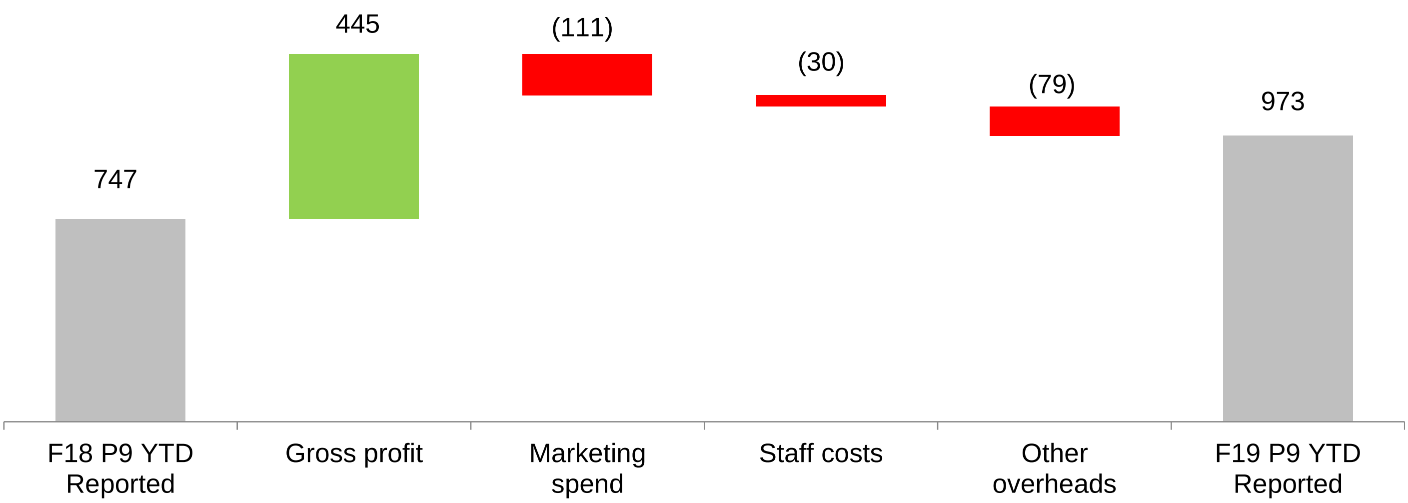
Net sales (Rs. Crores)



Reported net sales in the first nine months of the financial year grew 12%, largely driven by growth in the Prestige & Above segment while also benefitting from a low comparative impacted by the highway ban and expected route to market changes in certain states last year. After adjusting for the operating model changes, net sales increased 13%. Net Sales of Prestige & Above segment grew 18% while net sales of Popular segment grew 2% after adjusting for the operating model changes.

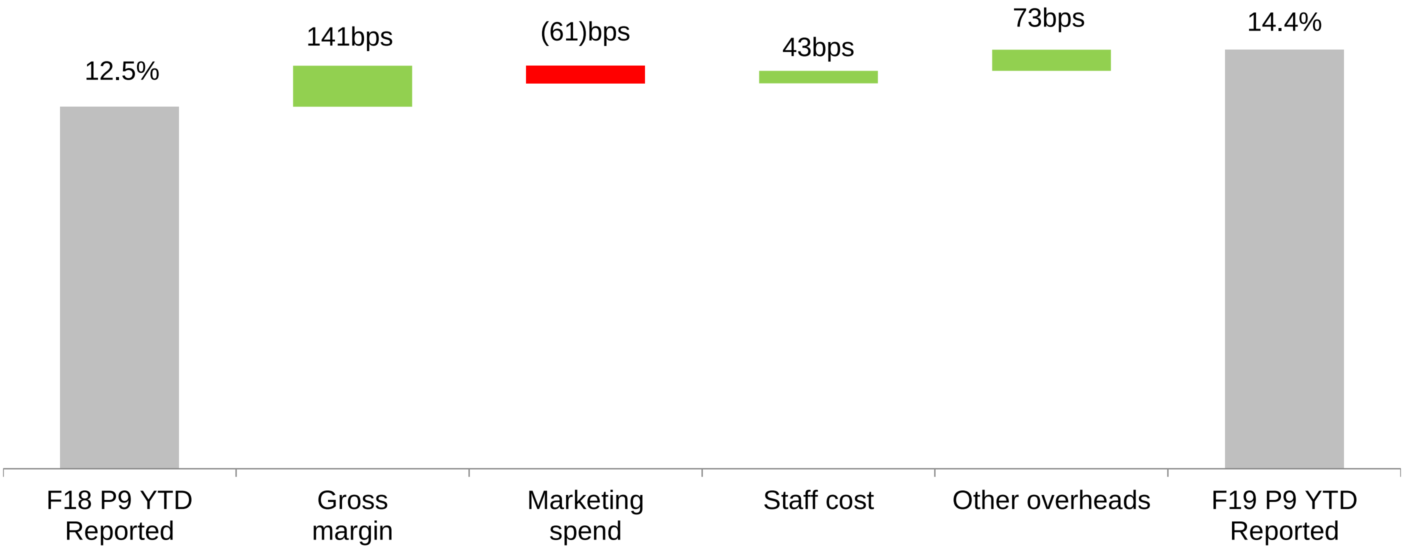
After adjusting for the operating model changes, underlying volume increased 7% as the Prestige & Above volume growth of 13% outpaced Popular segment volume growth which was almost flat. Underlying price/mix for the first nine months was 6%, largely driven by faster growth in the more premium parts of the portfolio.

EBITDA (Rs. Crores)



EBITDA at Rs. 973 Crores, increased 30% versus last year. Gross profit increased by Rs. 445 Crores, mainly driven by higher sales, improved mix and savings from our productivity programme which more than offset the negative impact of inflation. Investing behind our brands continued to be an area of focus and marketing investment increased by 20% with an overall reinvestment rate of 10.1%, up 61 bps versus last year. Reported staff cost increased 6%, but after adjusting for the one-off restructuring costs of Rs. 36 Crores this year and Rs. 20 Crores in the previous year, underlying staff costs increased by 3%. Other overheads increased 8% mainly due to investment in capability building projects and factory improvements undertaken in the first quarter this year. After adjusting for the one-off costs of Rs. 21 Crores in other overheads last year, underlying other overheads increased 10%. Underlying EBITDA, after adjusting for the operating model changes as well as one-off costs increased by 28% versus last year.

EBITDA margin (%, bps)



EBITDA margin of 14.4% improved by 196bps. Gross margin improved by 141bps while underlying gross margin, net of operating model changes, improved by 113bps. This improvement was primarily driven by productivity initiatives, improved mix and flow through effect of pricing that more than offset the adverse impact of inflation. The improved gross margin was partially reinvested in marketing investments. Savings in staff costs contributed 43bps to EBITDA margin improvement. Other overheads increased by 8% versus last year but contributed 73bps to EBITDA margin improvement due to higher net sales growth. Underlying EBITDA margin, net of operating model changes and any one-off costs was 15.0%, higer by 173bps compared to same period last year.

SEGMENT AND BRAND REVIEW

For the quarter and nine months ended 31 December 2018

Key segments:

For the nine months ended 31 December 2018

	Volume				Net Sales			
	F19 9M Reported ***EUm***	F18 9M Reported *EUm*	Reported movement %	**Underlying* movement %**	**F19 9M Reported** ***Rs. Cr.***	F18 9M Reported *Rs. Cr.*	Reported movement *%*	**Underlying* movement %**
P&A	**31.1**	27.4	13	**13**	**4,466**	3,788	18	**18**
Popular	**29.4**	30.2	(3)	**0**	**2,116**	2,105	1	**2**

For the quarter ended 31 December 2018

	Volume				Net Sales			
	F19 Q3 Reported ***EUm***	F18 Q3 Reported *EUm*	Reported movement %	**Underlying* movement %**	**F19 Q3 Reported** ***Rs. Cr.***	F18 Q3 Reported *Rs. Cr.*	Reported movement *%*	**Underlying* movement %**
P&A	**11.1**	9.9	12	**12**	**1,651**	1,429	16	**16**
Popular	**10.8**	11.2	(4)	**(2)**	**776**	798	(3)	**(2)**

- The **Prestige & Above segment** accounted for 66% of net sales during the first nine months of the year, up 3ppts compared to the same period last year.

  During the first nine months of the year, the Luxury portfolio grew faster than the Premium portfolio, which in turn grew faster than the Prestige portfolio, led by our premiumisation efforts.

  Within the Scotch portfolio, Johnnie Walker and Black & White both showed robust growth, aided by launch of new variants as well as activations that helped to better connect with consumers. New launches included White Walker, a limited-edition batch of Johnnie Walker whisky inspired by the hit show, Game of Thrones as well as a 12-Year-Old variant of Black & White.

  In the Prestige segment, key brands like Signature and Royal Challenge grew faster than the category.

- The **Popular segment** accounted for 31% of net sales during the first nine months, down 4ppts compared to same period last year. The Popular segment net sales grew 2% during the first nine months, after adjusting for the one-off impact of operating model changes. Priority states continued to perform better, with net sales of Popular segment growing by 4% during the period.

* Underlying movement excludes the one-off impact of operating model changes.

Cautionary statement concerning forward-looking statements

This document contains ‘forward-looking’ statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to United Spirits Limited (“USL”), anticipated cost savings or synergies, expected investments, the completion of USL’s strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside USL’s control. USL neither intends, nor assumes any obligation, to update or revise these forward-looking statements in the light of any developments which may differ from those anticipated.

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Q&A CONFERENCE CALL

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Executive Director and Chief Financial Officer will be hosting a Q&A conference call on Thursday, **24 January 2019** at **12:00 pm** (IST time). If you would like to listen to the call or ask a question, please use the dial in details below.

A transcript of the conference call will be available for download on 28 January 2019 at www.diageoindia.com

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