DIAGEO
INDIA

United Spirits Limited

Registered Office:
UB Tower
#24 Vittal Mallya Road
Bengaluru 560 001

Tel: +91 80 2221 0705
Fax: +91 80 3985 6862
www.diageoindia.com

October 26, 2017

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

National Stock Exchange of India Ltd.
Exchange Plaza, C-1, Block G
Bandra Kurla Complex
Bandra (E), Mumbai - 400 051.
Scrip Code: MCDOWELL-N

Dear Sir/Madam,

Sub: Intimation of un-audited results for the quarter and six months ended September 30, 2017.

The Board of Directors of the Company at their meeting held today, considered and taken on record the un-audited financial results of the Company for the quarter and six months ended September 30, 2017 ("UFR"). The Limited Review Report ("LRR") thereon received from the Statutory Auditors of the Company was placed at the said Board Meeting. UFR along with the LRR and a Press Release in 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

Attachments: as above

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Statement of Standalone Unaudited results for the quarter and six months ended September 30, 2017 (Rs. in Millions)

		3 months ended September 30, 2017	3 months ended June 30, 2017	3 months ended September 30, 2016	6 months ended September 30, 2017	6 months ended September 30, 2016	Previous year ended March 31, 2017
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	(a) Revenue from operations	62,146	58,168	60,173	120,314	118,704	253,988
	(b) Other income	305	309	339	614	580	1,111
	Total income	**62,451**	**58,477**	**60,512**	**120,928**	**119,284**	**255,099**
2	**Expenses:**						
	(a) Cost of materials consumed	10,046	8,009	11,824	18,055	22,863	46,342
	(b) Purchase of stock-in-trade	635	282	461	917	864	2,058
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(457)	1,328	(533)	871	(418)	444
	(d) Excise duty	42,633	40,350	39,905	82,983	78,031	168,512
	(e) Employee benefits expense	1,594	1,658	2,047	3,252	3,849	6,674
	(f) Finance costs	659	703	885	1,362	1,915	3,690
	(g) Depreciation and amortisation expense	326	321	332	647	593	1,323
	(h) Others						
	(i) Advertisement and sales promotion	1,449	1,627	1,308	3,076	2,981	6,667
	(ii) Other expenses	3,069	3,340	3,140	6,409	6,379	13,581
	Total expenses	**59,954**	**57,618**	**59,369**	**117,572**	**117,057**	**249,291**
3	**Profit / (loss) before exceptional items and taxation (1-2)**	**2,497**	**859**	**1,143**	**3,356**	**2,227**	**5,808**
4	Exceptional items (net) (Refer Note 12)	(144)	(8)	40	(152)	(353)	(3,262)
5	**Profit / (loss) before taxation (3 + 4)**	**2,353**	**851**	**1,183**	**3,204**	**1,874**	**2,546**
6	Income tax expense						
	(a) Current tax charge /(credit)	928	327	426	1,255	682	549
	(b) Deferred tax charge / (credit)	(106)	(105)	(68)	(211)	(71)	271
	(c) MAT credit utilised/ (availed)	-	-	-	-	-	27
	Total tax expense	**822**	**222**	**358**	**1,044**	**611**	**847**
7	**Profit / (loss) for the period (5-6)**	**1,531**	**629**	**825**	**2,160**	**1,263**	**1,699**
8	Other Comprehensive Income						
	A. Items that will not be reclassified to profit or loss						
	(i) Changes in fair value of FVOCI equity instruments	-	-	16	-	18	18
	(ii) Remeasurements of post-employment benefit obligations	(12)	(12)	(34)	(24)	(61)	735
	(iii) Tax relating to items that will not be reclassified to profit or loss	4	4	(9)	8	-	(254)
	Total other comprehensive income, net of income tax	**(8)**	**(8)**	**(27)**	**(16)**	**(43)**	**499**
9	**Total Comprehensive Income (7+8)**	**1,523**	**621**	**798**	**2,144**	**1,220**	**2,198**
10	**Earnings per share of Rs.10/- each:**						
	a) Basic	10.53	4.33	5.68	14.86	8.69	11.69
	b) Diluted	10.53	4.33	5.68	14.86	8.69	11.69

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Statement of assets and liabilities as at September 30, 2017

(Rs. in Millions)

	As at September 30, 2017 Unaudited	As at March 31, 2017 Audited
Assets		
Non-current assets		
Property, plant and equipment	**11,737**	11,751
Capital work-in-progress	**562**	851
Intangible assets	**109**	121
Financial assets		
Loans	**296**	328
Other financial assets	**735**	1,106
Investments in subsidiaries	**9,351**	9,354
Deferred tax assets (net)	**1,453**	1,241
Advance income tax (net)	**2,886**	2,886
Other non-current assets	**3,662**	3,484
Total non-current assets	**30,791**	**31,122**
Current assets		
Inventories	**18,766**	18,538
Financial assets		
Loans	**184**	151
Trade receivables	**28,185**	29,605
Cash and cash equivalents	**398**	439
Bank balances other than cash and cash equivalents	**85**	84
Other financial assets	**2,023**	1,578
Other current assets	**5,037**	6,132
Assets classified as held for sale	**275**	316
Total current assets	**54,953**	**56,843**
Total assets	**85,744**	**87,965**
Equity and liabilities		
Equity		
Share capital	**1,453**	1,453
Other equity		
Reserves and surplus	**20,029**	17,925
Total equity	**21,482**	**19,378**
Non-current liabilities		
Financial liabilities		
Borrowings	**5,045**	8,569
Provisions	**463**	422
Total non-current liabilities	**5,508**	**8,991**
Current liabilities		
Financial liabilities		
Borrowings	**22,960**	28,272
Trade payables	**11,511**	11,767
Other financial liabilities	**12,151**	9,153
Provisions	**2,559**	2,615
Current tax liabilities (net)	**3,769**	3,317
Other current liabilities	**5,804**	4,472
Total current liabilities	**58,754**	**59,596**
Total liabilities	**64,262**	**68,587**
Total Equity and liabilities	**85,744**	**87,965**

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United Spirits Limited

Statement of Standalone Unaudited Financial Results for the quarter and six months ended September 30, 2017

Notes:

1. United Spirits Limited (hereinafter referred to as "the Company" or "USL") is engaged in the business of manufacture, purchase and sale of beverage alcohol (spirits and wines), including through tie-up manufacturing/ brand franchise. The Company classifies the business principally based on the Company's brands in two segments namely "Prestige and Above" brands and "Popular" brands. Since both these segments meet the aggregation criteria as per the requirements of Ind AS 108 on 'Operating segments', the management considers these business activities as a single reportable segment. Accordingly, segment information has not been furnished.

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

3. As disclosed in the financial statements for the year ended March 31, 2017, pursuant to the findings of the Board's initial inquiry into past improper transactions ("Initial Inquiry"), which was completed in April 2015, the Company had executed settlement agreements with ten parties identified in the Initial Inquiry and settlements with four parties were pending. During the quarter ended June 30, 2017, the Company had reached settlements with two of such remaining parties. Discussions with one of the remaining parties have turned adverse and the matter remains likely to manifest itself into a dispute. The last remaining party identified in the Initial Inquiry ceased to be in business and therefore it is not possible to reach any settlement with this party. All amounts relating to the said two parties that remain unsettled have been fully provided for. Therefore, there is no further material exposure to the Company.

4. As disclosed in the financial statements for the year ended March 31, 2017, 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 previously provided for or expensed in the financial statements of the Company or its subsidiaries for prior periods and hence there is no impact on the financial results for the quarter and six months ended September 30, 2017. Pursuant to a detailed review of each case of such fund diversion, and after obtaining expert legal advice, the Company has, where appropriate, filed civil suits for recovery of funds from certain parties, including the Company's former non-executive chairman, Dr. Vijay Mallya, before the appropriate courts. Further, 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-compliance with applicable laws in relation to such fund diversions.

UNITED SPIRITS LIMITED

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FRN 304026E/E-300009
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5. As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016 and March 31, 2017, the Company had pre-existing loans/ deposits/ advances/accrued interest that were due to the Company and its wholly-owned subsidiaries from United Breweries (Holdings) Limited ("UBHL") and its subsidiaries aggregating Rs.13,374 million and that were consolidated into, and recorded as, an unsecured loan by way of 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 Rs. 13,374 million, and for the accrued interest of Rs. 846 million up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to Rs. 4,384 million for the period from April 1, 2014 to September 30, 2017 (including Rs. 318 million and Rs. 636 million for the quarter and six months ended September 30, 2017, respectively). The Company has set-off payable to UBHL under the trademark agreement amounting to Rs.92 million and Rs. 212 million for the quarter and six months ended September 30, 2017 respectively (cumulatively Rs. 751 million upto September 30, 2017) against the aforesaid interest receivable from UBHL and consequently corresponding provision for interest receivable has been reversed to 'Other Income" in the related periods.

   The Company is seeking redressal of these disputes and claims through arbitration under the terms of the Loan Agreement and the arbitration proceedings have commenced. On February 7, 2017, the Hon'ble High Court of Karnataka ordered, *inter alia*, that UBHL be wound up, and that the Official Liquidator be appointed as the liquidator of UBHL. The Company has subsequently secured leave from the Hon'ble High Court of Karnataka to continue the arbitration proceedings which are presently ongoing.

6. The managerial remuneration for the financial year ended March 31, 2015 aggregating Rs. 63 million and Rs. 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 ("Act") by Rs. 51 million to the MD & CEO and Rs. 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, to the Central Government to reconsider approving the waiver of excess remuneration paid. In light of the findings from the Additional Inquiry, the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO by its letter dated July 12, 2016 and filed proceedings to recover the sums from the former ED & CFO. The Company is awaiting response from the Central Government to its resubmitted application in respect of the MD & CEO.

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

UNITED SPIRITS LIMITED

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FRN 304026E/E-300009
Bangalore

to which the Company had responded. The Company has 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. The Company intends to take appropriate actions including filing compounding application with the Registrar within the prescribed timelines. The management is of the view that the financial impact of such compounding will not be material to the Company's results;

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

d) as disclosed in the financial statements for the year ended March 31, 2017, from the Company's authorised dealers in relation to certain queries from Reserve Bank of India ("RBI") with regard to: i) remittances made in prior years to subsidiaries of the Company; ii) past acquisition of the Whyte and Mackay group; iii) clarifications on Annual Performance Report ("APR") submitted for prior years; and iv) compliances relating to the Company's overseas Branch office, all of which the Company has responded to. During the quarters ended June 30, 2017 and September 30, 2017, the Company has received further queries from authorised dealers in connection with items (iii) and (iv) above to which the Company has responded/ is in the process of responding.

8. As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016 and March 31, 2017, 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) with the security trustee. The Company deposited a sum of Rs. 6,280 million, including prepayment penalty of Rs. 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 is pending before the Hon'ble High Court of Karnataka. On completion of the loan tenure on March 31, 2015, the bank demanded an amount of Rs. 474 million towards principal and interest on the said loan, which the Company contested in the Hon'ble High Court of Karnataka. As per the order of the Hon'ble High Court of Karnataka directing the parties to consider a negotiated settlement, the Company engaged with the bank to commence discussions towards settlement. In August 2015, the bank obtained an *ex parte* injunction in proceedings between the bank and 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 December 2015, the Hon'ble High Court of Karnataka issued a stay order restraining the bank from dealing with the above mentioned pledged shares until further orders. Thereafter in February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of Rs. 459 million, and the Company also received a subsequent notice in March 2016 issued under section 13(2) of SARFAESI Act in relation to the same loan. 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 Rs. 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 accordingly deposited the said sum and

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FRN 304026E/E-300009
Bangalore

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 application filed by the bank seeking the attachment of USL Benefit Trust shares. The Company on March 13, 2017 issued a legal notice to the bank asking them to provide the 'no-objection' for the release of the pledged shares, withdrawing the notices under SARFESI and also to pay compensation on account of loss of interest, value of differential share price, loss of reinvestment opportunity, reputational damage etc. to which the bank has responded denying the claim. During the quarter ended June 30, 2017, the Company issued a rejoinder denying the incorrect averments of the bank and issued notice to each member of the board of directors of the bank informing them of the issue and the '*mala-fide*' actions of the Bank, to which the bank has responded denying the claim. The bank has, during the quarter ended September 30, 2017 filed an "ex-parte" appeal before the Debt Recovery Appellate Tribunal ("DRAT"), Chennai against the order of the DRT. The DRT has subsequently ordered the bank to make the Company a party in the Appeal.

9. Consequent to a voluntary disclosure made by the Company to a customer regarding prices historically charged by the Company to said customer being inconsistent with trading terms that apply between the Company and the said customer, the Company received a claim during the quarter ended September 30, 2016 and thereafter a debit note for the period up to December 31, 2016, in the quarter ended March 31, 2017 and a revised debit note for up to April 30, 2017, in the quarter ended June 30, 2017. After considering an accrual of Rs. 250 million which was made on this account in the financial year ended March 31, 2016, an additional liability had been recorded for the balance amount of Rs. 3,030 million (including potential liability of Rs. 130 million for the period January to March 2017) during the quarter and year ended March 31, 2017 of which Rs. 460 million related to claims for sales made during the year ended March 31, 2017 which had been recorded as reduction from Revenue from Operations and Rs. 2,570 million pertaining to sales made in earlier years which had been disclosed as an exceptional item in the financial results. In respect of some of the specific products the prices demanded by the Customer resulted in the Company incurring a foreseeable loss and accordingly a provision for the onerous element in such contracts amounting to Rs. 75 million had been made and included in exceptional item for the quarter and year ended March 31, 2017. The aggregate amount included in exceptional items was therefore Rs. 2,645 million for the quarter and year ended March 31, 2017. For the quarter ended June 30, 2017, the estimated potential liability of Rs.47 million on account of price differences has been utilised from onerous provision and the remaining excess onerous provision no longer required of Rs.28 million had been reversed as exceptional item (refer Note 12). The customer and the Company have agreed on the revised price and trading terms for future supplies during the quarter ended June 30, 2017.

10. The Government of Bihar by 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 with immediate effect. Writ petitions were filed with the Hon'ble High Court of Patna challenging the said notification and seeking payment for supplies made by the Company and its tie-up manufacturing units to Bihar State Beverages Corporation Limited ("BSBCL"). By an order dated September 30, 2016, the Hon'ble High Court of Patna set aside the notification dated April 5, 2016 and Section 19(4) of the Bihar Excise Act, 1915, 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 02, 2016. The Government of Bihar also preferred a special leave petition ("SLP") before the Hon'ble Supreme Court against the judgment 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. During the quarter ended December 31, 2016, the Company filed an application seeking compensation from the Government of Bihar towards losses suffered as a result of arbitrary imposition of prohibition.

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On January 24, 2017, the Government of Bihar issued a Notification prohibiting the manufacture of alcoholic beverages in the State (w.e.f April 1, 2017) the consequences of which criminalises the continued storage of all stock of raw material and finished goods in the State of Bihar (including the stock lying at BSBCL). Pursuant to an application by Confederation of Indian Alcoholic Beverage Companies (CIABC) in the Supreme Court, the Government of Bihar extended this timeline to April 30, 2017 and the Hon'ble Supreme Court has extended this to July 31, 2017, to allow additional time for companies to transfer said materials out of the state of Bihar.

The Company has since transferred substantial stocks of raw materials and finished goods outside the state of Bihar including the 'billed stocks' supplied by the Company pursuant to valid orders for sales which were in the possession of BSBCL and sought destruction of such stock which could not be transferred.

The Company had sought from the Government of Bihar refund of statutory duties i.e. VAT and Excise duty paid in respect of the said stocks aggregating to Rs. 553 million (including statutory duties paid by the Company's tie-up manufacturers) which is considered good and receivable and is classified as other non-current financial assets. The Company had made a provision of Rs. 267 million towards inventory reprocessing charges for the year ended March 31, 2017. Further, a provision of Rs. 110 million had been made towards employee retrenchment during the year ended March 31, 2017. The total provision in respect of the above items aggregating to Rs. 377 million for the year ended March 31, 2017 had been disclosed as an exceptional item. For the quarter and six months ended September 30, 2017, an additional provision of Rs.144 million and Rs.180 million respectively have been made towards inventory reprocessing charges which has been disclosed as an exceptional item (refer note 12). During the quarter ended September 30, 2017, the Company has received a letter from the Government of Bihar, stating that it is not liable to refund the aforesaid statutory duties under the Bihar Prohibition and Excise Act, 2016. The Company has on October 17, 2017, filed a writ petition before the Hon'ble High Court of Patna seeking refund of aforesaid statutory duties i.e. VAT & Excise Duty paid by the Company to the Government of Bihar.

11. On January 15, 2016, the Company entered into an agreement for the sale of its entire holding in United Spirits Nepal Private Limited of 67,716 equity shares (constituting 82.46% of the paid up equity share capital of United Spirits Nepal Private Limited). The sale is subject to various regulatory approvals (both in India and Nepal) and other conditions precedent which are normal for such transactions, and which the Company is in the process of seeking. Pending such approvals, no effect has been given in respect of this transaction in this statement of standalone un-audited financial results for the quarter and six months ended September 30, 2017.

12. Details of exceptional items:

Amount in Rs. millions

Particulars	**Quarter ended September 30, 2017**	**Six months ended September 30, 2017**
Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 10)	(144)	(180)
Reversal of excess onerous provision in respect of committed supplies to a customer no longer required (Refer Note 9)	-	28
Total income/ (expense)	**(144)**	**(152)**

UNITED SPIRITS LIMITED

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13. Previous period's figures have been regrouped/ reclassified to conform to the current period's presentation for the purpose of comparability.

14. This Statement of standalone un-audited financial results has been reviewed by the audit committee of the Board and approved by the Board of Directors at their meetings held on October 25, 2017 and October 26, 2017 respectively.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Bengaluru
October 26, 2017

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Independent Auditors' Report on Review of Interim Results for the quarter ended September 30, 2017

The Board of Directors
United Spirits Limited
UB Tower, # 24 Vittal Mallya Road
Bangalore – 560 001

Introduction

1. We have reviewed the unaudited financial results of United Spirits Limited (the "Company") for the quarter ended September 30, 2017 which are included in the accompanying 'Statement of Standalone Unaudited results for the quarter and six months ended September 30, 2017' and the 'Statement of assets and liabilities as at September 30, 2017' (the "Statement"). The Statement has been prepared by the Company pursuant to Regulation 33 of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (the "Listing Regulations, 2015"), which has been initialled by us for identification purposes. 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.

Conclusion

4. Based on our review conducted as 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.

Emphasis of matter

5. We draw attention to the following matters:

   a) As explained in Note 6 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 Rs. 51 million to the Managing Director and Chief Executive Officer (MD & CEO) and by Rs. 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). With regard to excess remuneration paid to MD & CEO the Company has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover the excess remuneration.

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b) As explained in Note 4 to the Statement, upon completion of the 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 or potential fund diversions to entities that appear to be affiliated or associated with the erstwhile non-executive Chairman of the Company 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 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 sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of Rs. 459 million demanded by the Bank and as directed by the Honourable 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.

d) Note 10 to the Statement which describes the uncertainty related to the outcome of Special Leave Petition (the "SLP") filed by the Government of Bihar with the Honourable Supreme court, in relation to the ban imposed by the Government of Bihar on trade and consumption of Indian Made Foreign Liquor and Foreign Liquor in the State of Bihar with effect from April 5, 2016 which was set aside by the Honourable High Court of Patna in its judgment dated September 30, 2016. Further, consequent to the notification dated January 24, 2017 issued by the Government of Bihar, which as a consequence, criminalises the continued storage of all stock of raw materials and finished goods in the State of Bihar, the Company has transferred majority of its stock of raw materials and finished goods lying in its premises and the 'billed stocks' in the possession of Bihar State Beverages Corporation Limited, outside the state of Bihar. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to Rs. 553 million (including duties paid by the tie-up manufacturing units) have been considered as good and receivable from the Government of Bihar notwithstanding a letter received during the current quarter by the Company from the Government of Bihar stating that it is not liable to refund the aforesaid statutory duties under the Bihar Prohibition and Excise Act, 2016. The Company has on October 17, 2017, filed a writ petition before the Honourable High Court of Patna seeking refund of the aforesaid statutory duties paid by the Company to the Government of Bihar.

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 between the Company and 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") 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 intends to take appropriate actions

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

including filing compounding application with the Registrar within the prescribed timelines. The management is of the view that the financial impact of such compounding will not be material to the Company's results.

iii. regarding the ongoing investigation by the Enforcement Directorate under the provisions of Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company has responded; and

iv. regarding clarifications sought by Authorised Dealers in relation to certain queries from Reserve Bank of India with regard to remittances made in prior years to subsidiaries of the Company, past acquisition of the Whyte and Mackay group, clarifications on Annual Performance Report and clarifications on compliances relating to the Company's overseas Branch office, to which the Company has responded/ is in process of responding.

Our conclusion is not modified in respect of the matters described under paragraph 5 above.

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

Pradip Kanakia
Partner
Membership Number: 039985

Mumbai
October 26, 2017

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UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter and six months ended 30 September 2017

(Standalone only)

Second quarter performance improved substantially and PAT increased 84%

Second quarter performance highlights:

- Reported net sales declined 4% impacted by the highway ban and the one off impact of operating model changes. Underlying net sales up 4% excluding the one off impact.
- Prestige & Above segment reported net sales up 10% with 8ppts positive price/mix. Underlying net sales up 12% excluding the one off impact.
- Popular segment reported net sales declined 22% impacted by the one off impact of operating model changes. Underlying net sales declined 9% excluding the one off impact.
- Gross margin of 47,6%, up 559bps driven mainly by price increases, productivity initiatives and operating model changes. Underlying gross margin improvement of 395bps.
- EBITDA Rs. 318 Crores, up 57%, EBITDA margin of 16.3%, up 631bps both primarily driven by increased gross margin and lower staff costs, partially offset by marketing investment increasing 11%. Underlying EBITDA up 37% and EBITDA margin of 16.3%, up 396bps excluding the one off impact
- Interest cost Rs. 66 Crores, lower by 26% driven by favourable rates and mix of debt.
- Profit after tax Rs. 153 Crores, up 84%.

First half performance highlights:

- Reported net sales declined 8% impacted by the highway ban and the one off impact of operating model changes. Underlying net sales declined 2% excluding the one off impact.
- Prestige & Above segment reported net sales up 1% with 4ppts positive price/mix. Underlying net sales up 2% excluding one off impact.
- Popular segment reported net sales declined 21% impacted by the one off impact of operating model changes. Underlying net sales declined 9% excluding the one off impact.
- Gross margin of 46,8%, up 415bps driven mainly by price increases, productivity initiatives and operating model changes. Underlying gross margin improvement of 258bps.
- EBITDA Rs. 475 Crores, up 14%, EBITDA margin of 12.7%, up 251bps both primarily driven by increased gross margin and lower staff costs. Underlying EBITDA up 9% and EBITDA margin of 13.3%, up 135bps excluding the one off impact.
- Interest cost Rs. 136 Crores, lower by 29% driven by favourable rates and mix of debt.
- Profit after tax Rs. 216 Crores, up 71%.

Anand Kripalu, CEO, commenting on the quarter and six months ended 30 September 2017 said:

"In the second quarter we have delivered strong underlying net sales growth of 4% driven by 12% growth in the Prestige & Above segment, despite the impact of the highway ban. Additionally, we have delivered expanded margins despite the impact of GST.

Strong growth of the Prestige & Above segment was fuelled by our renovation and premiumisation strategy. Our brand renovations including McDowell's No.1 whisky, Royal Challenge and Signature delivered double digit net sales growth in the second quarter; we expect Antiquity, our latest renovation, to deliver momentum in the subsequent quarters post the national roll out. The Prestige & Above segment now represents 63% of net sales.

Despite the implementation of GST which has resulted in stranded taxes, I am pleased that we have been able to deliver a robust underlying gross margin improvement in both the second quarter and first half, enabled by our accelerated productivity initiatives, price increases in select states, and our continued focus on premiumisation.

Our marketing investments were focused behind the Prestige and Above segment and increased by 11% in the second quarter and by 3% in the first half.

Increased gross margin coupled with organisational efficiencies has led to an underlying EBITDA margin improvement of 135bps and stood at 13.3% in the first half.

Lower interest costs and exceptional items have resulted in an overall PAT increase of 71%.

With the recent Supreme Court clarification on the highway ban, we have seen outlets start to re-open in September and we expect the impact of the highway ban to continue to decrease and the business to normalize by end of the third quarter. Based on our current expectations, through our continued focus on productivity initiatives coupled with price increases in select states, we expect the net adverse impact of GST on our margins to be moderate in this financial year.

We continue to focus on our strategic priorities to capture the long term opportunity in the spirits market and achieve our medium term ambition to grow top line by double digit and improve margins to mid-high teens."

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KEY FINANCIAL INFORMATION

For the six months ended 30 September 2017

Summary financial information

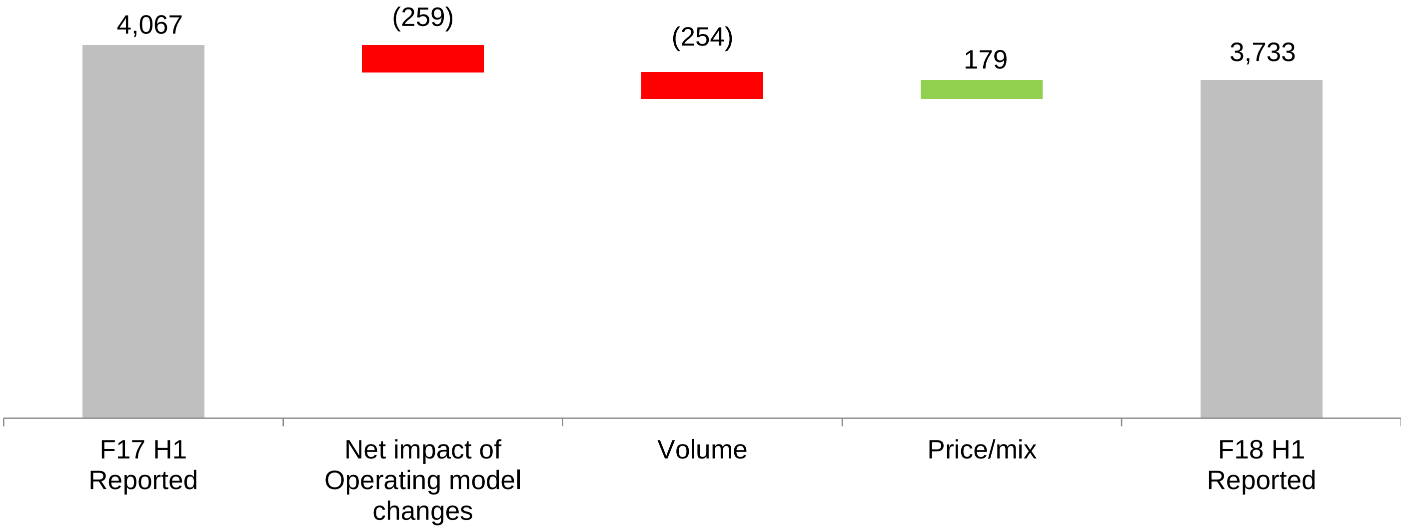
		F18 H1	F17 H1	Movement %
Volume	*EUm*	**36.6**	44.2	(17)
Net sales	*Rs. Crores*	**3,733**	4,067	(8)
COGS	*Rs. Crores*	**(1,984)**	(2,331)	15
Gross profit	*Rs. Crores*	**1,749**	1,736	1
Staff cost	*Rs. Crores*	**(325)**	(385)	16
Marketing spend	*Rs. Crores*	**(308)**	(298)	(3)
Other Overheads	*Rs. Crores*	**(641)**	(638)	-
EBITDA	*Rs. Crores*	**475**	416	14
Other Income	*Rs. Crores*	**61**	58	6
Depreciation	*Rs. Crores*	**(65)**	(59)	(9)
EBIT	*Rs. Crores*	**472**	414	14
Interest	*Rs. Crores*	**(136)**	(192)	29
PBT before exceptional items	*Rs. Crores*	**336**	223	51
Exceptional items	*Rs. Crores*	**(15)**	(35)	57
PBT	*Rs. Crores*	**320**	187	71
Tax	*Rs. Crores*	**(104)**	(61)	(71)
PAT	*Rs. Crores*	**216**	126	71

Key performance indicators as a % of net sales:

		F18 H1	F17 H1	Movement bps
Gross profit	*%*	**46.8**	42.7	415
Staff cost	*%*	**8.7**	9.5	75
Marketing spend	*%*	**8.2**	7.3	(91)
Other Overheads	*%*	**17.2**	15.7	(148)
EBITDA	*%*	**12.7**	10.2	251
PAT	*%*	**5.8**	3.1	268
Basic earnings per share	*rupees*	**14.9**	8.7	6.2rupees
Earnings per share before exceptional items	*rupees*	**15.6**	10.3	5.3rupees

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

Net sales (Rs. Crores)



Reported net sales declined 8% in the first half negatively impacted by the highway ban and the one off impact of operating model changes. Excluding the one off impact underlying net sales declined 2%. Underlying volume declined 7% excluding the one off impact. Positive price/mix was driven mainly by price increases in select states and our continued focus on premiumisation and brand renovation in the Prestige & Above segment. Structural changes in certain commercial trade terms in the second quarter, the benefit of which are not expected to repeat, (the one time benefit), included in price/mix, positively impacted first half net sales by 1%.

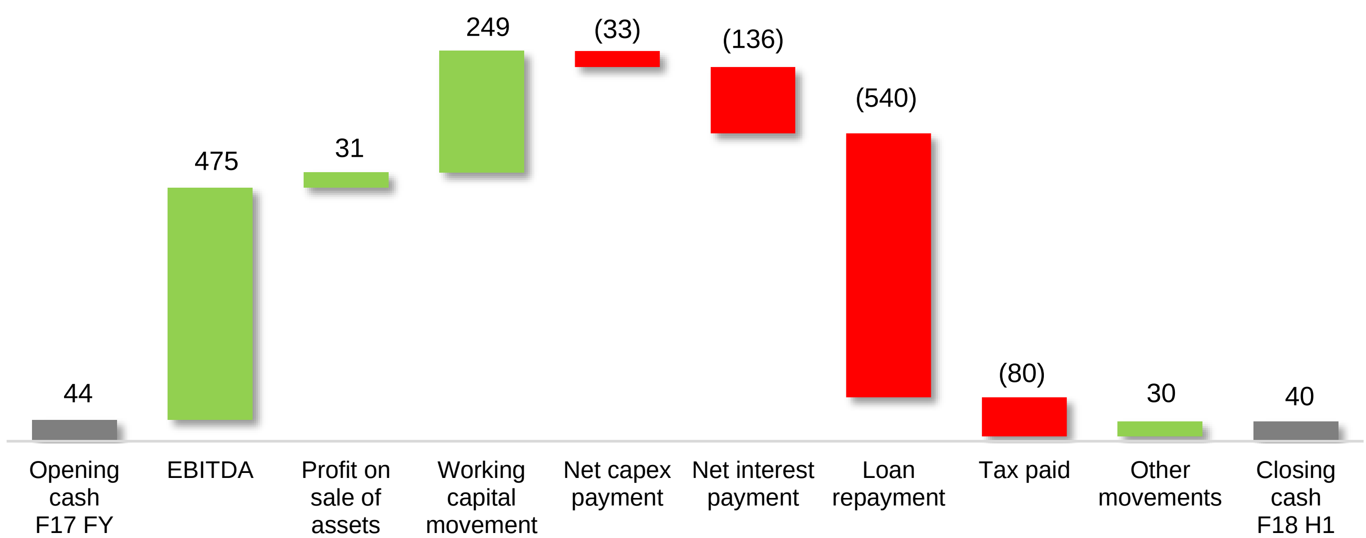
EBITDA (Rs. Crores)

EBITDA at Rs. 475 Crores, increased by 14%. Rs. 12 Crores increase in gross profit was driven mainly by strong growth of the Prestige & Above segment in the second quarter, price increases in select states, continued focus on productivity initiaties and the one time benefit. Marketing investments were focused behind the Prestige & Above segment and increased by 3% in first half. Staff cost decreased by 16%, including one off restructuring cost of Rs. 13 Crores in the current year and Rs. 28 Crores in the previous year, benefitting from the savings delivered by the organisational changes. Other overheads remained flat in the first half. Underlying EBITDA increased by 9%.

EBITDA margin (%, bps)

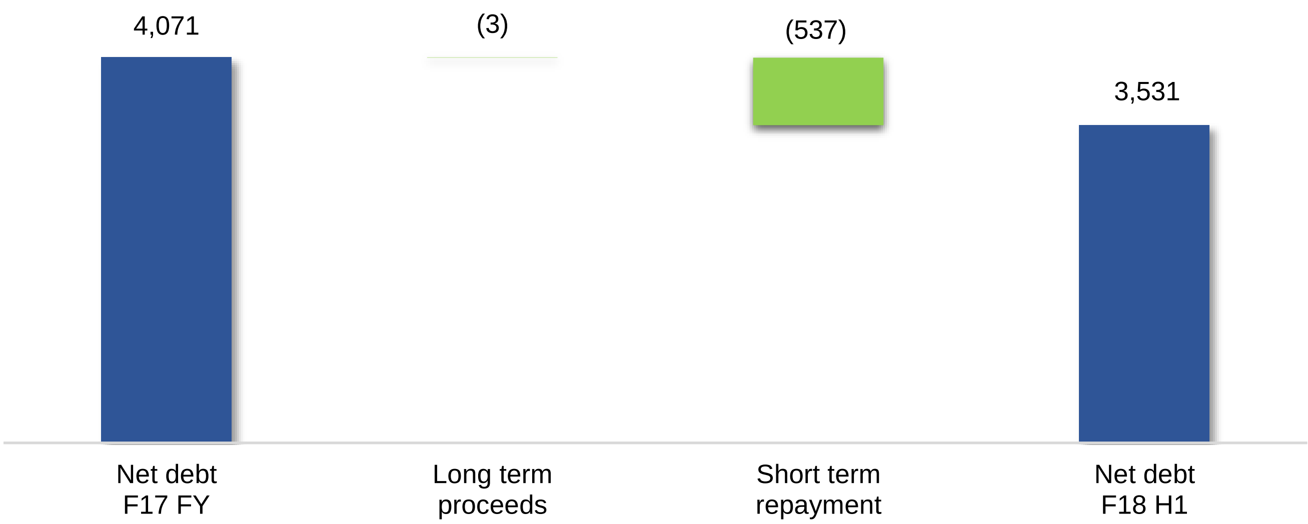
EBITDA margin of 12.7% increased by 251bps compared to last year. Gross margin improvement of 415bps, including 74bps positive impact of the one time benefit, was primarily driven by price increases, continued focus on premiumisation and productivity initiatives. Productivity led savings have been partially reinvested and led to an increase in marketing investment. Reduction in staff costs positively impacted margin. Other overheads remained flat, the negative impact on margin was driven by a reduction in reported net sales. The one time benefit positively impacted margin by 121bps. Underlying EBITDA margin of 13.3% increased by 135bps.

Movement in cash (Rs. Crores)



Cash closed at Rs. 40 Crores. Non core asset divestment has generated Rs. 31 Crores profit. Decrease in working capital was mainly driven by reduction in receivables and lower advances. Increase in net capex was focused on upgrading strategically important manufacturing units. Cash generated from the underlying business was used for short term debt repayment resulting in a reduction in interest costs.

Movement in debt (Rs. Crores)



Closing net debt was Rs. 3,531 Crore in the first half and the company utilized cash from operations to repay its loans amounting to Rs. 537 Crores. These reduction in debt value together with renegotiation of borrowings and favourable mix of debt instruments reduced the total interest cost by Rs. 55 Crores in the first half.

SEGMENT AND BRAND REVIEW

For the quarter and six months ended 30 September 2017

Key segments*:

	Volume F18 H1 *EUm*	Volume F17 H1 *EUm*	Volume movement *%*	**Net sales F18 H1** *Rs. Crores*	Net sales F17 H1 *Rs. Crores*	Net sales movement *%*
Prestige and above	**17,5**	18,1	(3)	**2,359**	2,337	1
Popular	**19**	26,1	(27)	**1,308**	1,659	(21)

	Volume F18 Q2 *EUm*	Volume F17 Q2 *EUm*	Volume movement *%*	**Net sales F18 Q2** *Rs. Crores*	Net sales F17 Q2 *Rs. Crores*	Net sales movement *%*
Prestige and above	**9,1**	8,9	2	**1,264**	1,145	10
Popular	**9,4**	13,1	(28)	**658**	844	(22)

**Reported figures*

- The **Prestige & Above segment** represents 48% of total volumes and 63% of total net sales, up 7ppts and 6ppts respectively compared to last year. Performance in the second quarter has substantially improved post the Supreme Court clarification allowing outlets to open within city limits and net sales grew 10% with 8ppts positive price/mix. Net sales grew 1% with 4ppts positive price/mix in the first half. Excluding the one off impact of operating model changes net sales grew 12% in the second quarter with 7ppts positive price/mix and grew 2% in the first half with 3ppts positive price/mix.

  - **McDowell's No. 1 Whisky** (excluding Platinum) grew volume 5% and net sales 14% in the second quarter and volume was flat and net sales grew 6% in the first half.

  - **Royal Challenge** grew volume 6% and net sales 12% in the second quarter and volume declined 5% and net sales declined 1% in the first half.

  - **Signature** continued to show positive momentum supported by the succesful renovation and grew volume 10% and net sales 13% in the second quarter and volume grew 9% and net sales grew 14% in the first half.

  - The re-launch of **Antiquity** has started towards the end of the first quarter in select states and we expect to deliver momentum in the subsequent quarters post the national roll out.

  - Our **Scotch** portfolio in the premium and luxury segment grew volume 5% and net sales 8% in the second quarter driven mainly by Johnnie Walker and Black Dog. Volume declined 8% and net sales declined 7% in the first half.

- The **Popular segment** represents 52% of total volumes and 35% of total net sales, down 7ppts and 6ppts respectively compared to last year. The total popular segment declined volume 28% and net sales 22% in the second quarter and declined volume 27% and net sales 21% in the first half impacted by one off impact of operating model changes. Excluding one off impact volume declined 11% and net sales declined 9% in both the second quarter and the first half. Priority states declined volume 8% and net sales 4% in the second quarter and declined volume 9% and net sales 5% in the first half as we lap strong performance last year driven by increased stock levels ahead of tax increases in Maharashtra.

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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.

Media enquiries to:	Charlotte Rodrigues	+91 99 8726 5110	Charlotte.Rodrigues@diageo.com
Investor enquiries to:	Richard Kugler	+91 80 3964 2172	richard.kugler@diageo.com

LIVE 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 Friday **27 October 2017** 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 Q&A session will be available for download on 30 October 2017 at www.diageoindia.com.

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