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

January 23, 2018

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 nine months ended December 31, 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 nine months ended December 31, 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

UNITED SPIRITS LIMITED

A DIAGEO Group Company

'UB Tower', # 24, Vittal Mallya Road, Bangalore - 560 001
Tel +91 80 3985 6500, 2221 0705 | CIN: L01551KA1999PLC024991 | www.diageoindia.com

Statement of Standalone Unaudited financial results for the quarter and nine months ended December 31, 2017 (Rs. in Millions)

		3 months ended December 31, 2017	3 months ended September 30, 2017	3 months ended December 31, 2016	9 months ended December 31, 2017	9 months ended December 31, 2016	Previous year ended March 31, 2017
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	(a) Revenue from operations	71,373	62,146	70,432	191,687	189,136	253,988
	(b) Other income	236	305	346	850	926	1,111
	Total income	**71,609**	**62,451**	**70,778**	**192,537**	**190,062**	**255,099**
2	**Expenses:**						
	(a) Cost of materials consumed	11,129	10,046	13,298	29,184	36,161	46,342
	(b) Purchase of stock-in-trade	726	635	699	1,643	1,563	2,058
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	59	(457)	232	930	(186)	444
	(d) Excise duty	48,740	42,633	45,879	131,723	123,910	168,512
	(e) Employee benefits expense	1,496	1,594	1,615	4,748	5,464	6,674
	(f) Finance costs	658	659	922	2,020	2,837	3,690
	(g) Depreciation and amortisation expense	337	326	313	984	906	1,323
	(h) Others:						
	(i) Advertisement and sales promotion	2,599	1,449	2,042	5,675	5,023	6,667
	(ii) Other expenses	3,901	3,069	3,721	10,310	10,101	13,581
	Total expenses	69,645	59,954	68,721	187,217	185,779	249,291
3	**Profit / (loss) before exceptional items and taxation (1-2)**	**1,964**	**2,497**	**2,057**	**5,320**	**4,283**	**5,808**
4	Exceptional items (net) (Refer Note 12)	(126)	(144)	-	(278)	(353)	(3,262)
5	**Profit / (loss) before taxation (3 + 4)**	**1,838**	**2,353**	**2,057**	**5,042**	**3,930**	**2,546**
6	Income tax expense						
	(a) Current tax charge	217	928	886	1,472	1,568	549
	(b) Deferred tax charge / (credit)	274	(106)	(306)	63	(378)	271
	(c) MAT credit utilised/ (availed)	-	-	-	-	-	27
	Total tax expense	**491**	**822**	**580**	**1,535**	**1,190**	**847**
7	**Profit / (loss) for the period (5-6)**	1,347	1,531	1,477	3,507	2,740	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	-	-	(9)	-	9	18
	(ii) Remeasurements of post-employment benefit obligations	(12)	(12)	(33)	(36)	(94)	735
	(iii) Tax relating to items that will not be reclassified to profit or loss	4	4	(0)	12	-	(254)
	B. Items that will be reclassified to profit or loss	-	-	-	-	-	-
	Total other comprehensive income, net of income tax	(8)	(8)	(42)	(24)	(85)	499
9	**Total Comprehensive Income (7+8)**	1,339	1,523	1,435	3,483	2,655	2,198
10	**Earnings per share of Rs.10/- each:**						
	a) Basic	9.27	10.53	10.16	24.13	18.86	11.69
	b) Diluted	9.27	10.53	10.16	24.13	18.86	11.69

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Bangalore

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Statement of Standalone Unaudited Financial Results for the quarter and nine months ended December 31, 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 and through strategic franchising of some of its brands. 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 has 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. There were no further developments in this matter during the quarters ended September 30, 2017 and December 31, 2017.

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 in prior periods and hence there is no impact on the financial results for the quarter and nine months ended December 31, 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.

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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. 4701 million for the period from April 1, 2014 to December 31, 2017 (including Rs. 317 million and Rs. 953 million for the quarter and nine months ended December 31, 2017, respectively). The Company has offset payable to UBHL under the trademark agreement amounting to Rs.90 million and Rs. 302 million for the quarter and nine months ended December 31, 2017 respectively (cumulatively Rs. 841 million up to December 31, 2017) against the aforesaid interest receivable from UBHL and consequently corresponding provision for interest receivable has been reversed to 'Other Income' in the relevant 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 a civil suit 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 to which

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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 during the quarter/ subsequent to the end of the quarter, has 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 has requested the Registrar to drop one show cause notice based on the expert legal advice received. 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 and March 31, 2017, from the Directorate of Enforcement 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 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, all of which the Company has responded to. During the nine months ended December 31, 2017, the Company has received further queries from authorised dealers in connection with:

   I. item iii) above to which the Company is in the process of responding; and
   II. item iv) above to which the Company has responded.

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

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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 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. During the quarter ended December 31, 2017, the Bank accordingly has filed an application before DRAT, impleading the Company in the proceedings.

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 the period 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. During the quarter, company has utilized Rs. 3,200 million out of the existing provision of Rs. 3,327 million and offset receivable of equivalent amount from the said customer. The customer and the Company have agreed on the revised price and trading terms for future supplies.

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 held Section 19(4) of the Bihar Excise Act, 1915, as ultra vires the

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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.

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 had further 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 has destroyed such stocks which could not be transferred. In relation to certain raw materials lying in the State of Bihar, the Company during the quarter has received an approval from the Department of Liqour Prohibition, Bihar for sale of such raw material to entities outside the State of Bihar, before January 31, 2018.

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 six months ended September 30, 2017, an additional provision of Rs. 180 million had been made towards inventory reprocessing charges which had been disclosed as an exceptional item. During the quarter ended September 30, 2017, the Company had 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 which is presently pending adjudication.

11. On January 15, 2016, the Company entered into an agreement for 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. The Company has during the quarter ended December 31, 2017 secured the approval of Reserve Bank of India under the Foreign Exchange Management Act, 1999 without prejudice to any action that may be taken by the Directorate of Enforcement [Refer Note 7(c)] or any other investigating agency as a result of their ongoing investigation. Pending other approvals, no effect has been

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given in respect of this transaction in this statement of standalone un-audited financial results for the quarter and nine months ended December 31, 2017.

12. Details of exceptional items:

Amounts in Rs., millions

Particulars	Quarter ended December 31, 2017	Nine months ended December 31, 2017
Impairment loss recognized on Property, Plant and Equipment in relation to certain manufacturing units	(126)	(126)
Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 10)	-	(180)
Reversal of excess onerous provision in respect of committed supplies to a customer no longer required (Refer Note 9)	-	28
Total	**(126)**	**(278)**

13. The figures for previous periods have been regrouped/ reclassified to conform with 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 of Directors and approved by the Board of Directors at their meetings held on January 23, 2018.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Mumbai
January 23, 2018

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Independent Auditors' Report on Review of Interim Results for the quarter ended December 31, 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 December 31, 2017 which are included in the accompanying 'Statement of Standalone Unaudited financial results for the quarter and nine months ended December 31, 2017' (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.

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 erstwhile 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 erstwhile 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 and has destroyed such stock which could not be transferred. In relation to certain raw material lying in the State of Bihar, the Company has received approval from the Department of Liquor Prohibition, Bihar for sale of such raw material to entities outside the State of Bihar, by January 31, 2018. 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 quarter ended September 30, 2017 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, which is presently pending adjudication.

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 during the quarter/ subsequent to the end of the quarter, has filed applications for compounding of offences with the Registrar

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

in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and has requested the Registrar to drop one show cause notice based on an expert legal advice received;

iii) regarding the ongoing investigation by the Directorate of Enforcement 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 Reports submitted for prior years 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
January 23, 2018

DIAGEO
INDIA

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter and nine months ended 31 December 2017

(Standalone only)

PAT increased 28% in the nine months despite the challenging regulatory environment

Third quarter performance highlights:

- Reported net sales declined 8% impacted by the one off impact of operating model changes. Underlying* net sales declined 2%, as growth from lapping the impact of demonetization and pricing benefits were more than offset by the adverse impact of expected route to market changes in certain states and the highway ban.
- Prestige & Above segment reported net sales declined 3%. Underlying* net sales were down 1%.
- Popular segment reported net sales declined 16% impacted by the one off impact of operating model changes. Underlying* net sales declined 2%. Priority states grew net sales by 6%.
- Gross margin of 47.4%, up 531bps driven mainly by price increases, productivity initiatives and operating model changes. Underlying* gross margin improvement of 373bps.
- EBITDA Rs. 272 Crores, down 8% primarily driven by increased marketing investment, up 27%. EBITDA margin at 12% remained flat. Underlying* EBITDA declined 4% and underlying* EBITDA margin declined 29bps to 13.1%.
- Interest cost Rs. 66 Crores, lower by 29% driven by favourable rates and mix of debt.
- Profit after tax Rs. 135 Crores, down 9% including an exceptional charge of Rs. 13 Crores relating to supply footprint rationalisation. PAT margin of 6% remained flat.

Nine months performance highlights:

- Reported net sales declined 8% impacted by the one off impact of operating model changes. Underlying* net sales declined 2%, as growth from lapping the impact of demonetization and pricing benefits were more than offset by the adverse impact of expected route to market changes in certain states and the highway ban.
- Prestige & Above segment reported net sales remained flat with 3ppts positive price/mix. Underlying* net sales were up 1% with 2ppts positive price/mix.
- Popular segment reported net sales declined 19% impacted by the one off impact of operating model changes. Underlying* net sales declined 6%. Priority states declined net sales by 1%.
- Gross margin of 47%, up 459bps driven mainly by price increases, productivity initiatives and operating model changes. Underlying* gross margin improvement of 301bps.
- EBITDA Rs. 747 Crores, up 5%, EBITDA margin of 12.5%, up 158bps both primarily driven by increased gross margin and lower staff costs. Underlying* EBITDA was up 4% and underlying EBITDA margin of 13.2%, was up 73bps.
- Interest cost Rs. 202 Crores, lower by 29% driven by favourable rates and mix of debt.
- Profit after tax Rs. 351 Crores, up 28%, PAT margin of 5.8%, up 165bps.

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

Anand Kripalu, CEO, commenting on the quarter and nine months ended 31 December 2017 said:

"Our net sales performance was adversely impacted in this quarter by the expected route to market changes in certain states, and to a lesser extent, by the residual effects of the highway ban. Given this context, I am particularly pleased with our gross margin improvement, which has allowed us to significantly increase marketing investment by 27% and, thereby, invest in the future.

Impacted by the expected route to market changes, underlying net sales of the Prestige and Above segment declined 1%, and Popular segment by 2% in the third quarter.

Fuelled by more extensive price increases, premiumization and accelerated productivity, the underlying gross margin in the quarter has expanded by 373bps. This, coupled with organizational efficiencies has allowed enhanced marketing investment, resulting in an underlying quarterly EBITDA margin of 13.1%, broadly in line with the previous year.

Over the nine months our underlying gross margin improved by 301bps and EBITDA margin by 73bps. These, coupled with significantly lower interest costs have led to an increase in PAT by 28%.

Recently, USL made its maiden issue of NCDs of 750 Cr. to refinance existing higher cost debt. We are also pleased with the enhancement of our long term credit rating to AA+ assigned by CRISIL.

Looking ahead, while the adverse impact of the highway ban is behind us, we do expect to see continued impact of route to market changes in certain states in this financial year. Importantly, we now expect that the adverse impact of GST will be more than offset by productivity savings and pricing.

We remain committed to capture the long term opportunity in the spirits market, to achieve double digit top line growth and improve margins to mid-high teens in the medium term."

KEY FINANCIAL INFORMATION

For the nine months ended 31 December 2017

Summary financial information

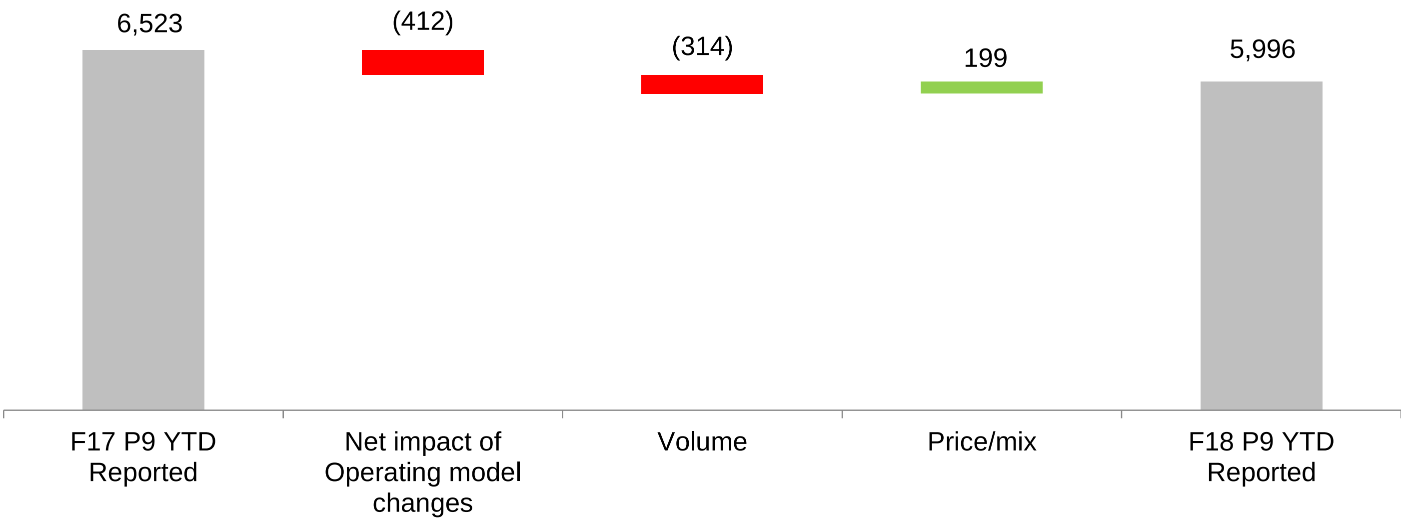
		F18 P9 YTD	F17 P9 YTD	Movement %
Volume	*EUm*	**57.6**	68.8	(16)
Net sales	*Rs. Crores*	**5,996**	6,523	(8)
COGS	*Rs. Crores*	**(3,176)**	(3,754)	(15)
Gross profit	*Rs. Crores*	**2,821**	2,769	2
Staff cost	*Rs. Crores*	**(475)**	(546)	(13)
Marketing spend	*Rs. Crores*	**(568)**	(502)	13
Other Overheads	*Rs. Crores*	**(1,031)**	(1,010)	2
EBITDA	*Rs. Crores*	**747**	710	5
Other Income	*Rs. Crores*	**85**	93	(8)
Depreciation	*Rs. Crores*	**(98)**	(91)	9
EBIT	*Rs. Crores*	**734**	712	3
Interest	*Rs. Crores*	**(202)**	(284)	(29)
PBT before exceptional items	*Rs. Crores*	**532**	428	24
Exceptional items	*Rs. Crores*	**(28)**	(35)	(21)
PBT	*Rs. Crores*	**504**	393	28
Tax	*Rs. Crores*	**(154)**	(119)	29
PAT	*Rs. Crores*	**351**	274	28

Key performance indicators as a % of net sales:

		F18 P9 YTD	F17 P9 YTD	Movement bps
Gross profit	*%*	**47**	42.4	459
Staff cost	*%*	**7.9**	8.4	46
Marketing spend	*%*	**9.5**	7.7	(176)
Other Overheads	*%*	**17.2**	15.5	(171)
EBITDA	*%*	**12.5**	10.9	158
PAT	*%*	**5.8**	4.2	165
Basic earnings per share	*rupees*	**24.1**	18.8	5.3rupees
Earnings per share before exceptional items	*rupees*	**25.5**	20.6	4.9rupees

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

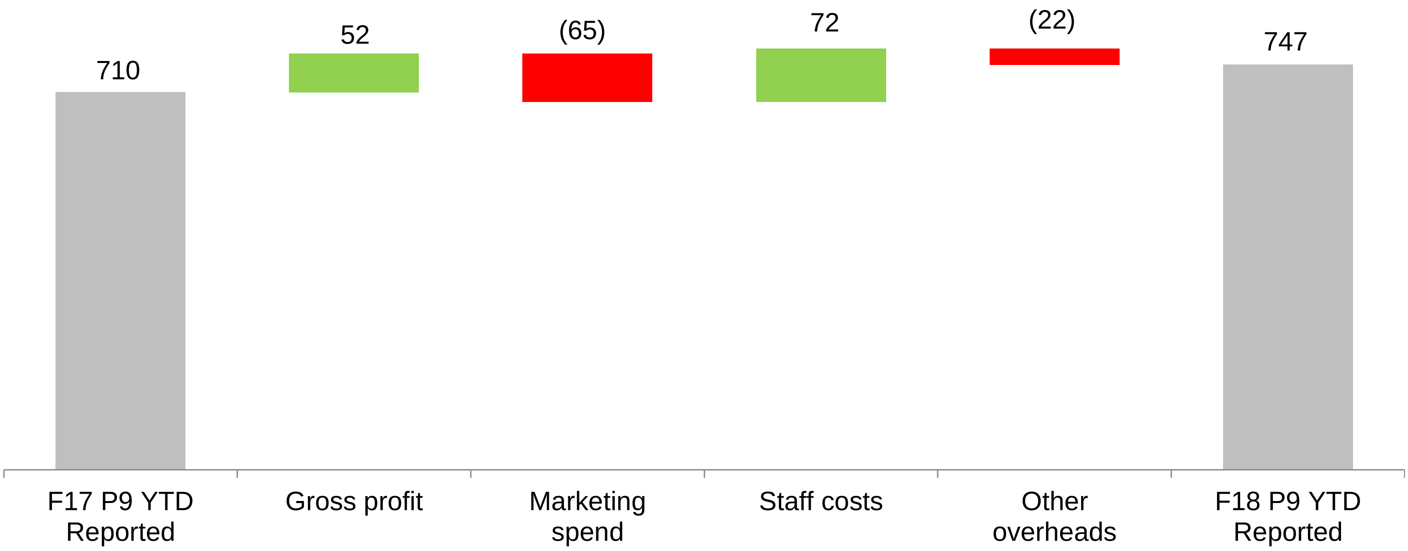
Net sales (Rs. Crores)



Reported net sales declined 8% in the nine months impacted by the one off impact of operating model changes. Underlying net sales, excluding the one off impact, declined 2%, as growth from lapping the demonetization and pricing benefits were more than offset by the adverse impact of expected route to market changes in certain states and the highway ban.

Excluding the one off impact, underlying volume declined 5% primarily driven by the popular segment volume decline of 9%. Positive price/mix was driven primarily by price increases in several states and our continued focus on premiumisation and brand renovation in the Prestige & Above segment.

EBITDA (Rs. Crores)



EBITDA at Rs. 747 Crores, increased by 5%. Rs. 52 Crores increase in gross profit was driven mainly by price increases in select states, continued focus on productivity initiaties and positive mix. Marketing investments were focused mainly behind brand renovations and innovations in the Prestige & Above segment and increased by 13% in nine months. Staff cost decreased by 13%, including one off restructuring cost of Rs. 20 Crores in the current year and Rs. 31 Crores in the previous year, benefitting from the savings delivered by the organisational changes. Other overheads increased by 2%, including one off costs relating to organizational changes Rs. 25 Crores in the current year and Rs. 19 Crores in the previous year. Underlying EBITDA increased by 4%.

EBITDA margin (%, bps)

EBITDA margin of 12.5% increased by 158bps compared to last year. Gross margin improvement of 459bps including the one off impact of operating model changes, 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 increased 2%, the negative impact on margin was primarily driven by a reduction in reported net sales. Underlying EBITDA margin of 13.2% increased by 73bps.

SEGMENT AND BRAND REVIEW

For the quarter and nine months ended 31 December 2017

Key segments*:

	Volume F18 P9 YTD *EUm*	Volume F17 P9 YTD *EUm*	Volume movement *%*	**Net sales F18 P9 YTD** *Rs. Crores*	Net sales F17 P9 YTD *Rs. Crores*	Net sales movement *%*
Prestige and above	**27.4**	28.3	(3)	**3,788**	3,806	(0)
Popular	**30.2**	40.4	(25)	**2,105**	2,607	(19)

	Volume F18 Q3 *EUm*	Volume F17 Q3 *EUm*	Volume movement *%*	**Net sales F18 Q3** *Rs. Crores*	Net sales F17 Q3 *Rs. Crores*	Net sales movement *%*
Prestige and above	**9.9**	10.2	(3)	**1,429**	1,470	(3)
Popular	**11.2**	14.4	(22)	**798**	948	(16)

**Reported figures, not incorporating the one off impact of operating model changes.*

- The **Prestige & Above segment** underlying net sales grew 1% in the nine months, significantly impacted by the highway ban and the expected route to market changes in certain states. Growth from successful relaunches of McDowell's No. 1. Whiskey and Signature was offset by a decline in our scotch portfolio. Our new variant of Captain Morgan "Original Rum" has created a new offering in the rum segment and has had strong momentum post its national roll out.

- The **Popular segment** underlying net sales declined 6% in the nine months excluding the one off impact of operating model changes. Priority states net sales declined 1% in the nine months.

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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INDIA

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 Wednesday **24 January 2018** 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 25 January 2018 at www.diageoindia.com.

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