DIAGEO
INDIA

United Spirits Limited

Registered Office:
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#24 Vittal Mallya Road
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www.diageoindia.com

October 31, 2018

Ref: bm311018

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

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

Dear Sirs,

Sub: Un-Audited Financial Results for the quarter and six months ended September 30, 2018.

The Board of Directors of the Company at their meeting held today, has considered and taken on record the un-audited financial results of the Company for the quarter and six months ended September 30, 2018 ("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 results for the quarter and six months ended September 30, 2018

(INR in Millions except for earnings per share data)

		3 months ended September 30, 2018	3 months ended June 30, 2018	3 months ended September 30, 2017	6 months ended September 30, 2018	6 months ended September 30, 2017	Previous year ended March 31, 2018
		Unaudited	Unaudited	Unaudited	Unaudited	Unaudited	Audited
1	**Income**						
	(a) Revenue from operations	71,282	64,152	62,146	135,434	120,314	260,691
	(b) Other income	249	214	305	463	614	2,060
	Total income	**71,531**	**64,366**	**62,451**	**135,897**	**120,928**	**262,751**
2	**Expenses:**						
	(a) Cost of materials consumed	11,552	8,914	10,046	20,466	18,055	40,693
	(b) Purchase of stock-in-trade	741	254	635	995	917	2,375
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(947)	1,064	(457)	117	871	(177)
	(d) Excise duty	49,001	44,033	42,633	93,034	82,983	178,990
	(e) Employee benefits expense	1,414	2,048	1,594	3,462	3,252	6,601
	(f) Finance costs	415	559	659	974	1,362	2,611
	(g) Depreciation and amortisation expense	350	339	326	689	647	1,351
	(h) Others:						
	(i) Advertisement and sales promotion	2,005	2,112	1,449	4,117	3,076	7,882
	(ii) Other expenses	3,192	3,804	3,069	6,996	6,409	14,112
	Total expenses	**67,723**	**63,127**	**59,954**	**130,850**	**117,572**	**254,438**
3	**Profit / (loss) before exceptional items and taxation (1-2)**	**3,808**	**1,239**	**2,497**	**5,047**	**3,356**	**8,313**
4	Exceptional items (net)	-	-	(144)	-	(152)	90
5	**Profit / (loss) before taxation (3 + 4)**	**3,808**	**1,239**	**2,353**	**5,047**	**3,204**	**8,403**
6	Income tax expense						
	(a) Current tax charge	1,419	514	928	1,933	1,255	2,401
	(b) Deferred tax charge / (credit)	(198)	(88)	(106)	(286)	(211)	385
	Total tax expense	**1,221**	**426**	**822**	**1,647**	**1,044**	**2,786**
7	**Profit / (loss) for the period (5-6)**	**2,587**	**813**	**1,531**	**3,400**	**2,160**	**5,617**
8	Other Comprehensive Income						
	A. Items that will be reclassified to profit or loss	-	-	-	-	-	-
	B. Items that will not be reclassified to profit or loss						
	(i) Changes in fair value of FVOCI equity instruments	-	-	-	-	-	-
	(ii) Remeasurements of post-employment benefit obligations	20	20	(12)	40	(24)	126
	(iii) Income tax credit/ (charge) relating to these items	(7)	(7)	4	(14)	8	(43)
	Total other comprehensive income, net of income tax	**13**	**13**	**(8)**	**26**	**(16)**	**83**
9	**Total Comprehensive Income (7+8)**	**2,600**	**826**	**1,523**	**3,426**	**2,144**	**5,700**
10	**Earnings per share of INR 2/- each (refer note below):** Basic and Diluted (INR)	3.56	1.12	2.11	4.68	2.97	7.73

Note:

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

United Spirits Ltd. ★ Bangalore ★

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

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Statement of Assets and Liabilities as at September 30, 2018

(INR in Millions)

Balance Sheet	As at September 30, 2018 Unaudited	As at March 31, 2018 Audited
Assets		
Non-current assets		
Property, plant and equipment	10,710	9,901
Capital work-in-progress	1,210	980
Intangible assets	108	120
Financial assets		
Loans	5,278	5,800
Other financial assets	749	743
Investments in subsidiaries and associates	3,045	2,775
Deferred tax assets (net)	1,142	856
Income tax assets (net)	6,092	5,600
Other non-current assets	3,818	3,922
Total non-current assets	**32,152**	**30,697**
Current assets		
Inventories	19,840	18,694
Financial assets		
Trade receivables	23,946	26,998
Cash and cash equivalents	655	1,119
Bank balances other than cash and cash equivalents	80	79
Loans	245	263
Other financial assets	3,860	2,316
Other current assets	5,111	5,132
Total current assets	**53,737**	**54,601**
Assets classified as held for sale	548	1,417
Total assets	**86,437**	**86,715**
Equity and liabilities		
Equity		
Share capital	1,453	1,453
Other equity		
Reserves and surplus	26,637	23,585
Total equity	**28,090**	**25,038**
Non-current liabilities		
Financial liabilities		
Borrowings	7,519	7,527
Provisions	482	512
Total non-current liabilities	**8,001**	**8,039**
Current liabilities		
Financial liabilities		
Borrowings	18,608	21,435
Trade payables		
(A) total outstanding dues of micro enterprises and small enterprises; and	220	89
(B) total outstanding dues of creditors other than micro enterprises and small enterprises	13,833	14,151
Other financial liabilities	1,800	6,185
Provisions	2,885	2,930
Income tax liabilities (net)	5,324	4,577
Other current liabilities	7,676	4,271
Total current liabilities	**50,346**	**53,638**
Total liabilities	**58,347**	**61,677**
Total Equity and liabilities	**86,437**	**86,715**

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United Spirits Limited

Notes to the Statement of Standalone Unaudited Financial Results for the quarter and six months ended September 30, 2018 and Statement of Assets and Liabilities as at September 30, 2018

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

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

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

   Based on the evaluation of commercial arrangements with customers, the Company has identified certain discounts/ rebates/ incentives to customers which need to be accounted upfront. The Company has applied the Standard from April 1, 2018 and has adjusted the cumulative effect of adoption of Indian Accounting Standard 115 aggregating to INR 374 million (net of tax amounting to INR 198 million) in the Retained earnings as at April 1, 2018. The impact on account of adoption of the Indian Accounting Standard 115 on the results for the quarter and six months ended September 30, 2018 is not material.

3. **Additional Inquiry and Overseas Subsidiaries Rationalisation**

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

b) Further, in relation to its overseas subsidiaries and pursuant to its strategic objective of divesting non-core assets which began with the divestment of Bouvet Ladubay S.A.S, Chapin Landais S.A.S and United Spirits

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

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

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, the Company had pre-existing loans/ deposits/ advances/ accrued interest that were due to the Company and its subsidiaries from UBHL and its subsidiaries aggregating to INR 13,374 million and that were consolidated into, and recorded as, an unsecured loan through an agreement entered into between the Company and UBHL on July 3, 2013 ('Loan Agreement'). The Company has already made provision in prior financial years for the entire principal amount due, of INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has not recognised interest income on said loan aggregating to INR 5,654 million for the period from April 1, 2014 to September 30, 2018 (including INR 317 million and INR 634 million for the quarter and six months ended September 30, 2018 respectively). The Company has offset payable to UBHL under the trademark agreement amounting to INR 82 million and INR 163 million for the quarter and six months ended September 30, 2018 respectively against the aforesaid loan and other receivable from UBHL. The cumulative offset up to September 30, 2018 amounted to INR 1,194 million which comprises of interest on aforesaid loan aggregating to INR 846 million, loan receivable of INR 129 million and other receivable from UBHL aggregating to INR 219 million. Consequently the corresponding provision for interest, loan and other receivable has been reversed to 'Other Income' in the relevant periods, to the extent of aforesaid offset.

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

5. **Excess managerial remuneration**

a) The managerial remuneration for the financial year ended March 31, 2015 aggregating INR 63 million and INR 153 million to the Managing Director & Chief Executive Officer ('MD & CEO') and the former Executive Director and Chief Financial Officer ('ED & CFO'), respectively, was approved by the shareholders at the annual general meeting of the Company held on September 30, 2014. The aforesaid remuneration includes amounts paid in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 51 million to the MD & CEO and by INR 134 million to the former ED & CFO. Accordingly, the Company applied for the requisite approval from the Central Government for such excess remuneration. The Central Government, by letters dated April 28, 2016 did not approve the Company's applications. On

May 24, 2016 the Company resubmitted the applications, along with detailed explanations, requesting the Central Government to reconsider approving the waiver of excess remuneration paid. The Company is awaiting response from the Central Government to its resubmitted application in respect of the MD & CEO. Consequent to the notification of Section 197(17) of the Companies Act, 2013 effective September 12, 2018, the pending application of MD & CEO resubmitted to the Central Government seeking approval automatically stands abated and the Company is in the process of obtaining requisite approvals from the shareholders within the time prescribed. In light of the findings from the Additional Inquiry, by its letter dated July 12, 2016 the Company withdrew its application for approval of excess remuneration paid to the former ED & CFO, and has filed a civil suit before the jurisdictional court to recover the sums from the former ED & CFO.

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

The company proposes to seek requisite approvals of the shareholders shortly for the remuneration paid/ payable to the Executive Directors and remuneration payable to Non executive Directors for the financial year ending March 31, 2019 in terms of Section 197 of the Act, as amended.

6. **Regulatory notices and communications**

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

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

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

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

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

7. **Dispute with a bank**

As disclosed in the financial statements for the years ended March 31, 2015, March 31, 2016, March 31, 2017 and March 31, 2018, during the year ended March 31, 2014, the Company decided to prepay a term loan taken from a bank in earlier years under a consortium arrangement, secured by assets of the Company and pledge of shares of the Company held by the USL Benefit Trust (of which the Company is the sole beneficiary). The Company deposited a sum of INR 6,280 million, including prepayment penalty of INR 40 million, with the bank and instructed the bank to debit the amount from its cash credit account towards settlement of the loan and release the assets and shares pledged by the Company. The bank, however, disputed the prepayment. The Company has disputed the stand taken by the bank and its writ petition filed on November 6, 2013 is pending before the Hon'ble High Court of Karnataka. In August 2015, the bank obtained an *ex parte* injunction in proceedings between the bank and Kingfisher Airlines Limited (KFA), before the Debt Recovery Tribunal, Bangalore ('DRT'), restraining the USL Benefit Trust from disposing of the pledged shares until further orders. The Company and USL Benefit Trust, upon receiving notice of the said order, filed their objections against such *ex parte* order passed in proceedings in which neither the Company nor the USL Benefit Trust were enjoined as parties. In February 2016, the Company received a notice from the bank seeking to recall the loan and demanding a sum of INR 459 million. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of INR 459 million with the bank, the bank should hold the same in a suspense account and should not deal with any of the secured assets including shares pledged with the bank till disposal of the original writ petition filed by the Company before the Hon'ble High Court of Karnataka. During the quarter ended June 30, 2016, the Company deposited the said sum and replied to the bank's various notices in light of the above. The aforesaid amount has been accounted as other non-current financial asset. On January 19, 2017, the DRT dismissed the application filed by the bank seeking the attachment of USL Benefit Trust shares. During the quarter ended September 30, 2017, the bank filed an *ex-parte* appeal before the Debt Recovery Appellate Tribunal ('DRAT'), Chennai against the order of the DRT. During the quarter ended December 31, 2017, the Company has been impleaded in the proceedings subsequent to the DRAT's order. There has been no further material development in this matter subsequent to the quarter ended December 31, 2017.

8. **Receivable from Bihar government**

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

United Spirits Ltd. Bangalore

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The notification was challenged in the Hon'ble High Court of Patna which set aside the notification by an order dated September 30, 2016, and held Section 19(4) of the Bihar Excise Act, 1915, as amended by Bihar Excise (Amendment) Act, 2016, as ultra vires the Constitution of India. Subsequently, the Government of Bihar re-imposed prohibition by notifying a new legislation i.e., The Bihar Prohibition and Excise Act, 2016, on October 2, 2016. The Government of Bihar also preferred a special leave petition ("SLP") before the Hon'ble Supreme Court against the judgement of the Hon'ble High Court of Patna pursuant to which the Hon'ble Supreme Court has stayed the order of the Hon'ble High Court of Patna. The Company had sought refund of VAT of INR 287 million and Excise duty of INR 265 million aggregating to INR 553 million (including VAT of INR 179 million and Excise duty of INR 175 million paid by the Company's tie-up manufacturers) from the Government of Bihar under the applicable law at that time, in respect of billed stocks returned by Bihar State Beverages Corporation Limited ("BSBCL") or stocks destroyed pursuant to the notifications.

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

During the quarter ended September 30, 2018, consequent to the order of the Hon'ble High Court of Patna in response to the above mentioned writ petition, the Company has received a refund of VAT of INR 73 million and Excise duty of INR 0.04 million from Government of Bihar. The Company is in the process of preparing relevant submissions to the High Court for claiming the remaining amounts. Consequently, the Company believes that the remaining amounts of VAT and Excise duty dues by the Government of Bihar (including to Company's tie-up manufacturers) are recoverable.

During the quarter ended March 31, 2018, the Company had received a demand from BSBCL seeking demurrage charges for the stock that was lying in their warehouses post the imposition of prohibition till the same was shifted out of the state pursuant to the orders of the Supreme Court. The Company has refuted the claim and has filed a detailed response. During the quarter ended September 30, 2018, there is no further development on this matter.

9. The Statement of Standalone Unaudited Financial Results for the quarter and six months ended September 30, 2018 and the Statement of Assets and Liabilities as at September 30, 2018 have been reviewed by the Audit and Risk Management Committee of the Board of Directors held on October 30, 2018 and approved by the Board of Directors at their meetings held on October 31, 2018. The statutory auditors of the Company have carried out a limited review of this Statement of Standalone Unaudited Financial Results for the quarter and six months ended September 30, 2018 and the Statement of Assets and Liabilities as at September 30, 2018.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Mumbai
October 31, 2018

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The Board of Directors
United Spirits Limited
UB Tower
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Independent Auditors' Report on Review of Interim Results for the quarter ended September 30, 2018

Introduction

1. We have reviewed the unaudited financial results of United Spirits Limited (the "Company") for the quarter ended September 30, 2018 which are included in the accompanying 'Statement of Standalone Unaudited financial results for the quarter and six months ended September 30, 2018' and the 'Statement of assets and liabilities as at September 30, 2018' (together 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 5 (a) to the Statement, the Managerial remuneration for the year ended March 31, 2015 included amounts paid to managerial personnel in excess of the limits prescribed under the provisions of Schedule V to the Companies Act, 2013 by INR 51 million to the Managing Director and Chief Executive Officer (MD & CEO) and by INR 134 million to the former Executive Director and Chief Financial Officer (ED & CFO). With regard to excess remuneration paid to MD & CEO, the Company had made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Consequent to the notification of Section 197(17) of the Companies Act, 2013 effective September 12, 2018, the pending

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application of MD & CEO resubmitted to the Central Government seeking approval automatically stands abated and the Company is in the process of obtaining requisite approvals from the shareholders within the time prescribed. 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 such excess remuneration from the former ED & CFO.

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

ii) As explained in Note 3 (b) to the Statement, pursuant to its strategic objective of divesting non-core assets and rationalization of its overseas subsidiaries, the Company has commenced the rationalization process and has sought approval of regulatory authorities for divesting its stake in an overseas subsidiary and liquidating three of its wholly owned overseas subsidiaries. The completion of the above divestment as well as liquidations by the Company are subject to regulatory and other approvals (in India and overseas). At this stage, it is not possible for the management to estimate the financial impact on the Company, if any, arising out of any potential historical non-compliances, if any, with applicable laws, with respect to its overseas subsidiaries.

c) As explained in Note 7 to the Statement, the Company is in litigation with a bank ("the Bank") that continues to retain the pledge of certain assets of the Company and of the Company's shares held by USL Benefit Trust (of which the Company is the sole beneficiary) despite the Company prepaying the term loan to that bank along with the prepayment penalty and further depositing an additional sum of INR 459 million demanded by the Bank and as directed by the Hon'ble High Court of Karnataka (the "Court"). The Court has directed the Bank not to deal with the pledged assets of the Company (including the shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Company in the Court.

d) As explained in Note 8 to the Statement, there is an uncertainty related to the outcome of the writ petition filed by the Company before the Hon'ble High Court of Patna on October 17, 2017 pursuant to the letter dated August 16, 2017 received by the Company from the Government of Bihar stating that it is not liable to refund the statutory duties i.e. VAT and Excise duty paid aggregating to INR 287 million and INR 266 million respectively (including statutory duties paid by the Company's tie-up manufacturers) under the applicable law at the time, in respect of billed stocks returned by Bihar State Beverages Corporation Limited ("BSBCL") or stocks destroyed pursuant to notifications under the Bihar Prohibition and Excise Act, 2016 consequent 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. Consequent to the order of the Hon'ble High Court of Patna received during the quarter, the Company has received a refund of VAT aggregating to INR 73 million and Excise duty of INR 0.04 million from Government of Bihar. Based on the reasons stated in the note, the Company has considered the remaining amounts of VAT and Excise duty as recoverable.

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

e) Note 6 to the Statement:

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

ii) regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Companies Act, 2013 by Ministry of Corporate Affairs/ Registrar of Companies, Karnataka, alleging violation of certain provisions of the Companies Act, 1956 and Companies Act, 2013, to which the Company had responded. Further, the Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the "Registrar") inviting the Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Company thereafter had filed applications for compounding of offences with the Registrar in relation to three show cause notices, applications for adjudication with the Registrar in relation to two show cause notices and had requested the Registrar to drop one show cause notice based on expert legal advice received, for which response is awaited.

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

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

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

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

Pradip Kanakia
Partner
Membership Number: 039985

October 31, 2018
Bengaluru

DIAGEO
INDIA

UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter and six months ended 30 September 2018

(Standalone only)

Net sales grew 14% supported by robust performance of Prestige & Above portfolio

Second quarter performance highlights:

- Reported net sales increased 14% delivered through the continued strong performance of the Prestige and Above segment, an improved performance in the popular segment as well as benefitting from lapping the impact of the highway ban in the same period last year. Net sales excluding the one-off impact of operating model changes increased 15%.
- Prestige & Above segment net sales grew 19%, despite growing double digits in the same period last year.
- Popular segment reported net sales grew 8% driven by the underlying momentum and benefitting from a low base last year. Net sales growth, after adjusting for the impact of operating model changes, was 10%. Net sales of Popular segment in priority states grew by 11%.
- Gross margin was 49.1%, up 147bps, largely driven by productivity gains that more than offset the adverse impact of inflation. Underlying* gross margin improvement was 120bps.
- Reported EBITDA was Rs. 432 Crores, up 36%, driven by increased gross profit and lower staff costs, which more than offset higher marketing investment. Reported EBITDA margin was 19.4%, up 313bps. Underlying* EBITDA increased 36% and underlying* EBITDA margin improved by 303bps.
- Interest costs were Rs. 42 Crores, 37% lower than prior year, driven by lower debt, improved debt-mix and lower interest rates.
- Profit after tax was Rs. 259 Crores, up 69%.

First half performance highlights:

- Reported net sales increased 14% as the business benefitted from lapping the impact of the highway ban last year and driven by strong performance of Prestige & Above segment. Underlying net sales excluding the impact of the operating model changes also grew 14%.
- Prestige & Above segment net sales grew 19% with 5ppts positive price/mix.
- Popular segment reported net sales grew 3%. Underlying net sales excluding the impact of operating model changes grew 5%. Net sales of Popular segment in priority states grew by 9%.
- Gross margin was 49.1%, up 226bps, mainly due to productivity gains and flow through effect of pricing that more than offset the adverse impact of inflation. Underlying* gross margin, improved by 190bps.
- Reported EBITDA was Rs. 625 Crores, up 31%; reported EBITDA margin was 14.7%, up 201bps primarily driven by increased gross margin and savings in staff costs and other overheads, which more than offset higher marketing investment that increased by 34%. Underlying * EBITDA increased by 33% and underlying* EBITDA margin was higher by 221bps.
- Interest costs were Rs.97 Crores, 28% lower than prior year, driven by lower debt and more favourable debt-mix.
- Profit after tax was Rs.340 Crores, up 57%.

Anand Kripalu, CEO, commenting on the quarter and six months ended 30 September 2018 said:

We continued to deliver a strong performance with a second consecutive quarter of double digit sales growth. Reported net sales growth during the quarter was 14%, driven by strong growth in both the Prestige and Above and Popular segments, while also benefitting from a relatively lower base last year.

In the second quarter, the Prestige and Above segment net sales grew 19%, despite growing by double digits in the same quarter last year. With a third consecutive quarter of double digit sales growth, the segment now represents 66% of net sales. Within the segment, our Scotch brands showed strong growth and our renovated Prestige brands, such as Royal Challenge and Signature, also grew faster than the overall segment.

On the profitability front, I am pleased that we have delivered robust gross margin improvement both in the quarter as well as the first half, driven mainly by savings from our productivity programme which more than offset the adverse impact of inflation.

Investing behind our brands continues to be an area of focus for us, with reinvestment rate increasing to 9.7% in the first half, versus 8.2% in the same period last year.

Increased gross margin coupled with organizational efficiencies has led to an underlying* EBITDA margin of 15.6% in the first half, up 221bps, despite significantly higher marketing investment.

Improved operating performance combined with lower interest costs have helped us deliver an overall PAT increase of 57% in the first half.

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 digits consistently and improve EBITDA margin to mid-high teens."

**Underlying movement in margin excludes the one-off impact of operating model changes as well as any one-off costs.*

KEY FINANCIAL INFORMATION

For the six months ended 30 September 2018

Summary financial information

		F19 H1	F18 H1	Movement %
Volume	*EUm*	**38.6**	36.6	**6**
Net sales	*Rs. Crores*	**4,240**	**3,733**	**14**
COGS	*Rs. Crores*	(2,158)	(1,984)	9
Gross profit	*Rs. Crores*	**2,082**	**1,749**	**19**
Staff cost	*Rs. Crores*	(346)	(325)	6
Marketing spend	*Rs. Crores*	(412)	(308)	34
Other Overheads	*Rs. Crores*	(700)	(641)	9
EBITDA	*Rs. Crores*	**625**	**475**	**31**
Other Income	*Rs. Crores*	46	61	(25)
Depreciation	*Rs. Crores*	(69)	(65)	6
EBIT	*Rs. Crores*	**602**	**472**	**28**
Interest	*Rs. Crores*	(97)	(136)	(28)
PBT before exceptional items	*Rs. Crores*	**505**	**336**	**50**
Exceptional items	*Rs. Crores*	-	(15)	(100)
PBT	*Rs. Crores*	**505**	**320**	**58**
Tax	*Rs. Crores*	(165)	(104)	58
PAT	*Rs. Crores*	**340**	**216**	**57**

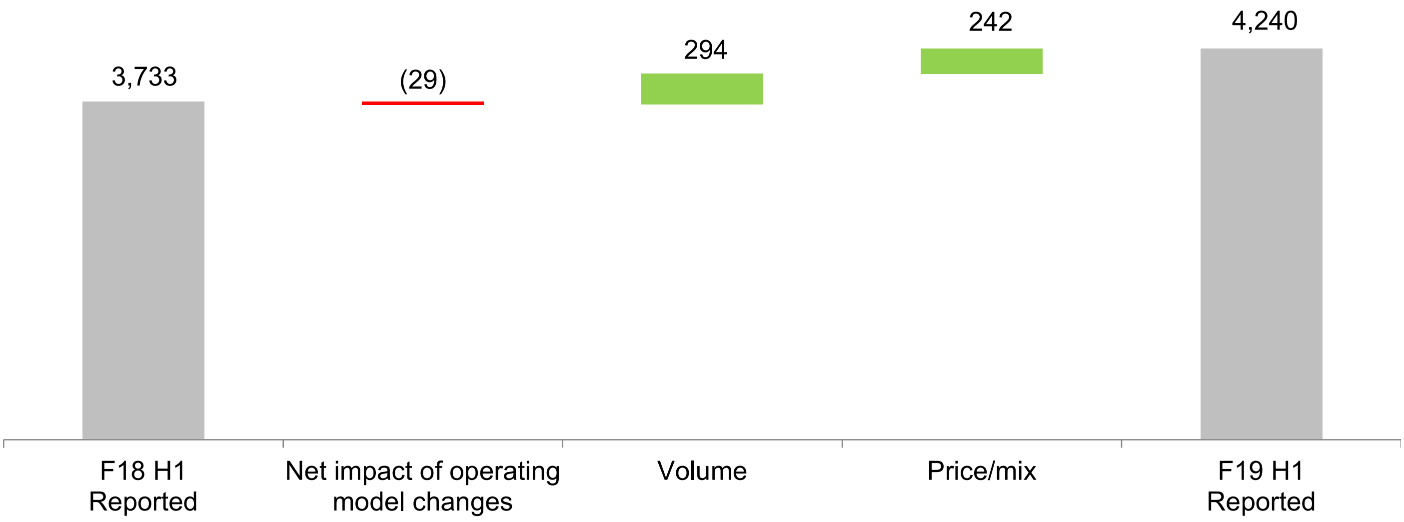
Key performance indicators as a % of net sales:

		F19 H1	F18 H1	Movement bps
Gross profit	%	49.1	46.8	226
Staff cost	%	8.2	8.7	55
Marketing spend	%	9.7	8.2	(147)
Other Overheads	%	16.5	17.2	67
EBITDA	%	14.7	12.7	201
PAT	%	8.0	5.8	223
Basic earnings per share*	*rupees*	4.7	3.0	1.7 rupees
Earnings per share before exceptional items*	*rupees*	4.7	3.1	1.6 rupees

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

EPS for F18H1 has been adjusted to reflect the new number of shares post the 1:5 share-split that became effective in F19.

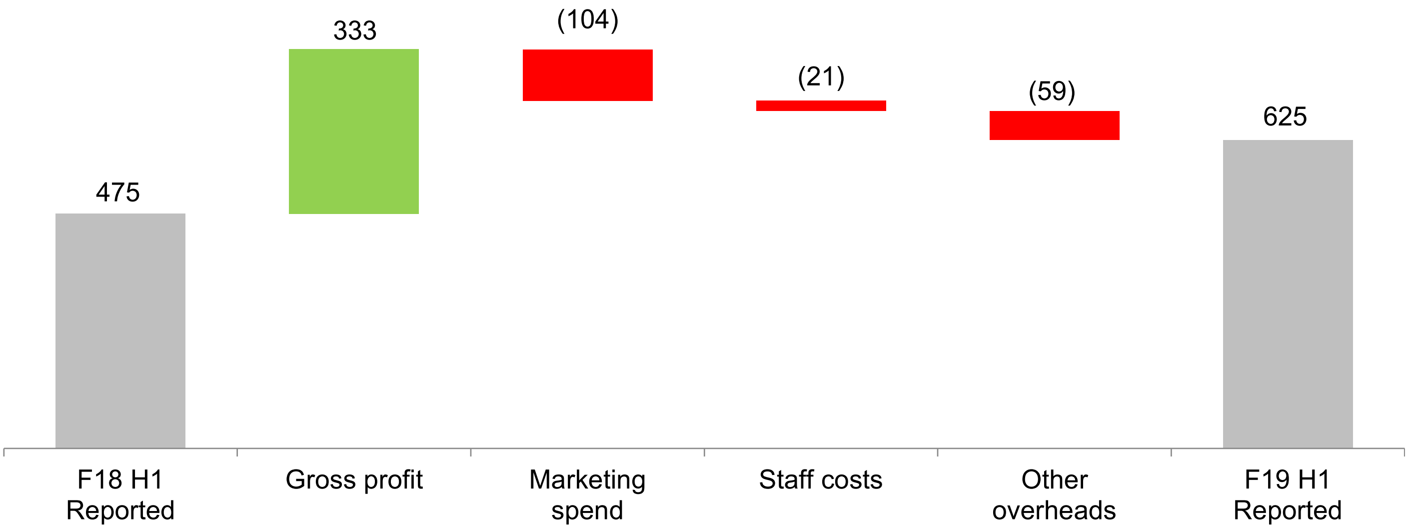
Net sales (Rs. Crores)



Reported net sales in the first half of the financial year grew 14%, largely driven by growth in the Prestige & Above segment, improved performance of the Popular segment while also benefitting from a low comparative impacted by the highway ban last year. Even after adjusting for the operating model changes, net sales increased 14%. Net Sales of Prestige & Above segment grew 19% while net sales of Popular segment grew 5% after adjusting for the operating model changes.

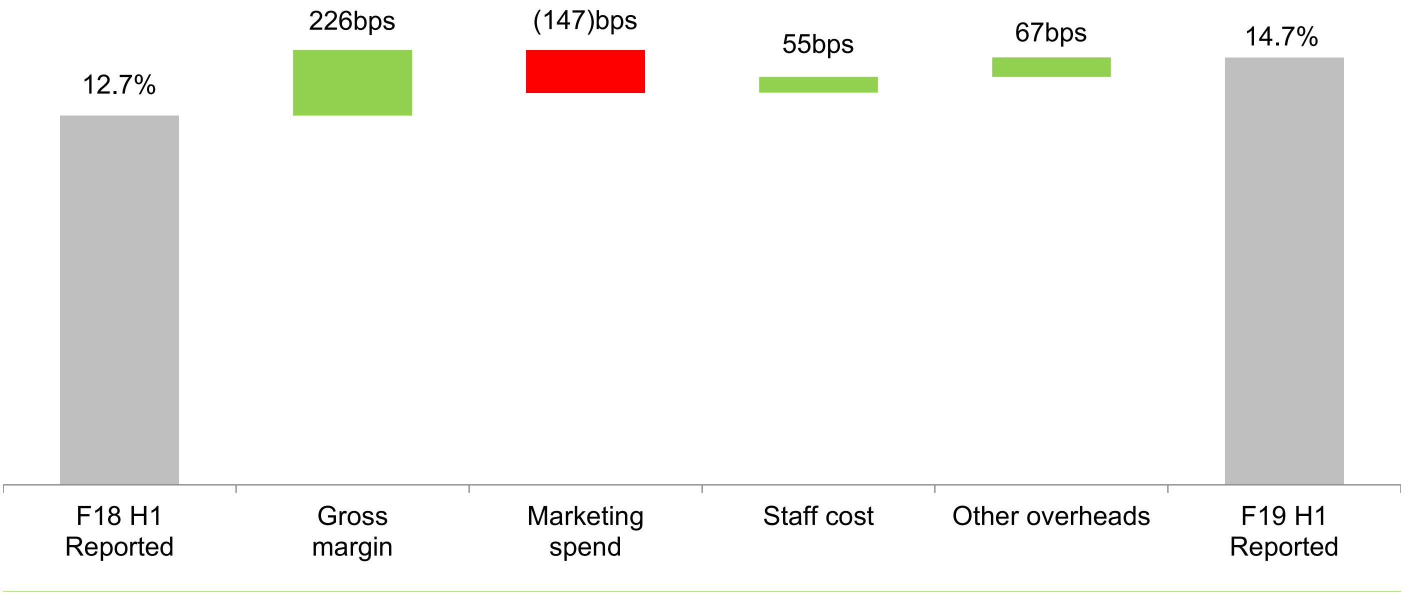
After adjusting for the operating model changes, underlying volume increased 8% as the Prestige & Above volume growth of 14% outpaced Popular segment volume growth of 2%. Underlying price/mix for the first half was 6.5%, as we benefitted from prior year pricing and faster growth in the more premium parts of the portfolio.

EBITDA (Rs. Crores)



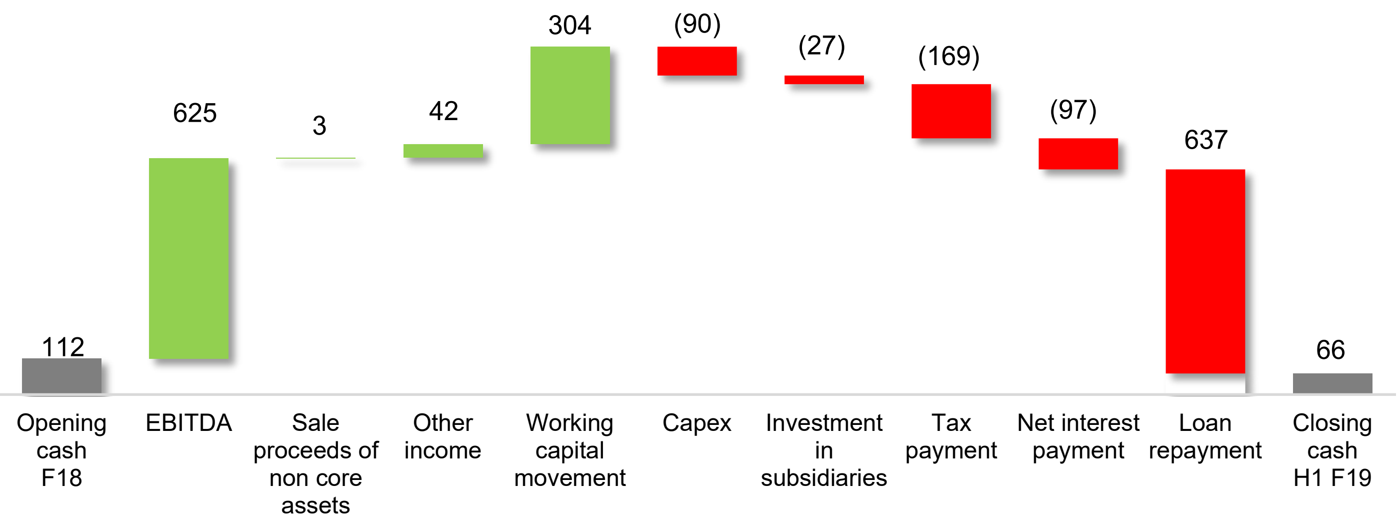
EBITDA at Rs. 625 Crores, increased 31% versus last year. Gross profit increased by Rs. 333 Crores, mainly driven by higher sales, savings from our productivity programme and flow through effect of pricing which more than offset the negative impact of inflation. We continued to invest behind our brands as marketing investment increased by 34% with an overall reinvestment rate of 9.7%, up 147 bps versus last year. Reported staff cost increased 6%, driven by one-off restructuring cost of Rs. 36 Crores in the first quarter. Adjusted for the restructuring costs, staff costs declined 1% in the first half, as savings from prior year restructuring efforts more than offset inflation. Other overheads increased 9% mainly due to investment in capability building projects and factory improvements undertaken in the first quarter. Underlying EBITDA, after adjusting for the operating model changes as well as one-off costs increased by 33% versus last year.

EBITDA margin (%, bps)



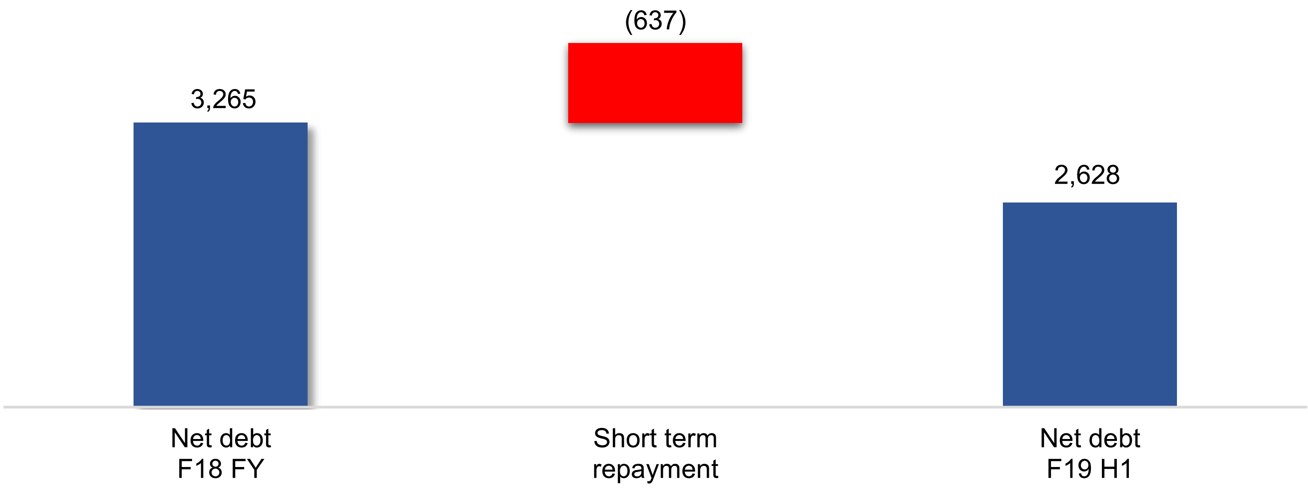
EBITDA margin of 14.7% improved by 201bps. Gross margin improved by 226bps while underlying gross margin, net of operating model changes, improved by 190bps. This improvement was primarily driven by productivity initiatives and pricing that more than offset the adverse impact of inflation. The improved gross margin was partially reinvested in marketing investments. Staff costs increased by 6%, despite higher one-off restructuring costs in the current period, but due to higher net sales growth, they contributed 55bps to EBITDA margin improvement. Other overheads increased by 9% versus last year but contributed 67bps to EBITDA margin improvement due to higher net sales growth. Underlying EBITDA margin, net of operating model changes and any one-off costs was 15.6%, higer by 221bps compared to same period last year.

Movement in cash (Rs. Crores)



Cash closed at Rs. 66 Crores for the first half. Non core asset divestment proceeds amounted to Rs 3 Crores and other income amounted to Rs 42 Crores. Decrease in working capital was mainly driven by reduction in receivables and lower advances. Capex was focused on projects for productivity and helath and safety. Cash generated from the underlying business was used towards debt repayment of Rs 637 Crores, resulting in a reduction in interest costs.

Movement in debt (Rs. Crores)



Closing net debt was Rs. 2,628 Crores. The company utilized profit from operations primarily to repay its short term borrowings amounting to Rs. 637 Crores. This reduction in debt together with better management of borrowing rates and favourable mix of debt reduced the total interest cost by Rs. 39 Crores in the first half of the year.

SEGMENT AND BRAND REVIEW

For the quarter and six months ended 30 September 2018

Key segments:

For the six months ended 30 September 2018

	Volume				Net Sales			
	F19 H1 Reported *EUm*	F18 H1 Reported *EUm*	Reported movement %	**Underlying* movement %**	**F19 H1 Reported *Rs. Cr.***	F18 H1 Reported *Rs. Cr.*	Reported movement %	**Underlying* movement %**
P&A	**20.0**	17.5	14	**14**	**2,815**	2,359	19	**19**
Popular	**18.6**	19.0	(2)	**2**	**1,340**	1,308	3	**5**

For the quarter ended 30 September 2018

	Volume				Net Sales			
	F19 Q2 Reported *EUm*	F18 Q2 Reported *EUm*	Reported movement %	**Underlying* movement %**	**F19 Q2 Reported *Rs. Cr.***	F18 Q2 Reported *Rs. Cr.*	Reported movement %	**Underlying* movement %**
P&A	**10.5**	9.1	15	**15**	**1,506**	1,264	19	**19**
Popular	**9.9**	9.4	5	**8**	**711**	658	8	**10**

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

  During the first half of the year, our Premium & Luxury portfolio grew faster than the Prestige portfolio led by our premiumisation efforts. Within the Scotch portfolio, Johnnie Walker and Black & White both showed robust growth, aided by activations that included a new visual identity of Johnnie Walker and the first ever TV commercial of Black & White.

  In the Prestige segment, key brands like Signature and Royal Challenge continued to deliver strong growth.

- The **Popular segment** accounted for 32% of net sales during the first half, down 3ppts compared to same period last year. The Popular segment net sales grew 5% during the first half, after adjusting for the one-off impact of operating model changes. Net sales of Popular segment in Priority states grew 9% during the first half of this year.

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

Cautionary statement concerning forward-looking statements

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

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INDIA

Q&A CONFERENCE CALL

Anand Kripalu, Managing Director and Chief Executive Officer and Sanjeev Churiwala, Executive Director and Chief Financial Officer will be hosting a Q&A conference call on Thursday, **1 November 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 7 November 2018 at www.diageoindia.com.

Conference Access Information

Option 1

Connect to your call without having to wait for an operator. It's easy, It's convenient, It's effective.

The above button has been hyperlinked for this specific conference only and should not be reused for other calls.

Option 2

When using dial-in numbers mentioned below please do so 10 minutes prior to the conference schedule to ensure that you are connected to your call in time.

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