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

May 24, 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 audited results for the quarter and year ended March 31, 2018

The Board of Directors of the Company at their meeting held today, has considered and approved the audited financial results of the Company for the quarter and year ended March 31, 2018.

The above results along with notes on the results, the report of the Auditors thereon and a press release in this regard are attached.

Kindly acknowledge receipt of the same.

Thanking you,

Yours Faithfully,
For United Spirits Limited

Ramachandran Venkatesan Iyer
Digitally signed by Ramachandran Venkatesan Iyer
Date: 2018.05.24 19:11:57 +05'30'

V Ramachandran
Company Secretary

Enclosed 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 Financial Results for the quarter and year ended March 31, 2018 **(INR in Millions except for earnings per share data)**

		Standalone					Consolidated	
		3 months ended March 31, 2018	**3 months ended December 31, 2017**	**3 months ended March 31, 2017**	**Year ended March 31, 2018**	**Year ended March 31, 2017**	**Year ended March 31, 2018**	**Year ended March 31, 2017**
		Audited (Refer Note 13)	**Unaudited**	**Audited (Refer Note 13)**	**Audited**		**Audited**	
1	**Income**							
	(a) Revenue from operations	69,004	71,373	64,852	260,691	253,988	265,559	257,568
	(b) Other income	1,210	236	185	2,060	1,111	2,189	1,053
	Total income	**70,214**	**71,609**	**65,037**	**262,751**	**255,099**	**267,748**	**258,621**
2	**Expenses:**							
	(a) Cost of materials consumed	11,509	11,129	10,180	40,693	46,342	41,259	46,755
	(b) Purchase of stock-in-trade	732	726	496	2,375	2,058	2,288	1,974
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	(1,107)	59	630	(177)	444	(141)	568
	(d) Excise duty	47,267	48,740	44,602	178,990	168,512	179,653	169,393
	(e) Employee benefits expense	1,853	1,496	1,210	6,601	6,674	6,809	6,882
	(f) Finance costs	591	658	853	2,611	3,690	2,710	3,751
	(g) Depreciation, amortisation and impairment expense	367	337	418	1,351	1,323	1,923	1,886
	(h) Others:							
	(i) Advertisement and sales promotion	2,207	2,599	1,645	7,882	6,667	7,916	6,734
	(ii) Others expenses	3,802	3,901	3,480	14,112	13,581	15,768	15,370
	Total expenses	**67,221**	**69,645**	**63,514**	**254,438**	**249,291**	**258,185**	**253,313**
3	**Profit / (loss) before exceptional items and tax (1-2)**	**2,993**	**1,964**	**1,523**	**8,313**	**5,808**	**9,563**	**5,308**
4	Exceptional items (net) (Refer Note 12)	368	(126)	(2,908)	90	(3,262)	(445)	(3,681)
5	**Profit / (loss) before tax (3 + 4)**	**3,361**	**1,838**	**(1,385)**	**8,403**	**2,546**	**9,118**	**1,627**
6	Income tax expense							
	(a) Current tax	929	217	(1,018)	2,401	549	2,532	571
	(b) Deferred tax charge / (credit)	322	274	648	385	271	171	99
	(c) MAT credit utilised/ (availed)	-	-	27	-	27	(104)	27
	Total tax expense	**1,251**	**491**	**(343)**	**2,786**	**847**	**2,599**	**697**
7	**Profit / (loss) for the period (5-6)**	**2,110**	**1,347**	**(1,042)**	**5,617**	**1,699**	**6,519**	**930**
8	Other Comprehensive Income							
	A. Items that will be reclassified to profit or loss							
	(i) Exchange differences on translation of foreign operations	-	-	-	-	-	(71)	(29)
	B. Items that will not be reclassified to profit or loss							
	(i) Changes in fair value of FVOCI equity instruments	-	-	9	-	18	-	18
	(ii) Remeasurements of post-employment benefit obligations	162	(12)	829	126	735	134	733
	(iii) Income tax credit/ (charge) relating to these items	(55)	4	(254)	(43)	(254)	(46)	(254)
	Total other comprehensive income, net of income tax	**107**	**(8)**	**584**	**83**	**499**	**17**	**468**
9	**Total Comprehensive Income (7+8)**	**2,217**	**1,339**	**(458)**	**5,700**	**2,198**	**6,536**	**1,398**
10(a)	**Profit attributable to:**							
	Owners						6,338	1,001
	Non-controlling interest						181	(71)
							6,519	**930**
10(b)	**Other comprehensive income attributable to:**							
	Owners						16	468
	Non-controlling interest						1	-
							17	**468**
10(c)	**Total comprehensive income attributable to: [10(a) + 10(b)]**							
	Owners						6,354	1,469
	Non controlling Interest						182	(71)
							6,536	**1,398**
11	**Earnings per share of INR 10/- each:**							
	Basic and Diluted (INR)	14.52	9.27	(7.17)	38.65	11.69	44.68 (*)	7.06 (*)

[(*) In calculating the weighted average number of outstanding equity shares during the period under consolidated Statement of results, Company has reduced its own shares held by USL Benefit Trust (of which the Company is sole beneficiary)].

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Statement of assets and liabilities as at March 31, 2018

(INR in Millions)

	Standalone		Consolidated	
	As at March 31, 2018	As at March 31, 2017	As at March 31, 2018	As at March 31, 2017
	Audited	Audited	Audited	Audited
ASSETS				
Non-current assets				
Property, plant and equipment	9,901	11,751	13,714	14,554
Capital work-in-progress	980	851	1,018	1,993
Investment properties	-	-	-	-
Goodwill	-	-	361	680
Other Intangible assets	120	121	3,838	3,932
Financial assets				
Loans	5,800	6,444	157	205
Other financial assets	743	1,106	1,077	1,292
Investments in subsidiaries	2,775	3,238	-	-
Deferred tax assets (net)	856	1,241	1,714	1,781
Income tax assets (net)	5,600	2,886	6,069	3,256
Other non-current assets	3,922	3,484	4,253	3,775
Total non-current assets	**30,697**	**31,122**	**32,201**	**31,468**
Current assets				
Inventories	18,694	18,538	19,197	19,276
Financial assets				
Investments	-	-	1	1
Trade receivables	26,998	29,605	27,112	29,534
Cash and cash equivalents	1,119	439	1,419	785
Bank balances other than cash and cash equivalents	79	84	1,141	87
Loans	263	189	299	227
Other financial assets	2,316	1,540	2,798	974
Other current assets	5,132	6,132	3,978	5,368
Total current assets	**54,601**	**56,527**	**55,945**	**56,252**
Assets classified as held for sale	1,417	316	1,417	1,239
Total Assets	**86,715**	**87,965**	**89,563**	**88,959**
EQUITY AND LIABILITIES				
EQUITY				
Share capital	1,453	1,453	1,453	1,453
Other equity				
Reserves and surplus	23,585	17,925	22,738	16,403
Equity attributable to the owners of the Group			**24,191**	**17,856**
Non-controlling interests			136	(25)
Total equity	**25,038**	**19,378**	**24,327**	**17,831**
LIABILITIES				
Non-current liabilities				
Financial liabilities				
Borrowings	7,527	8,569	7,628	8,697
Provisions	512	422	526	442
Total non-current liabilities	**8,039**	**8,991**	**8,154**	**9,139**
Current liabilities				
Financial liabilities				
Borrowings	21,435	28,272	23,013	29,069
Trade payables	14,240	11,798	14,551	12,247
Other financial liabilities	6,185	9,153	6,504	9,575
Provisions	2,930	2,615	3,093	2,752
Income tax liabilities (net)	4,577	3,317	4,577	3,317
Other current liabilities	4,271	4,441	5,344	4,864
Total current liabilities	**53,638**	**59,596**	**57,082**	**61,824**
Liabilities directly associated with assets classified as held for sale	-	-	-	165
Total liabilities	**61,677**	**68,587**	**65,236**	**71,128**
Total Equity and liabilities	**86,715**	**87,965**	**89,563**	**88,959**

United Spirits Limited

Statement of Financial Results for the quarter and year ended March 31, 2018

Notes:

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/ Group as a whole and hence the management considers Company/ Group business activities as a single operating segment (viz. Beverage alcohol).

2. The Group includes the Company's subsidiaries and a trust controlled by the Company. The entities included in the consolidated results are set out below:

Indian subsidiaries:
- Four Seasons Wines Limited
- Pioneer Distilleries Limited
- Royal Challengers Sports Private Limited
- Sovereign Distilleries Limited
- Tern Distilleries Private Limited

Overseas subsidiaries:
- Asian Opportunities and Investments Limited
- Liquidity Inc.
- McDowell & Co. (Scotland) Limited
- Montrose International S.A
- Palmer Investment Group Limited
- Shaw Wallace Overseas Limited
- UB Sports Management Overseas Limited
- United Spirits (Great Britain) Limited
- United Spirits Nepal Private Limited (up to February 28, 2018, Refer Note 11)
- United Spirits (Shanghai) Trading Company Limited
- United Spirits Singapore Pte Ltd
- United Spirits (UK) Limited
- USL Holdings Limited
- USL Holdings (UK) Limited

Trust controlled by the Company:
- USL Benefit Trust

Associate:
- Wine Society of India Private Limited

3. 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.

4. **Initial and Additional Inquiry**

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 executed settlement agreements with ten parties identified in the Initial Inquiry, and settlements with four parties were pending at the end of the previous financial year. During the quarter ended June 30, 2017, the Company reached settlements with two of the remaining parties. Discussions with one of the remaining parties 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, December 31, 2017 and March 31, 2018.

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. 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.

5. **Loan to UBHL**

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 INR 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 INR 13,374 million, and for the accrued interest of INR 846 million up to March 31, 2014. The Company has also not recognised interest income on said loan aggregating to INR 5,019 million for the period from April 1, 2014 to March 31, 2018 (including INR 317 million and INR 1,270 million for the quarter and year ended March 31, 2018, respectively). The Company has offset payable to UBHL under the trademark agreement amounting to INR 5 million for the quarter and INR 307 million during the year ended March 31, 2018 respectively (cumulatively INR 846 million up to March 31, 2018) 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 sought redressal of disputes and claims through arbitration under the terms of the Loan Agreement. On April 08, 2018, i.e., subsequent to the end of the financial year ended March 31, 2018, the arbitral tribunal passed a final order against the Company. The reasons for this adverse award are disputed by the Company, and the Company is presently working with legal experts to challenge the said award. 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 interest and loan receivable from UBHL.

6. **Excess managerial remuneration pertaining to earlier year**

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 ('Act') 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, 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. **Regulatory notices and communications**

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 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 thereafter 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 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 ('ED') in connection with agreements entered into with Dr. Vijay Mallya and investigations under the Foreign Exchange Management Act, 1999 and Prevention of Money Laundering Act, 2002 to which the Company had 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 had responded to. During the financial year ended March 31, 2018, the Company has received further queries from authorised dealers in connection with items (i), (iii) and (iv) above to which the Company has responded.

8. **Dispute with a bank**

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). 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 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 INR 474 million towards principal and interest on the said loan, which the Company contested in the Hon'ble High Court of Karnataka. 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 INR 459 million, and the Company also received a subsequent notice in March 2016 issued under section 13(2) of SARFAESI Act in relation to the same loan. Pursuant to an application filed by the Company before the Hon'ble High Court of Karnataka, in the writ proceedings, the Hon'ble High Court of Karnataka directed that if the Company deposited the sum of 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 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 SARFAESI 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. During the quarter ended December 31, 2017, the bank has, subsequent to the order of the DRAT, filed an application, impleading the Company in the proceedings.

9. **Claim from a customer**

Consequent to a voluntary disclosure made by the Company to a customer regarding prices historically charged by the Company to the customer being inconsistent with trading terms that apply between the Company and the 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 INR 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 INR 3,030 million (including potential liability of INR 130 million for the period January to March 2017) during the quarter and year ended March 31, 2017 of which INR 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 INR 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 INR 75 million had been made and included in exceptional items for the quarter and year ended March 31, 2017. The aggregate amount included in exceptional items was therefore INR 2,645 million for the quarter and year ended March 31, 2017. For the quarter ended June 30, 2017, the estimated potential liability of INR 47 million on account of price differences has been utilised from onerous provision and the remaining excess onerous provision no longer required, of INR 28 million, had been reversed as an exceptional item. During the quarter ended December 31, 2017, the Company utilized INR 3,200 million out of the existing provision of INR 3,327 million and offset receivables of equivalent amount from the customer. The customer and the Company have agreed on the revised price and trading terms for future supplies.

10. **Receivable from Bihar government**

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 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 made 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 (with effect from April 1, 2017) the consequences of which criminalise 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 the 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 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 ended December 31, 2017 had received an approval from the Department of Liquor Prohibition, Bihar for sale of such raw material to entities outside the State of Bihar, before January 31, 2018, pursuant to which the said raw material has been shifted out of the State of Bihar during the quarter ended March 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 INR 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 assets. The Company had made a provision of INR 267 million towards inventory reprocessing charges and write down in the value of inventory for the year ended March 31, 2017. Further, a provision of INR 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 INR 377 million for the year ended March 31, 2017 had been disclosed as an exceptional item (Refer Note 12). For the six months ended September 30, 2017, an additional provision of INR 180 million had been made towards inventory reprocessing charges and write down in the value of inventory which had been disclosed as an exceptional item (Refer Note 12). 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. Thereafter, on October 17, 2017, the Company filed a writ petition before the Hon’ble High Court of Patna seeking refund of the aforesaid statutory duties, i.e. VAT & Excise Duty paid by the Company to the Government of Bihar, which petition is presently pending adjudication.

During the quarter ended March 31, 2018, the Company 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.

11. **Disposal of investment in United Spirits Nepal Private Limited**

On January 15, 2016, the Company had entered into an agreement for sale of its entire holding of 67,716 equity shares in United Spirits Nepal Private Limited ('USNPL'), constituting 82.46% of the paid up equity share capital of USNPL. The sale was subject to various regulatory approvals and other conditions precedent. During the quarter ended December 31, 2017, the Company secured the approval of the Reserve Bank of India under the Foreign Exchange Management Act, 1999, in respect of the sale of shares in USNPL. Following the receipt of other relevant regulatory approvals and fulfilment of other conditions precedent, on February 28, 2018, the Company completed the sale of all the 67,716 equity shares held by it in USNPL at a price of Nepalese Rupees 5,042 per share, amounting to a total consideration of Nepalese Rupees 341,424,072 (INR 213 million). This resulted in a gain on disposal of investment in subsidiary of INR 148 million in the standalone results and INR 148 million in the consolidated results which has been disclosed as exceptional items in the Statement of Financial Results (Refer Note 12). The sale consideration was remitted to India following the deduction of applicable taxes in Nepal. Following the completion of this sale, the Company holds no shares in USNPL, and USNPL has ceased to be a subsidiary of the Company. The Company will continue to have a licensing arrangement with USNPL pursuant to which, products bearing the Company's brand names will continue to be manufactured, marketed and sold in Nepal.

12. Details of exceptional items:

Amounts in INR millions

Particulars	**Quarter ended March 31, 2018 (Standalone)**	**Year ended March 31, 2018 (Standalone)**	**Year ended March 31, 2018 (Consolidated)**
Provision towards matters arising consequent to prohibition in the state of Bihar (Refer Note 10)	-	(180)	(180)
Impairment loss recognised on Buildings and Plant and Equipment in relation to certain manufacturing units	-	(126)	(126)
Impairment in the value of Investment in subsidiaries	(463)	(463)	-
Allowance for doubtful loans/ interest to subsidiaries	(450)	(450)	-
Reversal of allowance for doubtful loans to subsidiaries	636	636	-
Interest income on loan to a subsidiary relating to earlier years	497	497	-
Gain on disposal of subsidiary (Refer Note 11)	148	148	148
Reversal of excess customer claim provision (Refer Note 9)	-	28	28
Impairment of Goodwill	-	-	(315)
Total	**368**	**90**	**(445)**

13. Figures for the quarter ended March 31, 2018, are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures up to the third quarter of the current financial year. The figures for the quarter ended March 31, 2017 are the balancing figures between audited figures in respect of the full financial year ended March 31, 2017 and the published year-to-date figures up to the third quarter of the relevant financial year, as adjusted for certain regroupings/ reclassification.

14. The figures for previous periods have been regrouped/ reclassified to conform with the current period's presentation for the purpose of comparability.

15. The Board has not recommended any dividend on the equity shares of the Company for the year ended March 31, 2018.

16. This Statement of Financial Results has been reviewed by the Audit and Risk Management Committee of the Board of Directors and approved by the Board of Directors at their meetings held on May 23, 2018 and May 24, 2018 respectively.

By authority of the Board

Sd/-

Anand Kripalu
Managing Director and CEO

Bengaluru
May 24, 2018

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

Independent Auditor's Report on the Statement of consolidated financial results

1. We have audited the accompanying Statement containing the annual audited consolidated financial results of United Spirits Limited ("hereinafter referred to as the Holding Company"), its subsidiaries and the trust controlled by it, together referred to as "the Group", and its associate company (Refer Note 2) for the year ended March 31, 2018 together with the notes thereon (hereinafter referred to as the "Statement"), being submitted by the Company pursuant to the requirement of Regulation 33 of SEBI (Listing Obligation and Disclosure Requirement) Regulations, 2015 and SEBI Circular dated July 15, 2016, which we have initialled for identification purposes only.

Management's Responsibility for the consolidated financial results

2. Management of the Holding Company is responsible for the preparation of the accompanying Statement. The Management is also responsible for the preparation of the annual statutory consolidated financial statements in accordance with the Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of the Companies (Accounts) Rules, 2014 (the "accounting principles generally accepted in India"), basis which the above Statement containing the annual audited consolidated financial results has been prepared. The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 ("the Act") and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Statement.

5. We believe that the audit evidence obtained by us and the audit evidence obtained by the other auditors in terms of their reports referred to in paragraphs 9 and 11 under the section titled "Other Matter" below, other than the unaudited financial information as certified by the Management and referred to in paragraph 10 under section titled "Other Matter" below, is sufficient and appropriate to provide a basis for our audit opinion on the Statement.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us:

   (i) the Statement, together with the notes thereon are presented in the format prescribed under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI circular dated July 15, 2016 in this regard; and

   (ii) the Annual audited consolidated financial results for the year ended March 31, 2018 as set out in the Statement gives a true and fair view of the total consolidated comprehensive income (comprising of consolidated profit and consolidated other comprehensive income) and other financial information of the Group and its associate company for the year ended March 31, 2018 in accordance with the accounting principles generally accepted in India.

Emphasis of Matter

7. 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 of the Holding Company in excess of the limits prescribed under the provisions of Schedule V to the Act 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 Holding Company has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Holding Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration.

   b) As explained in Note 4 to the Statement, upon completion of the Initial Inquiry, which identified references to certain Additional Parties and certain Additional Matters, the MD & CEO of the Holding Company, pursuant to the direction of the Board of Directors of the Holding Company, 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 Holding Company and other potentially improper transactions. The amounts identified in the Additional Inquiry have been fully provided for or expensed by the Holding Company or its subsidiaries in earlier periods. Management is currently unable to estimate the financial impact on the Holding 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 Holding Company is in litigation with a bank (‘the Bank') that continues to retain the pledge of certain assets of the Holding Company and of the Holding Company's shares held by USL Benefit Trust (of which the Holding Company is sole beneficiary) despite the Holding 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 Honourable High Court of Karnataka (the `Court'). The Court has directed the Bank not to deal with the pledged assets of the Holding Company (including the shares held by USL Benefit Trust) as mentioned above till the disposal of the original writ petition filed by the Holding 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. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to INR 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 Holding 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 Holding 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 Holding 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 Holding Company's Initial Inquiry and Additional Inquiry and certain aspects of the agreement between the Holding Company and its erstwhile non-executive chairman to which the Holding Company has responded;

ii) regarding various issues raised and show cause notices issued pursuant to an inspection under Section 206(5) of the Act 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 Holding Company had responded. Further, the Holding Company has received a letter dated October 13, 2017 from the Registrar of Companies, Karnataka (the 'Registrar') inviting the Holding Company's attention to the compounding provisions of the Companies Act, 1956 and Companies Act, 2013 following the aforesaid show cause notices. The Holding Company 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 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 Holding 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 Holding 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 Holding Company's overseas Branch office, to which the Holding Company has responded.

Our opinion is not modified in respect of the matters described above.

Other Matter

8. The Statement dealt with by this report has been prepared for the express purpose of filing with BSE Limited and National Stock Exchange of India Limited. This Statement is based on and should be read with the audited consolidated financial statements of the Group and its associate company, for the year ended March 31, 2018 on which we issued an unmodified audit opinion vide our report dated May 24, 2018.

9. We did not audit the financial statements of one trust controlled by the Holding Company and incorporated in India, whose financial statements reflect total assets of INR 49 million and net assets of INR 41 million as at March 31, 2018, total revenue of INR Nil and total comprehensive income (comprising of loss and other comprehensive income) of INR 0 for the year ended on that date, as considered in the Statement. These financial statements have been audited by other auditor whose report has been furnished to us by the Management of the Holding Company and

our opinion on the Statement insofar as it relates to the amounts and disclosures included in respect of this trust based solely on the report of the other auditor.

10. The Statement also include the Group's share of total comprehensive income (comprising of loss and other comprehensive income) of INR Nil for the year ended March 31, 2018 in respect of one associate company whose financial information has not been audited by us. Such financial information is unaudited and has been furnished to us by the Management of Holding Company, and our opinion on the Statement insofar as it relates to the amounts and disclosures included in respect of this associate company is based solely on such unaudited financial information. In our opinion and according to the information and explanations given to us by the Management of the Holding Company, such financial information is not material to the Group.

11. The financial statements of fourteen subsidiaries located outside India, included in the Statement, which constitute total assets of INR 1,239 million and net assets of INR 1,088 million as at March 31, 2018, total revenue of INR 1,217 million and total comprehensive income (comprising of loss and other comprehensive income) of INR (239) million for the year then ended have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India is based on the report of such auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

    Our opinion on the Statement is not modified in respect of the matters specified in paragraphs 9, 10 and 11 with respect to our reliance on the work done and the reports of the other auditors and the financial statements/ financial information certified by the Management.

Restriction on Use

12. This report is addressed to the Board of Directors of the Holding Company and has been prepared for and only for the purposes set out in paragraph 8 above. This report should not be otherwise used by any other party for any other purpose.

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

Sd/-

Pradip Kanakia
Partner
Membership Number: 036885

Place: Bengaluru
Date: May 24, 2018

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

Independent Auditor's Report on the Statement of standalone financial results

1. We have audited the accompanying Statement containing the annual audited standalone financial results of United Spirits Limited (the "Company") for the year ended March 31, 2018 together with the notes thereon (hereinafter referred to as the "Statement"), being submitted by the Company pursuant to requirement of Regulation 33 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular dated July 15, 2016, which we have initialed for identification purposes only.

Management's Responsibility for the standalone financial results

2. Management is responsible for the preparation of the accompanying Statement. The Management is also responsible for the preparation of the annual statutory financial statements in accordance with the Indian Accounting Standards specified under Section 133 of the Companies Act, 2013 read with Rule 7 of Companies (Accounts) Rules, 2014 (the "accounting principles generally accepted in India"), basis which the above Statement containing the annual audited standalone financial results has been prepared. The responsibility includes the design, implementation and maintenance of internal control relevant to the preparation of the Statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Statement based on our audit. We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Companies Act, 2013 ("the Act") and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the Statement is free from material misstatement.

4. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Statement. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Statement, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Statement in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by Management, as well as evaluating the overall presentation of the Statement.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us:
   a) the Statement, together with the notes thereon are presented in the format prescribed under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and SEBI Circular dated July 15, 2016, in this regard; and
   b) the Annual audited standalone financial results for the year ended March 31, 2018 as set out in the Statement gives a true and fair view of the total comprehensive income (comprising of profit and other comprehensive income), and other financial information of the Company for the year ended March 31, 2018 in accordance with the accounting principles generally accepted in India.

Emphasis of Matter

7. 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 Act 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 has made the necessary application, along with the required clarifications, for Central Government approval, response to which is awaited. Further, in respect of excess remuneration paid to the former ED & CFO the Company has initiated steps, including by way of filing a suit for recovery before the jurisdictional court, to recover such excess remuneration.

   b) As explained in Note 4 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 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 INR 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. The statutory duties (VAT and Excise duty) paid on such stocks aggregating to INR 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 Act 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 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 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.

f) Note 13 of the Statement regarding the figures for the quarter ended March 31, 2018, which are the balancing figures between audited figures in respect of the full financial year and the published year-to-date figures upto the third quarter of the current financial year.

Our opinion is not modified in respect of the matters described above.

Other Matter

8. The Statement dealt with by this report has been prepared for the express purpose of filing with BSE Limited and National Stock Exchange of India Limited. This Statement is based on and should be read with the audited standalone financial statements of the company for the year ended March 31, 2018 on which we issued an unmodified audit opinion vide our report dated May 24, 2018.

Our opinion is not modified in respect of the above matter.

Restriction on Use

9. This report is addressed to the Board of Directors of the Company and has been prepared for and only for the purposes set out in paragraph 8 above. This report should not be otherwise used by any other party for any other purpose.

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

Sd/-

Pradip Kanakia
Partner
Membership Number: 039985

Place: Bengaluru
Date: May 24, 2018

DIAGEO
INDIA

UNITED SPIRITS LIMITED

PRESS RELEASE

Audited financial results for the quarter and financial year ended 31 March 2018

(Standalone only)

PAT increased 231% in the full year

Fourth quarter performance highlights:

- Reported net sales increased 7% as strong growth in the Prestige and Above segment as well as the benefit from lapping the impact of demonetization and the highway ban were partially offset by the one-off impact of the operating model changes. Underlying* net sales increased 9%.
- Prestige & Above segment reported net sales grew 16%. Underlying* net sales were up 14%.
- Popular segment reported net sales declined 4%. Underlying* net sales grew 2%. Net sales of Popular segment in priority states grew by 10%.
- Gross margin was 48.8%, up 461bps, due to the one-off impact of operating model changes as well as price increases and productivity gains more than offsetting the adverse impact of GST. Underlying* gross margin improved by 257bps.
- Reported EBITDA was Rs. 274 Crores, up 5%, driven by increased gross profit, partially offset by timing of staff costs and increased marketing investment. Reported EBITDA margin was 12.6%, down 27bps. Underlying* EBITDA declined 11% and underlying EBITDA margin declined 283bps.
- Interest costs were Rs. 59 Crores, 31% lower driven by favourable rates and mix of debt.
- Profit after tax was Rs. 211 Crores, up 302%.

Full year performance highlights:

- Reported net sales declined 4% mainly due to the one-off impact of operating model changes as well as the adverse effect of the highway ban. Underlying* net sales were up 1%.
- Prestige & Above segment reported net sales grew 3% with 2ppts positive price/mix. Underlying* net sales were up 4% with 1ppts positive price/mix.
- Popular segment reported net sales declined 16% mainly due to the one-off impact of operating model changes. Underlying* net sales declined 4%. Net sales of Popular segment in priority states grew by 2%.
- Gross margin was 47.5%, up 465bps, due to the one-off impact of operating model changes as well as price increases and productivity gains offsetting the adverse impact of GST. Underlying* gross margin improved by 294bps.
- Reported EBITDA was Rs. 1,022 Crores, up 5%; reported EBITDA margin was 12.5%, up 114bps primarily driven by increased gross profit, partially offset by marketing investment that increased by 18%. Underlying * EBITDA declined by 1% and underlying* EBITDA margin remained broadly flat.
- Interest costs were Rs.261 Crores, 29% lower, driven by favourable rates and mix of debt.
- Profit after tax was Rs.562 Crores, up 231%.

Anand Kripalu, CEO, commenting on the quarter and full year ended 31 March 2018 said:

"Our performance has substantially improved in the fourth quarter as several regulatory challenges are now behind us. Underlying* net sales growth during the quarter was 9% largely driven by a strong performance of our prestige and above segment whose underlying* net sales were up 14%.

The improved performance in the fourth quarter contributed to deliver an overall underlying* net sales growth of 1% in the full year. The Prestige and Above segment underlying* net sales grew 4% supported by the continued success of our brand renovations including McDowell's No.1 whiskey, Royal Challenge and Signature.

In the year underlying* gross margin improved 294bps, despite the negative impact of GST, which we managed to more than offset by positive mix, pricing and a relentless focus on our productivity program. We have also continued to invest behind our brands with marketing investment up 18% during the year.

Underlying* EBITDA margin for the year was broadly flat as gross margin improvement was offset by increased marketing spend; since we chose to invest in future growth.

Our continued focus on reducing interest costs and monetizing non-core assets, coupled with lower exceptional items, have resulted in an overall PAT increase of 231% for the year.

Overall, in this fiscal, we have overcome some of the biggest challenges the spirits industry has ever faced including the highway ban and the introduction of GST. We have continued to execute against our strategic priorities and I am pleased that despite this challenging environment we have managed to deliver top line growth as well as margin expansion while also increasing investment behind our brands. This gives me confidence that the work we are doing to execute our strategy will enable us to capture the long-term opportunity in the spirits market and to achieve double digit top line growth and improve margins to mid-high teens in the medium term."

*Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.

KEY FINANCIAL INFORMATION

For the year ended 31 March 2018

Summary financial information

		F18 FY	F17 FY	Movement %
Volume	*EUm*	**78.5**	90.0	(13)
Net sales	*Rs. Crores*	**8,170**	**8,548**	(4)
COGS	*Rs. Crores*	(4,289)	(4,884)	(12)
Gross profit	*Rs. Crores*	**3,881**	**3,663**	6
Staff cost	*Rs. Crores*	(660)	(667)	(1)
Marketing spend	*Rs. Crores*	(788)	(667)	18
Other Overheads	*Rs. Crores*	(1,411)	(1,358)	4
EBITDA	*Rs. Crores*	**1,022**	**971**	5
Other Income	*Rs. Crores*	206	111	85
Depreciation	*Rs. Crores*	(135)	(132)	2
EBIT	*Rs. Crores*	**1,092**	**950**	15
Interest	*Rs. Crores*	(261)	(369)	(29)
PBT before exceptional items	*Rs. Crores*	**831**	**581**	43
Exceptional items	*Rs. Crores*	9	(326)	(103)
PBT	*Rs. Crores*	**840**	**254**	230
Tax	*Rs. Crores*	(279)	(85)	229
PAT	*Rs. Crores*	**562**	**170**	231

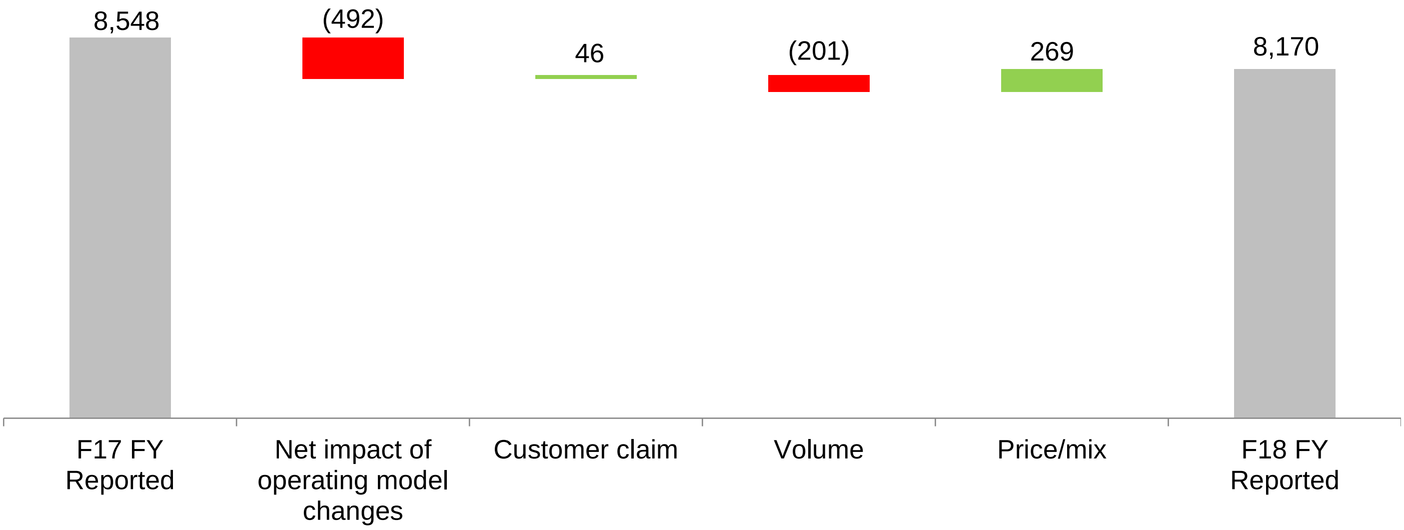
Key performance indicators as a % of net sales:

		F18 FY	F17 FY	Movement bps
Gross profit	*%*	47.5	42.9	465
Staff cost	*%*	8.1	7.8	(27)
Marketing spend	*%*	9.6	7.8	(185)
Other Overheads	*%*	17.3	15.9	(138)
EBITDA	*%*	12.5	11.4	114
PAT	*%*	6.9	2.0	489
Basic earnings per share	*rupees*	38.7	11.7	27 rupees
Earnings per share before exceptional items	*rupees*	38.2	32.5	5.7 rupees

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

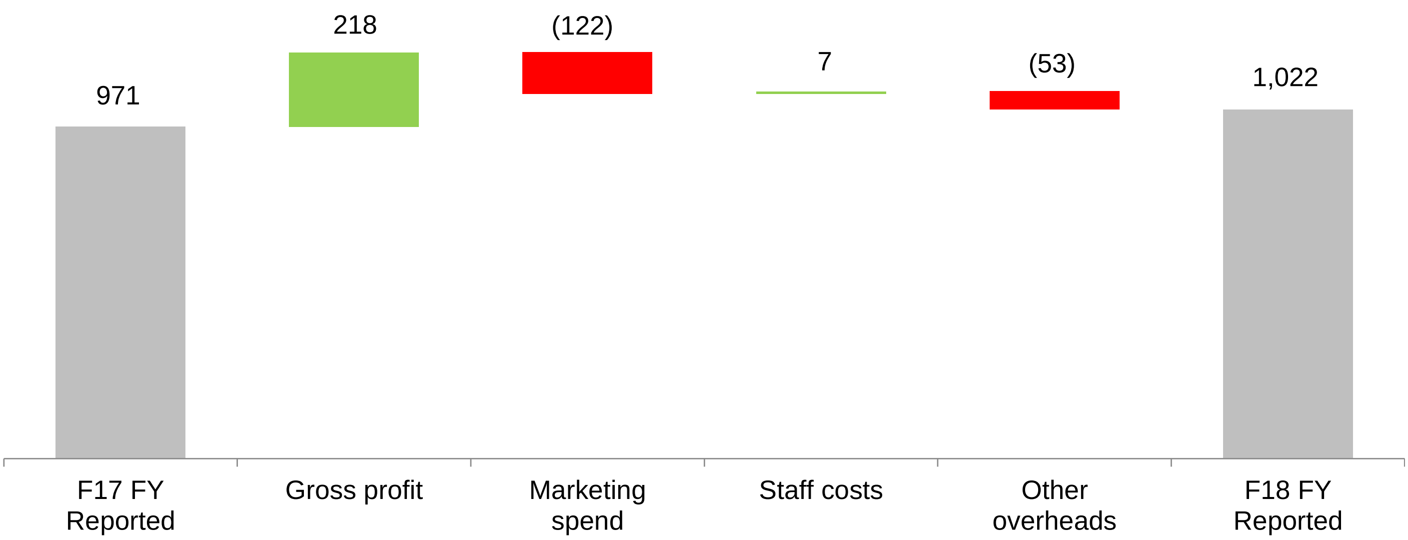
*Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.

Net sales (Rs. Crores)



Reported net sales declined 4% in the full year mainly due to the one off impact of operating model changes as well as the adverse effect of the highway ban, and to a lesser extent, previously anticipated route to market changes in certain states being partially offset by positive price/mix. Underlying* net sales grew 1%. Underlying* volume declined 2% as the Prestige & Above segment volume growth of 3% was more than offset by the Popular segment volume decline of 7%. Positive price/mix was driven by our continued focus on premiumisation in the Prestige & Above segment as well as price increases.

EBITDA (Rs. Crores)



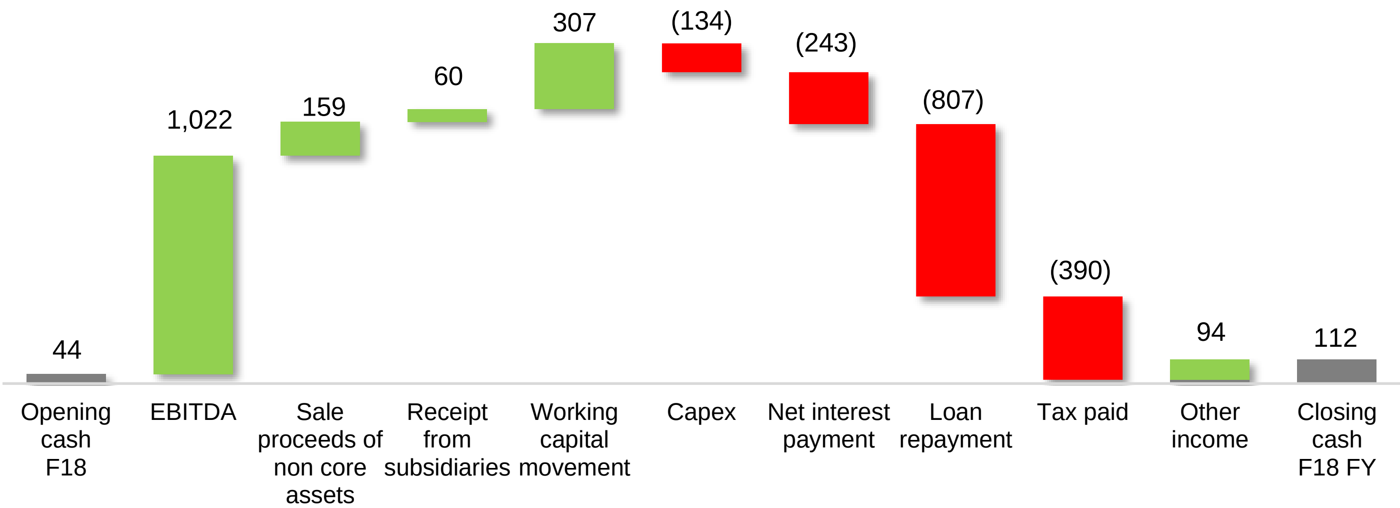
EBITDA at Rs. 1,022 Crores, increased by 5% despite the adverse impact of GST. Gross profit increased by Rs. 218 Crores, mainly driven by more broad based price increases, productivity initiatives and positive mix which more than offset the negative impact of GST. We continued to invest behind our brands and as a result, marketing spend increased by 18% with an overall reinvestment rate of 9.6%, up 185 bps versus last year. Staff cost decreased by 1% benefitting from savings delivered by the organisational changes. These staff costs included one off restructuring cost of Rs. 23 Crores in the current year and Rs. 34 Crores in the previous year. Other overheads increased by 4%, including one off costs relating to organizational changes amounting to Rs. 21 Crores in the current year and Rs. 19 Crores in the previous year. Underlying* EBITDA declined by 1% in the full year.

*Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.

EBITDA margin (%, bps)

EBITDA margin of 12.5% improved by 114bps. Gross margin improved by 465bps primarily driven by price increases, continued focus on premiumisation and productivity initiatives more than offsetting the impact of GST. The improved gross margin was partially reinvested in marketing investments. Staff costs decreased by 1%, but due to 4% decrease in reported net sales, they detracted from the EBITDA margin. Other overheads increased by 4% but disproportionately impacted EBITDA margin due to lower net sales. Underlying* EBITDA margin of 13% remained broadly flat.

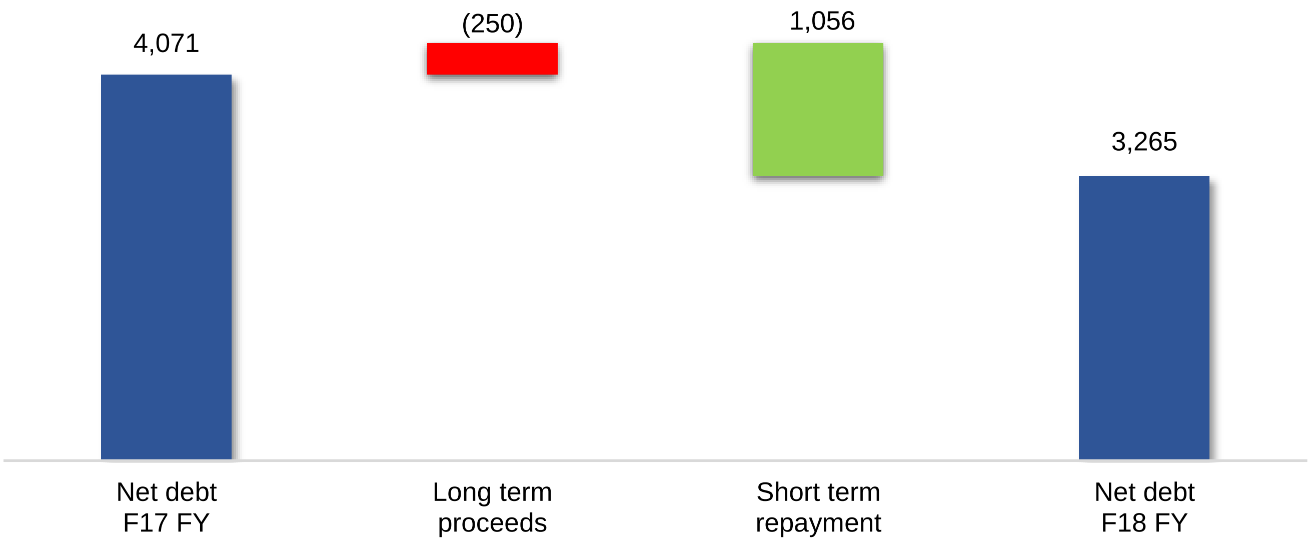
Movement in cash (Rs. Crores)



Cash closed at Rs. 112 Crores. Non core asset divestment proceeds amounted to Rs 159 Crores and income from subsidiaries amounted to Rs 60 Crores. Decrease in working capital was mainly driven by reduction in receivables and lower advances. Capex was focused on upgrading strategically important manufacturing units. Cash generated from the underlying business was used towards debt repayment of Rs 807 Crores, resulting in a reduction in interest costs.

*Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.

Movement in debt (Rs. Crores)



Closing net debt was Rs. 3,265 Crores. During the year USL made its maiden issue of Non-Convertible Debentures of Rs. 750 Crores to refinance existing higher cost debt of Rs. 500 Crores resulting in an increase in long term debt. The company utilized profit from operations, proceeds from sale of non-core assets and reduction in working capital to repay its loans amounting to Rs. 1,056 Crores. This reduction in debt together with renegotiation of borrowing rates and favourable mix of debt reduced the total interest cost by Rs. 108 Crores in the full year.

*Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.

SEGMENT AND BRAND REVIEW

For the quarter and financial year ended 31 March 2018

Key segments:

For the Quarter ended 31 March 2018

	Volume				Net Sales			
	F18 Q4 Reported *EUm*	F17 Q4 Reported *EUm*	Reported movement %	**Underlying* movement** %	**F18 Q4 Reported *Rs. Cr.***	F17 Q4 Reported *Rs. Cr.*	Reported movement *%*	**Underlying* movement *%***
P&A	**9.8**	8.5	15	**16**	**1,340**	1,160	16	**14**
Popular	**11.1**	12.8	(13)	**(2)**	**778**	809	(4)	**2**

For the Year ended 31 March 2018

	Volume				Net Sales			
	F18 FY Reported *EUm*	F17 FY Reported *EUm*	Reported movement %	**Underlying* movement** %	**F18 FY Reported *Rs. Cr.***	F17 FY Reported *Rs. Cr.*	Reported movement *%*	**Underlying* movement *%***
P&A	**37.2**	36.8	1	**3**	**5,128**	4,996	3	**4**
Popular	**41.3**	53.2	(22)	**(7)**	**2,883**	3,417	(16)	**(4)**

- The **Prestige & Above segment** accounted for 63% of net sales during FY18. Underlying* net sales grew 14% in fourth quarter and 4% in the full year.

  During the year, power brands like McDowell's No. 1. Whiskey, Royal Challenge and Signature all delivered net sales growth largely driven by purpose led campaigns and bespoke consumer winning activations. These campaigns included McDowell's Yaari jam, a musical campaign, which was rolled out in 5 regional languages across 7 cities. Signature Start-up Masterclass platform was further scaled up after the success of its first edition. The platform which features passion-to-paycheck stories of successful individuals brought the brand purpose to life. Furthermore, Royal Challenge game nights were launched during the IPL season to drive consumer engagement in the on-premise channel.

  Additionally, the launch of Captain Morgan "Original Rum" has created a new offering in the rum segment and has had a strong momentum post its national roll out. The launch of Captain Morgan was an exemplary execution of a concerted campaign involving on-premise trials at mass, brand building through Captain-hijack at events and bars and in-shop displays.

- The **Popular segment** underlying* net sales grew 2% in the fourth quarter and declined 4% in the full year. Priority states' Popular segment net sales grew 10% in the fourth quarter and grew 2% in the full year.

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Cautionary statement concerning forward-looking statements

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

Media enquiries to:	Charlotte Rodrigues	+91 99 8726 5110	Charlotte.Rodrigues@diageo.com
Investor enquiries to:	Nidhi Verma	+91 97 6940 1515	Nidhi.Verma@diageo.com

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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 Friday **25 May 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 29 May 2018 at www.diageoindia.com.

Conference Access Information

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

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Singapore	6531575746
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USA – Los Angeles	13233868721

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