DIAGEO
INDIA

United Spirits Limited

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

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Fax: +91 80 3985 6862
www.diageoindia.com

July 23, 2018

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

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

Dear Sir/Madam,

Sub: Intimation of unaudited financial results for the quarter and three months ended June 30, 2018

The Board of Directors of the Company at their meeting held today, has considered and approved the unaudited financial results of the Company for the quarter and three months ended June 30, 2018.

The above results along with notes on the results, limited review report thereon received from the Statutory Auditors and a press release in this regard are attached.

Kindly acknowledge receipt of the same.

Thanking you,

Yours Faithfully,
For United Spirits Limited

V Ramachandran
Company Secretary

Enclosed as above

UNITED SPIRITS LIMITED

A DIAGEO Group Company

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

Tel +91 80 3985 6500, 2221 0705 | CIN: L01551KA1999PLC024991 | www.diageoindia.com

Statement of Standalone unaudited Financial Results for the quarter ended June 30, 2018

(INR in Millions except for earnings per share data)

		3 months ended June 30, 2018	3 months ended March 31, 2018 (Refer Note 10)	3 months ended June 30, 2017	Previous year ended March 31, 2018
		Unaudited	Audited	Unaudited	Audited
1	**Income**				
	(a) Revenue from operations	64,152	69,004	58,168	260,691
	(b) Other income	214	1,210	309	2,060
	Total income	**64,366**	**70,214**	**58,477**	**262,751**
2	**Expenses:**				
	(a) Cost of materials consumed	8,914	11,509	8,009	40,693
	(b) Purchase of stock-in-trade	254	732	282	2,375
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade	1,064	(1,107)	1,328	(177)
	(d) Excise duty	44,033	47,267	40,350	178,990
	(e) Employee benefits expense	2,048	1,853	1,658	6,601
	(f) Finance costs	559	591	703	2,611
	(g) Depreciation and amortisation expense	339	367	321	1,351
	(h) Others:				
	(i) Advertisement and sales promotion	2,112	2,207	1,627	7,882
	(ii) Other expenses	3,804	3,802	3,340	14,112
	Total expenses	**63,127**	**67,221**	**57,618**	**254,438**
3	**Profit / (loss) before exceptional items and tax (1-2)**	**1,239**	**2,993**	**859**	**8,313**
4	Exceptional items (net)	-	368	(8)	90
5	**Profit / (loss) before tax (3 + 4)**	**1,239**	**3,361**	**851**	**8,403**
6	Income tax expense				
	(a) Current tax	514	929	327	2,401
	(b) Deferred tax charge / (credit)	(88)	322	(105)	385
	Total tax expense	**426**	**1,251**	**222**	**2,786**
7	**Profit / (loss) for the period (5-6)**	**813**	**2,110**	**629**	**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	162	(12)	126
	(iii) Income tax credit/ (charge) relating to these items	(7)	(55)	4	(43)
	Total other comprehensive income, net of income tax	**13**	**107**	**(8)**	**83**
9	**Total Comprehensive Income (7+8)**	**826**	**2,217**	**621**	**5,700**
10	**Earnings per share of INR 2/- each (refer note below):** Basic and Diluted (INR)	1.12	2.90	0.87	7.73

Note:
The shareholders of the Company have 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

United Spirits Limited

Statement of Standalone Unaudited Financial Results for the quarter ended June 30, 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 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.

   The Company has completed the evaluation of its commercial arrangements with customers, resulting in the timing of recognition of certain discounts/ rebates/ incentives given to customers. The Company has applied the Standard from April 1, 2018 and adjusted the cumulative effect of adoption of Indian Accounting Standard 115 aggregating to INR 368 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 ended June 30, 2018 is not material.

3. **Additional Inquiry**

   As disclosed in the financial statements for the year 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 previously 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.

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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 wholly-owned subsidiaries from 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 5,336 million for the period from April 1, 2014 to June 30, 2018 (including INR 317 million for the quarter ended June 30, 2018). The Company has offset payable to UBHL under the trademark agreement amounting to INR 81 million for the quarter ended June 30, 2018 against the aforesaid loan and other receivable from UBHL. The cumulative offset up to June 30, 2018 amounted to INR 1,112 million which is attributable to aforesaid loan and interest aggregating to INR 893 million and to other receivable from UBHL aggregating to INR 219 million. Consequently the corresponding provision for loan, interest and other receivable has been reversed to 'Other Income' in the relevant periods, to the extent of aforesaid offset.

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") and the Court has issued a notice on the Official Liquidator. 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 loan, interest and other receivable from UBHL.

5. **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 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.

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6. **Regulatory notices and communications**

The Company had 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 and 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. The Company thereafter, during the year ended March 31, 2018 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, 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 and 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, and 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 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

United Spirits Ltd. Bangalore

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. 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. There has been no further development in this matter during the quarter ended June 30, 2018.

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 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.

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 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 from the Government of Bihar refund of statutory duties i.e., VAT and Excise duty paid aggregating to INR 553 million (including statutory duties paid by the Company's tie-up manufacturers) under the applicable law at the time, in respect of billed stocks destroyed/ returned by Bihar State Beverages Corporation Limited ("BSBCL"). The aforesaid duties is considered good and receivable based on the favourable Order issued by the Hon'ble High Court of Patna dated May 18, 2017 in a similar case and is classified as other non-current assets. 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 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, 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. There has been no further development in this matter during the quarter ended June 30, 2018.

9. **Acquisition of stake in Hip Bar Private Limited**

During the quarter ended June 30, 2018, the Company subscribed to 4,567,568 equity shares of Hip Bar Private Limited ("Hip Bar"), constituting 26% of the paid-up equity share capital of Hip Bar. The subscription price paid by the Company was INR 270 million representing approximately INR 59.11 (Fifty Nine Rupees and Eleven Paise) per equity share. Hip Bar, incorporated on February 20, 2015, owns and operates a web-based mobile application under the name and style of "HIPBAR", which acts as an electronic payment platform servicing the beverage alcohol industry and its consumers. Following the Company's investment, Hip Bar has become an "associate company", i.e., by virtue of the Company having a shareholding in excess of 20% in Hip Bar and by virtue of having a right to appoint a director on Hip Bar's board. It is believed that Hip Bar's platform should provide avenues for the Company's on-line / e-commerce route to market. The investment enables the Company to participate in Hip Bar's growth and further strengthen the Company's partnership with Hip Bar.

10. Figures for the quarter ended March 31, 2018, are the balancing figures between audited figures in respect of the full financial year ended March 31, 2018 and the published year-to-date figures up to the third quarter of the relevant financial year i.e., December 31, 2017.

11. This Statement of Standalone Unaudited 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 July 23, 2018. The statutory auditors of the Company have carried out a limited review of this Statement of Standalone Unaudited Financial Results for the quarter ended June 30, 2018.

By authority of the Board

Anand Kripalu
Managing Director and CEO

Edinburgh
July 23, 2018

United Spirits Ltd. ★ Bangalore ★

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★ Bangalore ★

Price Waterhouse & Co Chartered Accountants LLP

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

Introduction

1. We have reviewed the unaudited financial results of United Spirits Limited (the "Company") for the quarter ended June 30, 2018 which are included in the accompanying 'Statement of Standalone Unaudited financial results for the quarter ended June 30, 2018 (the "Statement"). The Statement has been prepared by the Company pursuant to Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, (the "Listing Regulations, 2015"), which has been initialled by us for identification purpose. The Statement is the responsibility of the Company's management and has been approved by the Board of Directors. Our responsibility is to issue a report on the Statement based on our review.

Scope of Review

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

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

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 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 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.

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

c) As explained in Note 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 553 million (including statutory duties paid by the Company's tie-up manufacturers) under the applicable law at the time, in respect of billed stocks destroyed/ returned by Bihar State Beverages Corporation Limited ("BSBCL") 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. Based on the reasons stated in the note, the Company has considered the aforesaid statutory duties good and receivable and the same is classified as other non- current assets.

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.

   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

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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

July 23, 2018
Bengaluru

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UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter ended 30 June 2018

(Standalone only)

DIAGEO INDIA

PAT increased 29% in the first quarter supported by robust sales performance

First quarter performance highlights:

- Reported net sales increased 13% as the business benefitted from lapping the impact of the highway ban in the same period last year and aided by improved performance in the Prestige and Above segment. Net sales excluding the one-off impact of operating model changes increased 14%.
- Prestige & Above segment net sales grew 19%.
- Popular segment reported net sales declined 3% due to the one-off impact of operating model changes. Net sales growth, after adjusting for the impact of operating model changes, was flat. Net sales of Popular segment in priority states grew by 7%.
- Gross margin was 49.1%, up 313bps, mainly due to productivity gains and flow through effect of pricing that more than offset the adverse impact of inflation and GST. Underlying* gross margin improvement was 266bps.
- Reported EBITDA was Rs. 192 Crores, up 22%, driven by increased gross profit, partially offset by one-off restructuring costs, increased marketing investment as well as higher overheads. Reported EBITDA margin was 9.6%, up 72bps. Underlying EBITDA, after adjusting for the operating model changes and one-off restructuring costs, increased 28% and underlying EBITDA margin at 11.3%, was up 127bps.
- Interest costs were Rs. 56 Crores, 20% lower, driven by our continued focus on debt reduction, better negotiated rates and debt-mix.
- Profit after tax was Rs. 81 Crores, up 29%.

Anand Kripalu, CEO, commenting on the quarter ended 30 June 2018 said:

"Our performance has continued to improve in the first quarter as the operating environment has become more stable. During the quarter, overall net sales growth excluding the impact of operating model changes was 14%, benefitting from lapping the impact of highway ban last year, while also driven by improved performance of the Prestige and Above segment.

The Prestige and Above segment performance was supported by robust performance of our Scotch portfolio with Johnnie Walker, Black & White and Black Dog showing strong momentum. Additionally, our renovated brands such as Signature and Royal Challenge continued to deliver strong growth, further validating the success of our renovation strategy.

During the quarter, underlying* gross margin improved 266bps, driven mainly by savings from our productivity programme and pricing which more than offset the inflation and the adverse impact of GST. This quarter we significantly accelerated the investment behind our brands with marketing spend up 30% compared to last year as we activated behind the wide-reaching platforms provided by the IPL and FIFA World Cup.

Underlying* EBITDA margin for the quarter improved by 127bps as gross margin improvement was partially offset by the increased marketing investment.

Improved operating performance combined with lower interest costs have helped us deliver an overall PAT increase of 29% during the quarter.

Looking forward we will continue to focus on premiumisation, strengthening our brands and driving productivity while playing a leadership role in shaping the landscape of this industry. We are confident that given the long-term consumer opportunity for spirits in India combined with our leadership position, we are well placed to capture the growth in this industry. We reiterate our medium-term ambition to deliver double digit topline growth and improve margins to mid-high teens.

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

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KEY FINANCIAL INFORMATION

For the quarter ended 30 June 2018

Summary financial information

		F19 Q1	F18 Q1	Reported Movement %
Volume	*EUm*	**18.2**	**18.0**	**1**
Net sales	*Rs. Crores*	**2,012**	**1,782**	**13**
COGS	*Rs. Crores*	(1,023)	(962)	6
Gross profit	*Rs. Crores*	**989**	**820**	**21**
Staff cost	*Rs. Crores*	(205)	(166)	24
Marketing spend	*Rs. Crores*	(211)	(163)	30
Other Overheads	*Rs. Crores*	(380)	(334)	14
EBITDA	*Rs. Crores*	**192**	**157**	**22**
Other Income	*Rs. Crores*	21	31	(31)
Depreciation	*Rs. Crores*	(34)	(32)	6
EBIT	*Rs. Crores*	**180**	**156**	**15**
Interest	*Rs. Crores*	(56)	(70)	(20)
PBT before exceptional items	*Rs. Crores*	**124**	**86**	**44**
Exceptional items	*Rs. Crores*	-	(1)	(100)
PBT	*Rs. Crores*	**124**	**85**	**46**
Tax	*Rs. Crores*	(43)	(22)	92
PAT	*Rs. Crores*	**81**	**63**	**29**

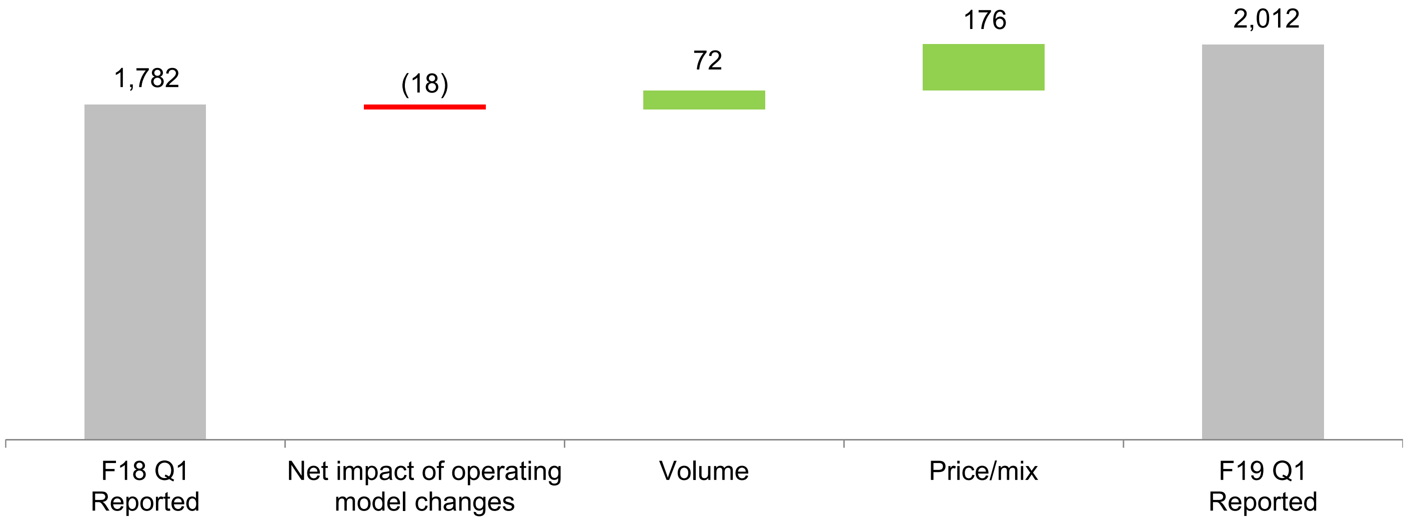
Key performance indicators as a % of net sales:

		F19 Q1	F18 Q1	Movement bps
Gross profit	%	49.1	46.0	313
Staff cost*	%	10.2*	9.3	(87)
Marketing spend	%	10.5	9.1	(137)
Other Overheads	%	18.9	18.7	(16)
EBITDA	%	9.6	8.8	72
PAT	%	4.0	3.5	51
Basic earnings per share*	*rupees*	1.12	0.87	0.25
Earnings per share before exceptional items*	*rupees*	1.12	0.87	0.25

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

*Note: *Staff cost in F19Q1 include a one-off restructuring cost of Rs 36 Crores, net of this, this number would be 8.4%.*
EPS for F18Q1 has been adjusted to reflect the new number of shares post the 1:5 share-split that became effective in F19.

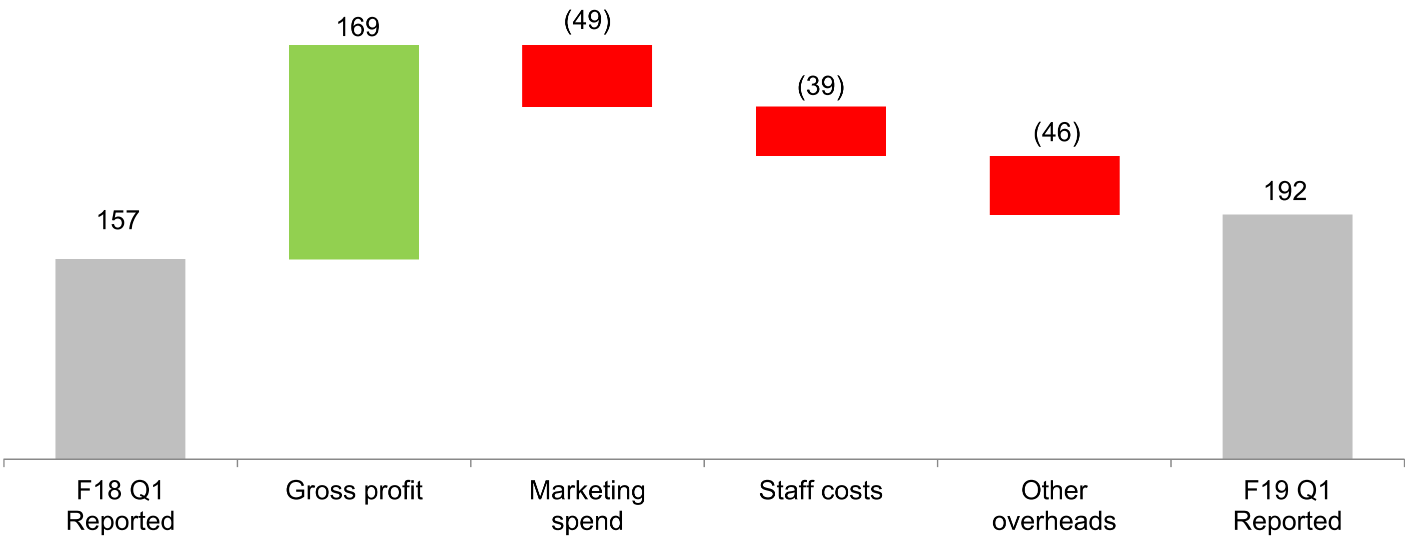
Net sales (Rs. Crores)



Reported net sales increased 13% in the first quarter as the operating environment stabilised and the business benefitted from lapping the impact of highway ban last year. 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 declined 3% due to the operating model changes. After adjusting for the operating model changes, popular segment net sales remained flat.

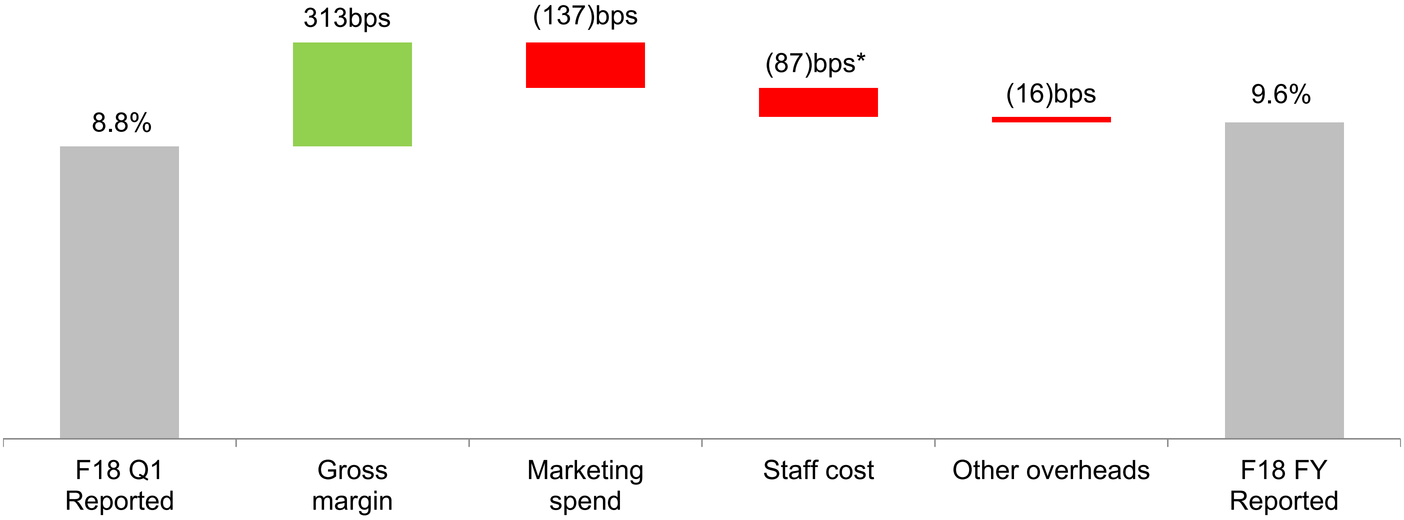
After adjusting for the operating model changes, underlying volume increased 4% as the Prestige & Above volume growth of 13% was partially offset by Popular segment volume decline of 4%. The Price/mix for the quarter was positive, mainly as a result of better mix supported by our efforts to drive premiumisation.

EBITDA (Rs. Crores)



EBITDA at Rs. 192 Crores, increased by 22%, despite a one-off restructuring cost of Rs 36 Crores during this quarter. Gross profit increased by Rs. 169 Crores, mainly driven by savings from our productivity initiatives and the flow through effect of pricing which more than offset the negative impact of inflation and GST. We continued to invest behind our brands and as a result, marketing investment increased by 30% with an overall reinvestment rate of 10.5%, up 137 bps versus last year. Staff cost increased 24%, primarily due to the one-off restructuring of Rs. 36 Crores in the current quarter against a similar one-off cost of Rs. 13 Crores in the prior year. Other overheads increased 14% mainly due to investment in capability building projects in IT and systems as well as factory improvements towards health & safety and environmental sustainability. Underlying EBITDA, after adjusting for the operating model changes as well as one-off costs increased by 28% versus last year.

EBITDA margin (%, bps)



Reported EBITDA margin of 9.6% improved by 72bps. Underlying EBITDA margin, after accounting for the operating model changes as well as one-off costs, was 11.3%, up 127 bps.

Gross margin improved by 313bps primarily driven by productivity savings, flow-through effect of pricing and to a lesser extent, the one-off impact of operating model changes that more than offset the negative impact of inflation and GST. The improved gross margin was partially reinvested in marketing investments. Staff costs reduced EBITDA margin by 87 bps, mainly due to the one-off restructuring costs. After adjusting for the one-off costs, staff costs contributed 27bps to the underlying EBITDA margin improvement.

*Note: *Staff cost in F19Q1 include a one-off restructuring cost of Rs 36 Crores and staff cost in F18Q1 include a one-off restructuring cost of Rs 13 Crores. Adjusted for the one-offs, staff costs added 27bps to the EBITDA margin improvement year on year.*

SEGMENT AND BRAND REVIEW

For the quarter ended 30 June 2018

Key segments:

For the quarter ended 30 June 2018

	Volume				Net Sales			
	F19 Q1 Reported *EUm*	F18 Q1 Reported *EUm*	Reported movement %	**Underlying* movement** %	**F19 Q1 Reported** *Rs. Cr.*	F18 Q1 Reported *Rs. Cr.*	Reported movement *%*	**Underlying* movement** *%*
P&A	**9.5**	8.4	13	**13**	**1,309**	1,095	19	**19**
Popular	**8.7**	9.6	(9)	**(4)**	**629**	649	(3)	**0**

- The **Prestige & Above segment** accounted for 65% of net sales during the first quarter, up 4ppts compared to last year. The segment's net sales grew 19% in fourth quarter. There was no impact of operating model changes on the segment.

  During the quarter, our Scotch portfolio delivered robust growth with Johnnie Walker, Black & White and Black Dog showing strong momentum.

  We launched a new visual identity of Johnnie Walker during the quarter while also running several experience oriented activations. We launched a new TV commercial for Black & White for the first time in its history. We activated behind the high-reach platform provided by the IPL as well as FIFA World Cup to connect with the younger adults.

  In the Prestige segment, our renovated brands like Signature and Royal Challenge continued to deliver strong growth, further validating the success of our renovation strategy.

- The **Popular segment** accounted for 31% of net sales during the first quarter, down 4ppts compared to same quarter last year. The Popular segment net sales remained flat after adjusting for the one-off impact of operating model changes. Net sales of Popular segment in Priority states grew 7% during the quarter.

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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DIAGEO 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 Tuesday, **24 July 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 27 July 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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