UNITED SPIRITS LIMITED

PRESS RELEASE

Unaudited financial results for the quarter ended 30 June 2018

(Standalone only)

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**

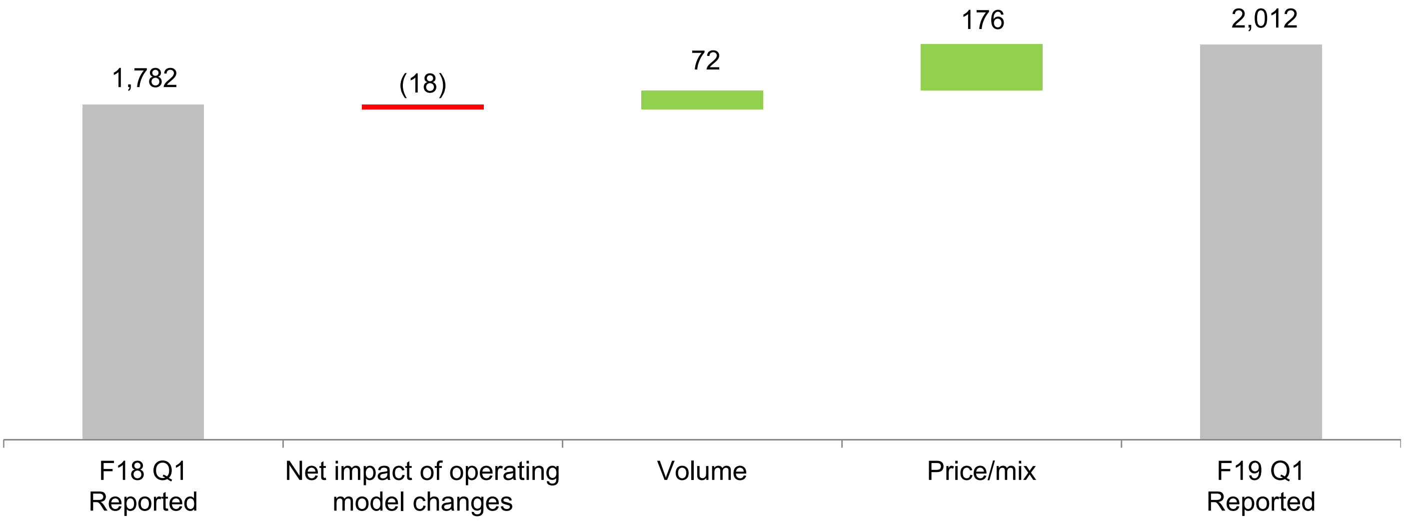
Key performance indicators as a % of net sales:

		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.

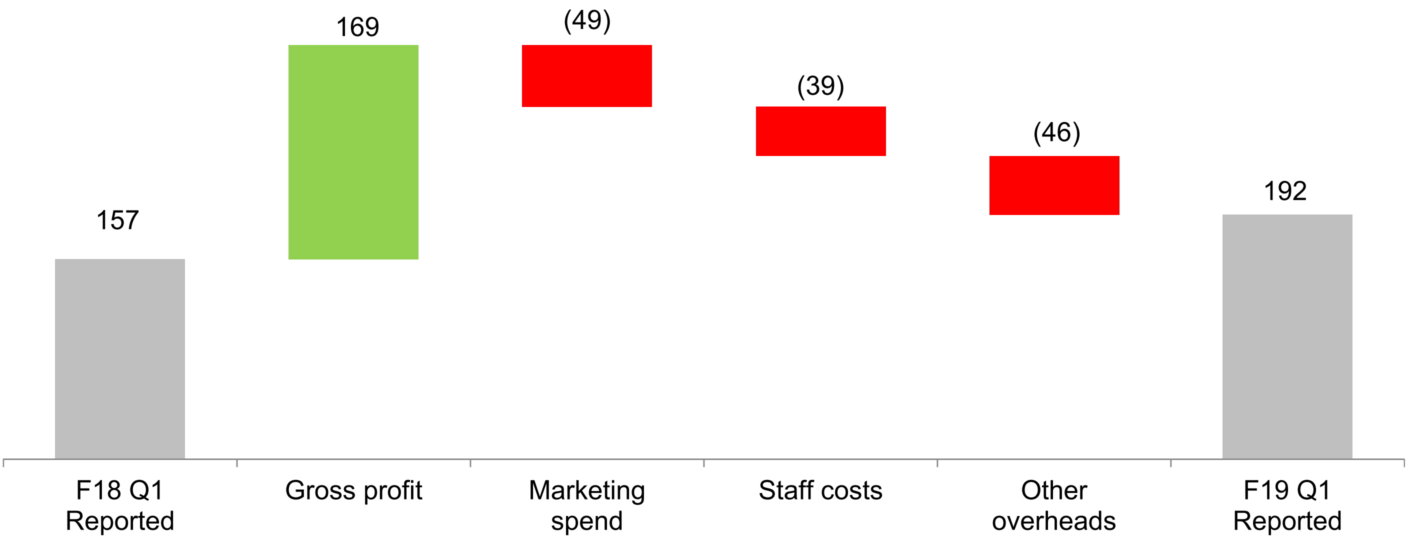
Net sales (Rs. Crores)



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.

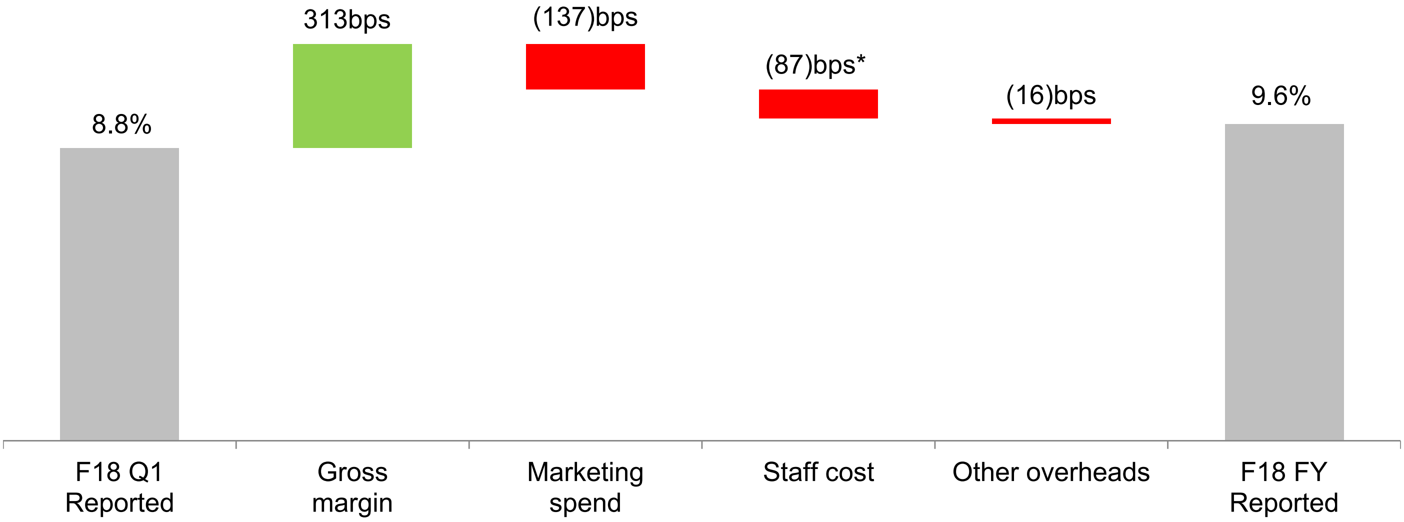
After adjusting for the operating model changes, underlying volume increased 4% as the Prestige & Above volume growth of 13% was partially offset by Popular segment volume decline of 4%. The Price/mix for the quarter was positive, mainly as a result of better mix supported by our efforts to drive premiumisation.

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.

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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.

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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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