



United Breweries Ltd

PERFORMANCE HIGHLIGHTS FOR FIRST QUARTER ENDED JUNE 30, 2017

- **UBL VOLUME STABLE DESPITE ADVERSE IMPACT OF HIGHWAY BAN**
- **MARKET SHARE INCREASED BY AROUND 1.5%**
- **NET REVENUE GROWTH OF 7%, NET PROFIT INCREASE 10%**

During Q1FY18, the company recorded volume broadly in line with Q1 2017, resulting in market share gain of around 1.5%, despite a decline in the beer industry by approximately 1%. Both the industry and the company saw volume growth in all regions apart from the West, with the most negatively impacted markets from the highway ban Kerala in the South and Maharashtra (excluding Mumbai) in the West.

In Q1FY18 UBL gained market share in North and South.

- In the North, UBL saw significant volume growth in all key markets Rajasthan, UP, Delhi, Haryana and Uttaranchal.
- Volume growth in the South was driven by Karnataka, Andhra Pradesh and Telangana, despite a sharp decline in Kerala. UBL gained market share in Karnataka, Andhra Pradesh and Tamil Nadu.
- Volume growth in the East was driven primarily by Orissa, whilst UBL saw volume decline in West Bengal and Jharkhand.
- In the West, UBL saw volume growth in Mumbai and Goa, with volume decline in the rest of Maharashtra.

Gross revenues grew 17%, with net revenues up by around 7%. Excise duties as a percentage of gross revenues continued to trend upwards, increasing from around 52% to 56% year on year. The increase in net revenues was primarily due to price increases taken in several open markets, as well as more favorable state and brand mix.

Variable costs increased, with barley prices still high similar to previous year's levels. The prices of sugar and rice have also yet to soften.

Average debt levels during the quarter were similar to Q1 last year, and lower interest costs were the result of lower short term interest rates.

The extent of the impact on the beer industry from the ban on sale of liquor on highway effective 1 April 2017 will be determined over the next two quarters. There has been some relief from a Supreme Court clarification that States can de-notify highways passing through city limits, such that the ban will not apply to outlets located within city limits.

With GST implemented on 1 July 2017, UBL is facing increased input prices. This is due to alcohol being excluded from GST, with the result that taxes paid on inputs are not available as credits. The company has launched several initiatives to mitigate the negative impact of this and to control costs. The net impact of the GST related input price increase will be seen over the next few quarters.

Mumbai, August 10, 2017