

Update following USL announcement re. outcome of internal inquiry

Diageo is providing this update following the announcement by United Spirits Limited ("USL" and "the Company") on 25 April 2015 in relation to its internal inquiry into certain matters referred to in USL's financial statements and the auditor's report for its financial year ended 31 March 2014.

In its announcement, the board of USL stated that they had lost confidence in Dr Vijay Mallya continuing in his role as a director and as chairman and therefore the board of USL called upon Dr Mallya to resign forthwith as a director and as chairman of the board and step down from his positions in the Company's subsidiaries.

The board of USL also resolved that, in the event Dr Mallya declined to step down, it would recommend to the shareholders of the Company the removal of Dr Mallya as a director and as the chairman of the board. Dr Mallya has indicated he will not tender his resignation.

Diageo is the majority shareholder in USL with a 54.78% holding. As previously announced by Diageo, it has certain contractual obligations to support Dr Mallya continuing as non-executive director and chairman of USL subject to certain conditions and in the absence of certain defaults. Further details of these arrangements are given below.

Subsequent to its announcement on 25 April 2015, USL has provided its inquiry report and all related materials to Diageo. Diageo notes the recommendation of the USL board and will now consider its position under its agreements with Dr Mallya and United Breweries (Holdings) Limited ("UBHL") in light of the inquiry report and materials provided to it.

For further information

Media relations:	Rowan Pearman	+44 (0)208 978 4751
	Kirsty King	+44 (0)208 978 6855
	global.press.office@diageo.com	

Investor relations:	James Crampton	+44 (0)208 978 4613
	Angela Ryker Gallagher	+44 (0) 208 978 4911
	Colette Wright	+44 (0) 208 978 1380
	Pier Falcione	+44 (0) 208 978 4838
	investor.relations@diageo.com	

Additional information

Diageo and UBHL entered into a Shareholders Agreement as part of the transaction announced on 9 November 2012 and which came into effect on 4 July 2013 when Diageo completed the acquisition of its initial 25.02% shareholding in USL. The principal provisions of the Shareholders Agreement were summarised in Diageo's announcement of that transaction.

Under the Shareholders Agreement, the parties agreed to use their respective rights as shareholders such that, among other things, UBHL would be able to nominate one director (who would be Dr Mallya) to the USL board. This right of UBHL is subject to it

continuing to hold at least 1,307,950 shares in USL and Dr Mallya continuing to control UBHL. In certain circumstances where Dr Mallya ceases to control UBHL, Dr Mallya may become entitled to succeed to the right to nominate himself as a director of USL subject to his holding at least 1,307,950 USL shares. Previously, UBHL also had the right to recommend a second, independent, non-executive director as long as it continued to hold at least 6,539,750 shares in USL. Following an earlier reduction in the UBHL group's shareholding in USL, this recommendation right has now fallen away.

To give effect to these rights, Diageo is obliged, under the Shareholders Agreement and a separate agreement with Dr Mallya, to support Dr Mallya continuing as non-executive director and chairman of USL. These obligations of Diageo are subject to the conditions described above and the absence of certain defaults by UBHL and Dr Mallya.

About Diageo

Diageo is a global leader in beverage alcohol with an outstanding collection of brands across spirits, beer and wine categories. These brands include Johnnie Walker, Crown Royal, J&B, Buchanan's, and Windsor whiskies, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.

Diageo is a global company, and our products are sold in more than 180 countries around the world. The company is listed on both the London Stock Exchange (DGE) and the New York Stock Exchange (DEO). For more information about Diageo, our people, our brands, and performance, visit us at www.diageo.com. Visit Diageo's global responsible drinking resource, www.DRINKiQ.com, for information, initiatives, and ways to share best practice.

Celebrating life, every day, everywhere.

ENDS