Brunch time Call with the Presidents – Greater China and Asia Pac – 30th October 2017

Sam Fischer

Good morning, afternoon and evening to everyone from our very clear and balmy night in Singapore. I'm Sam Fischer, President of Diageo Greater China and Asia and I am here today to tell you a bit more about why the business I lead is well positioned to deliver the growth opportunities in these attractive markets.

As you all know India and Global Travel have separate management responsibilities, therefore they will not be covered in this call.

The call will follow the usual format, I will make a brief introduction reminding you about the consumer opportunity we have in the region, the strategy we have in place to deliver that opportunity and how the execution of that strategy gives me confidence this region can deliver efficient growth. I will leave plenty of time at the end of the call for you to be able to ask questions.

This is a diverse region, with a mix of countries at different stages of economic development and beverage alcohol consumption patterns. Our business is broadly equally split between emerging and developed markets with a different sets of opportunities and challenges. Despite some volatility in specific markets and increased geopolitical tensions, the strong fundamentals that make these markets such an attractive growth opportunity for Diageo have not changed since the last time I presented them to you.

- The region represents one third of global beverage alcohol sales, including China which is the single largest beverage alcohol market in the world.
- It enjoys strong demographic fundamentals, accounting for about a quarter of the global legal drinking age population growth
- Strong urbanization trends mean that emerging middle class consumers are getting more exposed to branded products and international style spirits.
- And lastly premiumisation trends are very strong, in fact nearly half of total growth of UHNWI globally is expected to come from these markets.

In this attractive region Diageo is well set up to win.

Shui Jing Fang, our very own baijiu brand, give us the opportunity to selectively participate in the largest spirit category in the region. In international style spirits scotch is the largest category across the region. Given Diageo’s strength in scotch we are the leader in international spirits, and in many of our markets this gives us scale, but also the opportunity to diversify into other categories.

In fact our strategy is to drive growth by focussing on our strength in scotch, whilst diversifying our portfolio across brands and consumer price points. The execution of the strategy is based on five core pillars:

1) Win in scotch
2) Strengthen our local premium brands
3) Continue to grow reserve
4) Innovate to broaden our participation and recruit and re-recruit consumers
5) All underpinned by driving productivity

So we operate in a region with attractive growth opportunities, Diageo is well positioned to deliver that opportunity and we have a clear strategy that we are executing at pace that is working. Our performance last year improved, net sales increased 7% but most importantly we have built momentum in the business.

In the next 15 minutes I will talk about how we are executing against the pillars of our strategy and why I am confident we are set up to deliver consistent growth

Let's start with scotch, an important category for us as it accounts for nearly half of our business. Our strategy here is focused on Johnnie Walker to recruit and re-recruit consumers with scale activities that resonate with local consumers as well as expanding participation of our single malts. We are also testing how we can use primary scotch to recruit consumers into the category where we see a gap between the price of local premium spirits and Johnnie Walker Red Label. We have recently launched Bells in Thailand for example and early results are encouraging but still too early to see if we can do it at scale in more markets.

Johnnie Walker is our biggest brand accounting for nearly 60% of NSV of the category. Our strategy here is consistent with the one you will recall John Kennedy presented at our capital market day in May and is centred on the 4 pillars of telling inspiring stories, scaling up liquid on lips, winning in the gifting occasion and showcasing the pinnacle of the brand: Johnnie Walker Blue Label. The strategy is working, net sales for Johnnie Walker were up 7% last year, with the brand in growth in every market. Let me give you some examples on how we are executing and let's start with an outstanding example on how inspiring stories can connect with local consumers and drive performance.

Philippines, given its strong demographic and urbanization trends, is a very attractive market for Johnnie Walker. In order to penetrate local culture and recruit a new generation of consumers, we launched the Keep Walking Philippines campaign, a three-part mini-series that gave Filipinos an in-depth look into the lives of ordinary people, who despite the daunting challenges they've faced, continue to "keep walking". The aim was to inspire Filipinos to go for their dreams. It really connected with consumers, generating nearly 15 million views on Facebook and YouTube and this connection translated to an outstanding performance for the brand. Johnnie Walker is now one of the fastest growing international spirit brand in the country, with depletions of Johnnie Walker Black Label up 25% in F17.

Across the region we are also scaling up our liquid on lips program based on the insight that when consumers try Johnnie Walker and learn how it is best served, there is a highly likelihood it will convert into a purchase. We are doing this by leveraging our partnership with Formula 1 and through different activations in the on trade. As an example "Johnnie Wednesday" in Manila is a selection of special Black Label cocktails—Johnnie and Ginger, Johnnie Mojito, and Johnnie Soda—available at select bars. They have been instrumental at driving interest in the brand. At the last Grand Prix in Singapore we launched a scale multiple touch point activation program. For the first time we gained access to the concert area in Padang where we delivered our Johnnie and ginger serve across 5 bars, reaching 75k consumers. In the paddock, over 3 days, we served ten thousands Johnnie Walker signature cocktails and we combined this with disruptive visibility initiatives with multiple striding man statues across the city, including at the F1 track.

We are turning up our execution on gifting, targeting different occasions depending on the market. In Australia in the first half for example we focused our investment behind Johnnie Walker to drive salience during key trading periods like Father's Day and Christmas. This was leveraged through a new digital platform to help reframe the blended scotch category and social media influencers to drive credibility and cultural relevance. Results were good with net sales for Johnnie Walker up double digit in that period.

In markets like Greater China and South East Asia we are targeting festivity occasions like the Mid-Autumn festival and Chinese New Year. In these markets we use limited editions that leverage local cultural themes to recruit and re-recruit Johnnie Walker Blue consumers through bespoke services, personalization and exclusivity during gifting season and beyond. Our Johnnie Walker Blue Label Pioneer Spirits series for example was well received from consumers for its design and cultural relevancy and replaced numerous variations of limited editions that were individually launched by different markets during the Mid-Autumn festival. The results? We simplified and made our message more effective and net sales were 20% higher than all the different limited editions we launched in the previous year. And in China, during the Christmas and Chinese New Year gifting seasons, we built on last year's success of the Johnnie Walker Blue Label "Striding City" Limited Edition, by launching the 2017 edition, which symbolizes Johnnie Walker's journey from Scotland to China, and how the Chinese Nation has drawn upon external influences to flourish and progress, financially and culturally, showing a true "Keep Walking" spirit. The series was so successful that we expanded it to a more accessible limited edition for Johnnie Walker Black Label.

Overall Johnnie Walker reserve variants and our malts portfolio account for nearly 60% of our reserve business and given the growing number of affluent consumers in the region they play an important role to deliver sustained growth and contribute to increased category awareness. In Singapore we opened a new Johnnie Walker House and set up a new prestige sales team to serve high net worth individuals with our rarest whiskies and bespoke offers. We offer an exclusive portfolio not available through regular retail and based on an invitation-only, money-can't-buy type of concept. It's been very successful and we are building up our black book of private clients and expanding our offers to grow this business further, including a private mentoring experience available at the JW Private Suite. Across the region we complement this prestige bespoke offering with Johnnie Walker house pop ups at airports which generate higher visibility and give us access to the wider mass luxury opportunity.

We are also expanding our participation in the growing malts category. Our single malts net sales were up 6% last year, extending our leadership position in many markets. Two thirds of our malt business is in Taiwan, which is the biggest market in the world for The Singleton, where we continued to deliver good performance. Last year we focused on further premiumising the brand with the "Art of Slow" campaign, which emphasizes the ageing process of the liquid, and the launch of the 18 years old variant. The Singleton extended its share lead to 7.4pps, further improving its position as the leading malt in Taiwan. We also set up temporary 'Diageo Malts Houses' in both Taipei and Taichung. These are physical marketing spaces used to engage influencers, media, trade and consumers for brand mentoring and experiential events to recruit more consumers. There is also an opportunity to broaden our participation in the growing malts category outside Taiwan, where our malts portfolio delivered a good performance with net sales up 11% largely driven by Australia and South East Asia.

Our scotch business is in a stronger position in the majority of our markets and the category remains very relevant and aspirational for the growing emerging middle class population across the region. We continue to navigate through specific challenges in some markets, particularly in Korea, where the category is in structural decline, and in Thailand where performance last year and in H1 will continue to be impacted by the death of King Bhumibo, who passed away last year.

There is more to be done but our strategy is working.

Our second pillar is to strengthen the local premium brands which give us scale in some markets. Amongst these brands, the biggest and fastest growing is Shui Jing Fang in China.

We are the only international spirits company to have participation in a baijiu brand, and it gives us the opportunity to play in the world's largest spirits category.

The total Baijiu market is estimated at £40bn, and expected to grow mid-single digit in the medium term. SJF's core offerings, Well Bay and Master Distiller #8, are positioned in the premium price point, within a price range of 300-500 RMB and this segment is growing at high single digit, faster than the overall category. The business has fully recovered from the anti-extravagance measures that were introduced in 2012. Since then we have repositioned the price points, innovated with Master's Distiller number 8 to appeal to new younger consumers and focused our route to consumer on key provinces. It worked, and now the business is already bigger than it was at its peak before 2012 and growing fast. Most importantly Shui Jing Fang has only 6% share of the premium segment with good opportunities for growth as we continue to improve our route to consumer.

Moving on to reserve now. This is an important part of our business, accounting for 30% of net sales, and a key focus area for us. Performance of our reserve brands improved last year, with net sales up 23% compared to 7% the year before. While there is an opportunity over time to expand our reserve portfolio beyond scotch and Chinese white spirits, at the moment these two categories account for nearly all of our reserve business and therefore remain our key priorities as I have just explained.

Innovation is our fourth pillar. This is a key area as it enables us to broaden our participation across price points and categories to recruit new consumers into our brands. Last time I mentioned how I wanted innovation to drive more recruitment, while at same time delivering fewer and bigger projects, at scale. We are delivering on this.

Over the last 3 years our net sales from innovation grew 60% even though the number of projects we launched has halved. As an example we have moved the majority of the Johnnie Walker innovation pipeline from a series of limited editions spread across many markets to a single platform behind Johnnie Walker Blender's batch that is reasserting Johnnie Walker's cues of quality and craftsmanship. And we are doing all of this while we recruit new consumers and we reinvigorate some categories. Let me give you some examples

Smirnoff Midnight 100 Guarana in Thailand continues to stand tall as a great example of local adaptation of a global idea, in its second year net sales were up 15% in challenging market conditions and consolidated Smirnoff ice as the number 1 player in the RTD category. In Indonesia, in only two years, Guinness Zero has taken 10% share of the non-alcoholic beverages category and we will expand even further with the launch of a second variant: ginseng and lime. And in Australia Lazy Bear from Bundaberg and Smirnoff Pure have reinvigorated a stagnant RTD category being the number 1 and number 2 drivers of the national growth in pre-mix, recruiting new consumers from beer and wine occasions.

In South Korea innovation is playing a key role to keep consumers in our brands. As you know, in this market the scotch category is in decline as consumers move away from traditional on trade occasions and look for alternatives with lower alcohol content. The W franchise, by the Windsor brand, plays in the lower ABV segment and is helping us to sustain our position within the whiskey category while we shift our scotch business towards the modern on trade occasion and Johnnie Walker. W-Ice was launched 4 years ago and yet last year delivered about 40% net sales growth, the W franchise now accounts for more than a fifth of our spirits business and continues to grow fast. A great example of a sustainable innovation developed to meet a local consumer insights.

So our performance in scotch is improving, we are strengthening our local premium brands and our innovation pipeline is recruiting new consumers into our brands. Let me give you an example on how the deployment of our strategy has really made a difference in one market: China.

Our business in China mainland is relatively small, as it accounts for less than 2% of Diageo's net sales, but it offers attractive growth opportunities. Over the last few years we have made significant changes to our business, both in scotch and baijiu. About 40% of our business is scotch and last year we moved away from unprofitable Modern on trade outlets to focus more on building the category in the super premium segment. International style spirits account for only 2% of the market in China, and within that Cognac is the largest category. Given the low penetration of scotch we have kicked off several initiatives to drive scotch category awareness and excitement about Diageo's scotch portfolio. We focused on customer and consumer education to inspire and recruit new consumers. This included supporting the opening of whisk(e)y boutiques in the largest SDX spirits provinces, Xiamen and Guangzhou, setting up brand and category mentoring events and investing behind liquid on lips activities in the growing number of malt bars that are opening up in the country.

In F17, our Scotch business delivered a good performance with strong improvements in the off trade and significantly less reliance on the unprofitable modern on trade outlets, thus improving our margins. Most importantly we are beating the competition. We've extended our lead as number 1 in the SDLX scotch segment, achieved number 1 in Malts and, although still number 2 in the premium segment, we are the fastest growing and closing the gap to the competition.

Our innovation strategy is playing a strategic role in driving share growth among existing Scotch drinkers, and attracting new consumers into Scotch. Millennials account for 30% of the Chinese population and 65% of consumption growth. Our innovation agenda is recruiting them into scotch through the launches of Haig Club Clubman and the Blender's Batch program, both targeting different occasions. Haig Club Clubman is targeting millennials in search of taste and style. It was launched on 11 November, in conjunction with the Single's Day T-mall gala show alongside our celebrity partner David Beckham. The successful launch resulted in 5000 bottles sold online. Blenders Batch Red Rye was introduced with the ambition of recruiting millennials who seek authenticity, craft and quality. At the high end of our portfolio the Johnnie Walker Blue limited editions have helped us to win in the gifting occasion, while The Cask of Distinction program, which includes small batches and single cask offering is meeting the increasing demand of HNWI that look at scotch as a more sophisticated category with substance.

But it is not only about scotch, as I mentioned before Shui Jing Fang is going from strength to strength. Last year net sales for our Chinese White spirits business increased strong double digit and gained share. At just 6% share of the premium baijiu category this is a business with attractive growth opportunities as we continue to enhance our route to consumer, strengthen its brand equity and innovate to recruit new consumers. It is estimated that 70% of total revenues for Baijiu are concentrated in just 11 provinces and our strategy to focus both our marketing and commercial investments in key provinces is working. Last year the 5 core provinces grew strong double digit and the 5 second tier provinces grew even faster. In March 2017 we launched New Classic, priced at 900RMB, which is the new super premium variant of the brand, further strengthening its quality and heritage cues. As I said last year I continue to have ambitious expectations for our baijiu brand and I continue to expect it to outperform industry growth.

Our strategy in China is working, and we have built a solid foundation for our business there to achieve a sustainable growth in future.

Before making my final remarks let me give you some highlights on how we are driving our productivity agenda across the region. This is an important enabler of our strategy as it will allow us to invest in growth while also delivering margin expansion.

At our F17 results announcement Kathy told you we are increasing our global productivity program target to £700 million. In APAC we have detailed plans to contribute to deliver this target across the 5 main work streams.

On net revenue management, all of our markets have conducted detailed assessments and we are upgrading our capabilities to optimize our pricing initiatives and trade spend investment. In Korea, for example, where the scotch category is declining and competitive pressure has increased, we have done a detailed assessment on which outlets represents the best opportunity and how to better incentivize them through our trade spend investment. We also focus on ways to reduce our COGS. In China we reduced warehousing and transportation costs for specific brands by 30% by optimizing our supply chain processes and delivering full containers to key customers. We are also becoming more efficient and effective at managing our marketing spend. You have heard how in China, we have exited unprofitable contracted outlets on scotch to focus on brand building activations in the super premium and above segment. We are also consolidating and rationalizing our media spend and conducted a thorough review on the effectiveness of our point of sale materials, in fact our region delivered a tenth of the global procurement efficiencies on marketing achieved last year by Diageo. The new catalyst system will be rolled out in the majority of our markets by the end of the fiscal year, and that will help to further improve the effectiveness of our marketing spend. We continued to focus on organizational effectiveness by increasing spans and reducing layers, improving our market agility and speed at decision making. Our shared service centres offer a sustainable way to simplify and standardize our processes while leveraging economies of scale. Organic overheads costs decreased 3.5% last year as we started to move more back office activities into the shared service centres in Manila and Bangalore. We also tightly managed our indirect overhead costs through zero based budgeting tools.

Before opening the line to questions, let me summarize

We still face short term volatility in specific markets such as Korea and Thailand but overall this is a region with attractive growth opportunities which Diageo is well positioned to deliver. Last year performance improved and we have a clear strategy that is working. Our scotch business is stronger, our local brands are strengthening and we are broadening our participation across categories and price points using our world class innovation skills.

F18 started in line with expectations and it gives me confidence that this business can continue to deliver sustainable growth and contribute to margin expansion for the group.

That is the end of my prepared remarks. Thank you for listening. Operator, can we please now open the line for questions.

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Fernando Ferreira: Sam, I have 2 questions on China, please. First one, when you compare your overall sales in China for your business, how are we today compared to the previous peak levels of sales? Are we above already or are still below that level? And when you benchmarked against other categories like Baijiu and cognac, how do you see their sales relative to previous peak levels, please? And then second question is on scotch in China. Can you comment some of the challenges you see as to why scotch, whiskey, I mean, (doesn't) have a more meaningful penetration? And if you could also comment on some of the actions that you're doing to educate consumers on the category, please, not only on your key brands? Thank you.

Sam Fischer: Terrific. Thanks for the question, Fernando. Look, I'll start with kind of comparison as I see between scotch and Baijiu. This is slightly different story really. I think the Baijiu category was impacted really at the end of 2012 after what we refer to as the Golden years of Baijiu. And I can't speak for everyone, but in relation to our business, we have now seen our business surpass the peak from 2012.

And I think when I look at that business, the quality of the business that we have today, the strength of the brand and the momentum has given us lots of confidence that this is a long-term sustainable growth and performance. We are already ahead of where we were in Baijiu.

Scotch is a little bit different because in our instance, we saw 2 things really happen in the category. Post anti-extravagance measures we saw a cognac category that was quite significantly impacted and many companies withdrew kind of commercial funds to support principally cognac in some instances at the expense of scotch. We didn't do that; we kept investing in scotch all the way through that challenging period.

But we did very consciously remove ourselves from some of these loss-making channels that we didn't foresee as building the category long term. So that was a conscious decision to move into something much more sustainable and develop the credentials of the category through the aspirational position of superdeluxe. I think again for scotch, we're dealing with the category – at least our brands within the category are back into a much, much healthier growth trajectory.

And we're doing that -- and this is kind of moving into the second part of the question -- through the building of the category and our brands. When we look at what was happening through some of those traditional and modern on-trade channels where the product was being mixed with green tea and with other mixes that really took away the credentials. We're now through the implementation of our whiskey boutique through our whiskey summit (programme), which I'll talk a little bit more about, through mentor sessions with trade, with media, through the penetration of our portfolio with these emerging malt brands.

We are really building the credentials from the bottom up. And from the bottom up, I mean from the base brand credentials through participation in superdeluxe. I think that when it comes to driving penetration, that education, that knowledge of the heritage, craftsmanship, and provenance will make a big difference with consumers. So I think there's been some shift and I think both categories are now positioned for longer-term growth. Does that answer your question, Fernando?

Fernando Ferreira: Yes.

Mitchell John Collett: I know you said that you delivered a great deal of the efficiencies within marketing. But I was just interested in the comment you made in the release on it that you outweighted your marketing behind Shui Jing Fang, but that marketing was flat overall year-on-year. Could you perhaps give us some color on where you reduced marketing spend? And then, similarly, I think Shui Jing Fang sales were up or a total white spirit sales were up 69 percent last year whereas your Greater China sales were up 25 percent. I may have the rating slightly off, but that implies that some of the rest declined. And I think you also said scotch grew 5 percent. So could you give us some color on which parts of your Greater China portfolio declined last year? And then finally, I don't know if it's too early, but can you give us a sense for what the Mid Autumn festival is like this year? Was it a strong peer at of trading or not?

Sam Fischer: Yes, OK. In relation to marketing, I mean, generally speaking across the region, our marketing spend has declined. But that is really on the back of some of the efficiencies that we've driven within that spend. So in relation to effectiveness I don't see a decline at all. The work we're doing with catalyst being much, much more considered in relation to where we invest and what we expect in relation to return on that investment has allowed us to be more precise in relation to where we invest and the effectiveness of that investment. So I think the tools that we have in driving an efficiency on the marketing line. But from an effectiveness perspective, we see an even greater impact. When it comes to the different growth across the region, I mean, we have, in a very precise manner, gone up for scotch and Baijiu, and that meant in some categories that we have previously participated in we have deprioritized. The core categories that we see having the largest potential in China are scotch and Baijiu and that's what attracting the bulk of our attention. So whilst there's been some nuances across the entire portfolio, the strategic initiatives are what is delivering our growth. Early read on Mid Autumn Festival, it's again positive. Our Baijiu business has come out with a trading statement last week, and we continue to see really strong performance in that business. And our China scotch performance is also encouraging. So one, it feels to be in the early stages of this year, but our strategy is working.

Robert Edward Ottenstein: I understand that it's not a priority for you at this point. But I'm just wondering how you think big picture of the role and the potential of bourbon and the Bulleit brand in your region?

Sam Fischer: Generally speaking, the biggest market for us for bourbon is Australia. We've got a large category, and we participate in bourbon predominantly through bourbon and small amount of a local bourbon brand and George Dickel. So bourbon is important for us there. It sits inside our reserves portfolio, so we've got a premium positioning and that's where we are establishing the core credentials and will continue to invest in a fairly considered way to build that brand over the longer term.

As I look at the category across the rest of Asia, there's pockets of growth for Jack Daniels or pockets of participation in the Philippines and also in Indonesia. They are relatively stagnant. And in both of those markets, our scotch business has gone up faster than bourbon. It will remain a part of our reserve portfolio. We continue to see it and invest across the patch, if we see something different than we see today, we can always change that investment outlook.

Komal Dhillon: Just 2 questions on China and one on Korea, please. On China, firstly, you talked about growing Shui Jing Fang ahead of premium Baijiu. Can you give us some color on how the brand can compete against Mou Tai given the relatively low market share? And then the second question on China is have you seen any impact from recent Chivas activation? And then, lastly, on South Korea. Again, your biggest competitor is seeing only modest decline in the market thanks to a turnaround plan; anything -- are you seeing similar trends as well?

Sam Fischer: OK, let me start with Shui Jing Fang. So Shui Jing Fang's story is interesting. Firstly, we have been very focused in relation to our route-to-market and our investment. So we've identified core provinces that have strong equity to Shui Jing Fang and strong potential, and we focused our investment behind the route to market and our A&P spend in those provinces. That's given us the ability to break through in specific areas and the performance that we delivered on back of that has been extremely encouraging.

Once we've cracked that and kind of codify it, if you like, the core driver of growth both at A&P level and the route-to-market level than we kind of replicate it both around those areas and in new provinces that we see as having significant potential. And the key to it is making sure that your investment is concentrated and focused enough so that you have an impact. And once we've got a certain level of scale in those provinces then we add another province but we haven't just gone national and taken out the core investment and made it so thin that we don't great any kind of impact.

We've also innovated -- I talked a little bit about innovation. We have a unique position in Shui Jing Fang. It's still got 600 years of history and a wonderful brand story. But through our packaging, we managed to get a slightly more contemporary, slightly more modern feel, which we think ultimately differentiates ourselves from some of the other brands because of that. That gives us an opportunity to skew slightly younger and recruit different types of consumers.

We've manage to find a unique position in the market that's different to others and execute a strategy that's proven itself and we will continue to do that. That's what given us confidence. When we looked at brand equity scores, again, we continue to see that brand growing, which sets us up well to the future. So different to Moutai and smaller, but the niche that we operate in is still extremely attractive and we've still got huge runway for growth.

Early days for our competitors, I mean, it's not just Chivas but more broadly their scotch brands, they've just really come back into the market from an investment perspective, as it was announced at their last results. So I think it's great that we've got more scotch brands, both single malt and blended Scotch brands starting to invest in the category because we've got such low penetration. Having people help us fuel that penetration ultimately builds the category; we think it is going to be a great thing. So for us, I think it's good news that we see competitors investing.

South Korea, I mean several competitors now in South Korea. We've got brands like Imperial that has long been in the market and brands like Lotte. But most recently, we've seen Golden Blue, which is a local player in there and disrupt with a mid-proof offering. And actually, the #2 player in the market now is Golden Blue.

Our other competitor, Imperial, as market share now, which is half of what it was, say, 3 or 4 years ago.

We are broadly holding share in the category. We've innovated behind the W series and the strategy is very much to maintain our position in the local whiskey category. While we build the business outside of that in what we see is growing and more vibrant channels, we call it the casual hang out and it's an early or an evening occasion attended by a broader base of consumers predominantly led by Millennials. We see Johnnie Walker having a really significant role to play there. We see a reserve portfolio having a significant role to play. And Guinness is having a big impact in that space also.

We are shifting the strategy into something that is broader and we think ultimately, more sustainable longer-term. Korea's still interesting for us. It's been challenged for some period of time. We've been competing hard and maintaining our position while we build a new broader business for the longer term.

Olivier Nicolai: Just a quick question on Australia, actually. I mean, over the last few years, spirits have been growing ahead of beer and wine. Could you give us your view for the next year if you still think that spirits can take share? And then more specifically on Australia again, we're getting ready to drinks, which is still a big category there. I mean, I've read some comments about difficult pricing environment; I just wanted to have your view on the pricing environment on RTD?

Sam Fischer: OK. Generally speaking, Australia is a relatively mature market. We've seen kind of per capita consumption of alcohol in long-term decline on the back of a number of factors. You're right; the spirits category is vibrant. We've got nearly 30 percent of share in that category. So we're a scale player, if you like, and we're well positioned across the broad portfolio to continue to drive growth.

Premiumization has been at play in Australia. We've really seen Australians drink less, but drink better, and again, that plays well for us in relation to the execution of our reserve strategy. I think that Australia, in the longer-term is attractive, and we've been driving growth and margin accretion through the execution of our strategy.

And then when we talk about RTD, we have had some challenges in relation to relativity, particularly to beer as a result of some of the tax that's being imposed on us in the market. We continue to work on that agenda to try and build something that we think is ultimately longer-term much fairer. But innovation has been the key for us in RTD, and that's really what's keeping this category vibrant.

I mean, we mentioned Smirnoff Pure. This is a low sugar vodka RTD that we know is on trend and has been gaining traction. We've launched the Lazy Bear, which is a low ABV Ginger Bundaberg offer, which again has been really recruiting from beer and growing in its second year again. So I think innovation is the key for us to stay relevant in RTD. And I think longer-term, as we drive the spirits culture through our involvement with market shifts and the reserve portfolio premiumization and the like, is still attractive for us.

Cole Hawthorne: Hi, Sam. I wonder if you can give me your medium-term outlook on growth for the region?

Sam Fischer: OK. Now, I think I said it last year and I continue to expect even though we've got volatility in these markets and had some for some time, we’ve built muscle to manage volatility, we built contingency plans. And I think we've got a clear strategy that we're executing. I continue to see us delivering in the medium-term growth that’s accretive to Diageo with margin expansion.

Cole Hawthorne: And are there any other regulatory hotspots that we should be aware of in Asia region?

Sam Fischer: We still keep a close eye on Indonesia. We know that some of the special interest groups that sit inside government have a voice. So we need to make sure that we continue to engage with the government to ensure that we've got a responsible application of policy and regulation. I think that's one area that we need to keep a close eye on.

In Thailand, we continue to have strong interest groups there. Again, nothing particularly prevalent but we've got a very strong corporate relations team that's executing a strategy around engagement, where we are working with them on corporate social responsibility program, alcohol in society programs and different policy recommendations. Nothing specific there. But again, a market where we need to keep a close eye on. They’re probably the two that I see right now.

Sam Fisher: OK. Thank you very much. I think I'm going to close now.

With that, I'd like to thank you all for your time. I hope this call was useful for you to have a better understanding of why the business I lead is well-positioned to deliver sustainable growth. We still face short term volatility in some markets, but this is a region with attractive growth opportunities that Diageo is well-positioned to deliver. Last year performance improved and we had a clear strategy that is working. F18 started in line with expectations and it gives me confidence that this business can deliver sustainable growth and contribute to margin expansion for the group.

If you have any further questions please don't hesitate to contact our Investor Relations team who will be very happy to answer them. I look forward to speaking to you all on the next call if not before or maybe in person. Otherwise, thank you very much and good night.

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