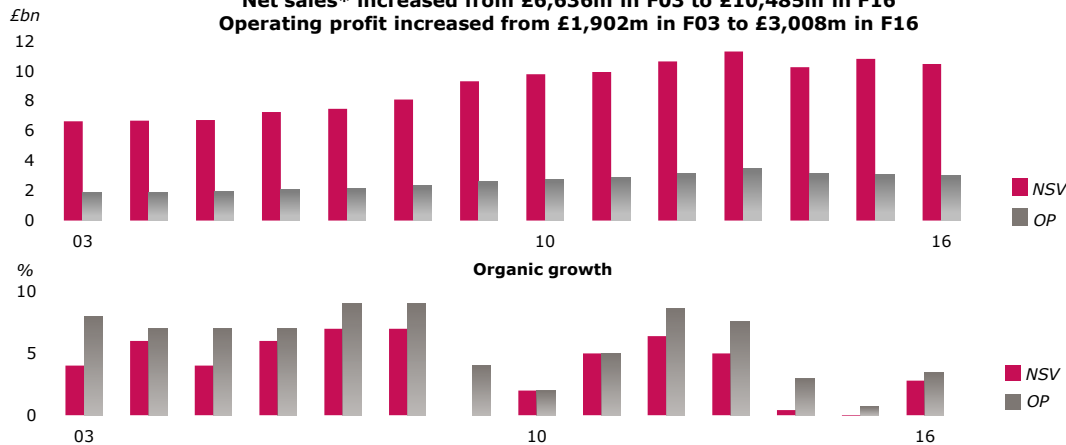


"I WANT TO CREATE ONE OF THE BEST PERFORMING, MOST TRUSTED AND RESPECTED CONSUMER PRODUCTS COMPANIES IN THE WORLD"

IVAN MENEZES, CEO

Sustained performance

Net sales* increased from £6,636m in F03 to £10,485m in F16
Operating profit increased from £1,902m in F03 to £3,008m in F16



Financial strength

F17 H1 reported figures	Organic movement	
Volume 129mEU	2%	Free cash flow £1.1bn
Net sales £6.4bn	4%	
Marketing spend £0.9bn	(2)%	Reported operating margin* 32.2%
Operating profit* £2.1bn	4%	
Interim dividend 23.7pence	5%**	Net debt / EBITDA* ratio 2.5x
Eps* 62.0pence	21%**	

*Pre exceptional items; **Reported movement

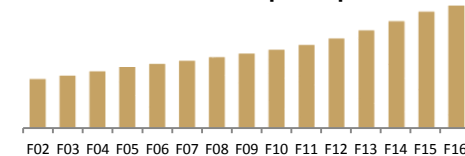
Our three Sustainability and Responsibility priorities

Every business decision, every operation and every programme and initiative must work towards our three sustainability and responsibility priorities:

- #1 Create a positive role for alcohol in society
- #2 Build thriving communities
- #3 Reduce our environmental impacts

Growing dividend per share

F16 dividend: 59.2 pence per share



World leading brands¹

Global giants

% of net sales **42%***

Local stars

21%*

Reserve

16%

Johnnie Walker is the **No.1** scotch whisky in the world

Tanqueray is the **No.1** premium gin in the United States

Smirnoff is the **No.1** vodka in the world

Baileys is the **No.1** liqueur in the world

Captain Morgan is the **No.2** standard rum in the world

Guinness is the **No.1** stout in the world²

Crown Royal is the **No.1** Canadian whisky in the world

Buchanan's is the **No.2** Canadian scotch whisky in the United States

Black and White is the **No.2** standard scotch whisky in Brazil

Windsor is the **No.2** super premium scotch whisky in Asia Pacific

Old Parr is the **No.1** premium whisky in Colombia

J&B is the **No.1** scotch whisky in Spain

McDowell's is the **No.2** IMFL whisky in the world

Bundaberg is the **No.1** rum in Australia

Yeni Raki is the **No.1** aniseed based spirit in the world

Shui Jing Fang has 600 years heritage and distributed in 26 countries

Ciroc is the **No.2** super premium vodka in the United States

Don Julio is the **No.2** super premium Tequila in the world

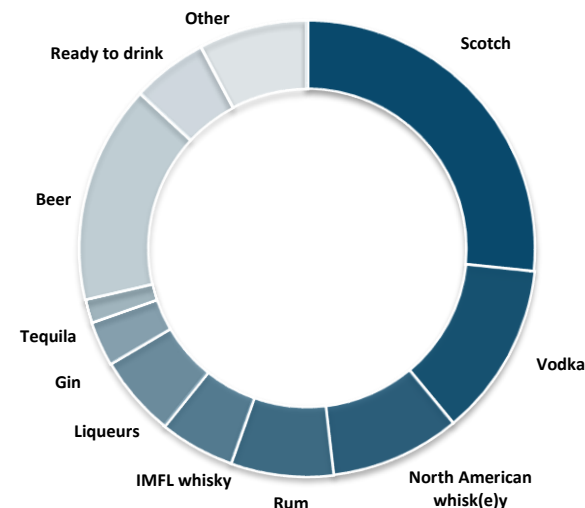
Lagavulin is the **No.1** super premium scotch malts whisky in Europe

Ketel One is the **No.3** premium vodka in the United States

Bulleit is the **No.2** premium rye whiskey in the world

Category depth

Net sales by categories*



*6 months ended 31 December 2016

*Global giants and Local stars including reserve variants.

¹IWSR; ²canadean intelligence



	North America	Europe, Russia and Turkey	Africa	Latin America and Caribbean	Asia Pacific
% of net sales	34%	24%	12%	10%	20%
markets					
categories					
price segments					
Net sales movement*	3%	5%	4%	11%	3%
Operating profit movement*	6%	6%	2%	13%	(6)%
Highlights	<p>North America delivered net sales growth of 3% and performance improved in each market: US Spirits, DBC USA and Canada.</p> <p>US Spirits net sales grew 4% with volume growth and positive mix.</p> <p>North American whisk(e)y, scotch and tequila delivered the strongest category performance.</p> <p>DBC USA net sales grew 3% with ready to drink growing and beer stabilising.</p>	<p>In Europe, net sales were up 5% with Continental Europe the main contributor.</p> <p>Johnnie Walker and Baileys performed strongly, reserve brands continued to perform well.</p> <p>Guinness net sales were up 2% supported by a solid performance of Hop House 13 Lager.</p> <p>In Russia, price rises reflecting currency weakness led to a net sales increase of 6% with volume down 7%.</p>	<p>In Africa, performance improved with net sales up 4%, driven by strong growth of Satzenbrau and Senator.</p> <p>Beer performance was impacted by the significant increase in duty on bottled beer in Kenya.</p> <p>Across the region, mainstream spirits net sales grew 20%.</p> <p>Premium spirits grew 13% with growth coming from Johnnie Walker Black Label in Africa Regional Markets and Nigeria.</p>	<p>Net sales grew 11% in LAC, reflecting a strong recovery.</p> <p>Brazil remained weak but Mexico, Andean and CCA performed strongly.</p> <p>Diageo's strategy in LAC is to expand our leadership position in scotch and broaden our portfolio.</p> <p>Scotch net sales grew 15%, led by Johnnie Walker and improved momentum for Buchanan's with net sales up 46%.</p>	<p>Asia Pacific grew net sales 3% with significant growth in Greater China and solid performance in India, Australia and South East Asia.</p> <p>In mainland China, net sales grew 44% as a result of strong underlying momentum in Chinese white spirits and scotch returned to growth.</p> <p>India net sales grew 4%, momentum disrupted by the demonetisation.</p> <p>Mourning period in Thailand impacted South East Asia growth.</p>

* Organic growth 6 months ended 31 December 2016, ** Other mainly Travel Retail

FINANCIAL RESULTS – F17 H1

Reported net sales (£6,421 million) and operating profit (£2,065 million) were up 14.5% and 28.0% respectively, reflecting accelerated organic growth and favourable exchange

Organic growth, across all regions, with 1.8% volume growth and 4.4% net sales growth

Organic operating profit grew 4.4%, in line with top line growth, driven by gross margin improvement, good progress on productivity offset by implementation costs and the profit on sale of the UB shares in the prior period

Free cash flow continued to be strong at £1,084 million, increasing by £245 million compared to the prior period with net cash from operating activities up £230 million to £1,267 million

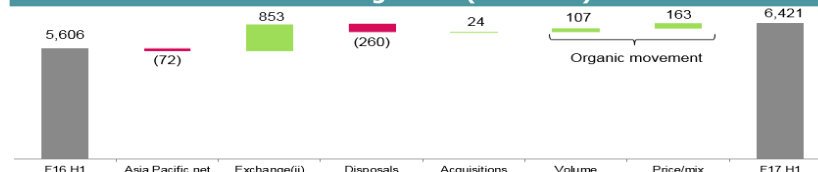
Basic eps of 60.3 pence. Pre-exceptional eps was 62.0 pence, up 21%, as higher operating profit and associate income along with favourable exchange more than offset the impact of disposals and a higher tax rate

Interim dividend up 5% at 23.7 pence per share

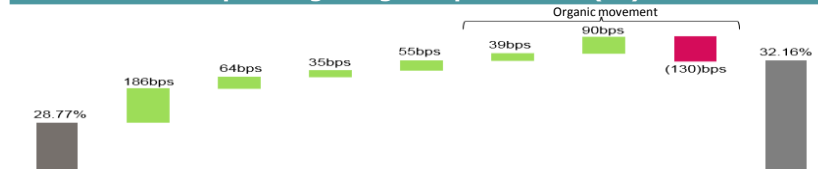
KEY FINANCIAL INFORMATION

		F17 H1	F16 H1	Organic growth%	Reported growth%	F16 H1	F15 H1	Organic growth%	Reported growth%
Volume	EUm	129.4	130.3	2	(1)	130.3	134.1	1	(3)
Net sales	£m	6,421	5,606	4	15	5,606	5,900	2	(5)
Marketing spend	£m	908	822	(2)	10	822	896	(5)	(8)
Operating profit before exceptional items	£m	2,065	1,717	4	20	1,717	1,839	2	(7)
Operating margin expansion*		(1)	16			16	28		
Operating profit	£m	2,065	1,613		28	1,613	1,688		(3)
Profit attributable to parent company's shareholders	£m	1,514	1,406		8	1,406	1,311		7
Basic eps	pence	60.3	56.1		7	56.1	52.3		7
Eps pre exceptional items	pence	62.0	51.3		21	51.3	53.7		(4)
Reported tax rate	%	21.0	16.6		27	16.6	16.8		(1)
Tax before exceptional items	%	20.9	19.0		10	19.0	18.3		4
Free cash flow	£m	1,084	839			839	699		
ROIC	%	15.7	13.9			13.9	14.6		
Net debt	£m	(9,066)	(9,671)			(9,671)	(10,698)		

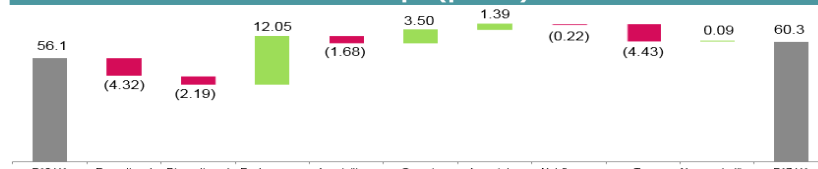
Net sales growth (£ million)



Operating margin improvement (%)



Basic eps (pence)



Free cash flow (£ million)



Return on average invested capital (ROIC) (%)



(i) Adjustment for the impact of an accounting change made by USL to account for sales by third party manufacturers to a net sales basis in the prior period. (ii) Exchange rate movements reflect the translation of prior period reported results at current exchange rates. (iii) Excluding items net of tax for the six months ended 31 December 2015 included a net gain from the sale of non-core assets. (iv) Excluding exchange (v) Exchange on operating profit before exceptional items. (vi) Operating profit excluding exchange, depreciation and amortization, post employment payments and non cash items but including operating exceptional items. (vii) Other items include post employment payments, dividends received from associates and joint ventures, loans and other investments.

BUSINESS REVIEW

	F17 H1		F16 H1		F17 H1		F16 H1	
	%*	£m	%*	£m	%*	£m	%*	£m
VOLUME								
NORTH AMERICA	1	24.8	(2)	24.9	3	2,172	(2)	1,867
EUROPE, RUSSIA AND TURKEY	3	24.1	2	24.1	5	1,534	3	1,361
AFRICA	3	16.8	7	16.3	4	808	3	716
LATIN AMERICA AND CARIBBEAN	-	11.6	4	11.7	11	628	9	522
ASIA PACIFIC	2	52.1	-	53.3	3	1,255	2	1,123
CORPORATE					14	24	6	17
DIAGEO	2	129.4	1	130.3	4	6,421	2	5,606
NET SALES								
NORTH AMERICA	1	318	(12)	275	6	1,019	(2)	809
EUROPE, RUSSIA AND TURKEY	(2)	229	-	218	6	535	5	450
AFRICA	3	84	(4)	74	2	132	-	138
LATIN AMERICA AND CARIBBEAN	(6)	99	4	96	13	205	5	154
ASIA PACIFIC	(6)	174	(2)	157	(6)	259	18	234
CORPORATE		4		2	(20)	(85)	(8)	(68)
DIAGEO	(2)	908	(5)	822	4	2,065	2	1,717
OPERATING PROFIT**								
NORTH AMERICA								
EUROPE, RUSSIA AND TURKEY								
AFRICA								
LATIN AMERICA AND CARIBBEAN								
ASIA PACIFIC								
CORPORATE								
DIAGEO								
OPERATING MARGIN								
NORTH AMERICA								
EUROPE, RUSSIA AND TURKEY								
AFRICA								
LATIN AMERICA AND CARIBBEAN								
ASIA PACIFIC								
CORPORATE								
DIAGEO								

*Organic, **Pre-exceptional

STRATEGIC MARKETS PERFORMANCE (growth %)

	Organic volume		Organic net sales		Reported net sales	
	F17 H1*	F16 H1	F17 H1	F16 H1	F17 H1	F16 H1
NORTH AMERICA	1	(2)	3	(2)	16	-
US Spirits	1	(2)	4	(3)	17	-
Diageo Beer USA	-	-	3	2	14	7
Canada	4	4	5	5	21	(7)
EUROPE, RUSSIA AND TURKEY	3	2	5	3	13	(7)
Europe	4	3	5	2	10	(5)
Russia	(7)	(12)	6	20	29	(28)
Turkey	(5)	3	5	9	15	(11)
AFRICA	3	7	4	3	13	(4)
East Africa	5	21	-	13	19	-
Africa Regional Markets	-	12	6	6	22	17
Nigeria	7	(8)	6	(9)	(19)	(18)
South Africa	(2)	(5)	10	2	42	(12)
LATIN AMERICA AND CARIBBEAN	-	4	11	9	20	(16)
PUB	(6)	1	(6)	9	26	(21)
Mexico	20	26	21	20	25	20
CCA	7	4	10	2	4	(10)
Andean	(19)	6	30	25	56	(57)
PEBAC	3	6	5	7	(13)	-
ASIA PACIFIC	2	-	3	2	12	(4)
India	2	-	4	6	3	(3)
Australia	2	2	3	2	29	(11)
Greater China	24	-	22	4	44	6
South East Asia	4	(2)	2	6	15	2
North Asia	10	10	(2)	(2)	23	(6)
Travel Retail Asia and Middle East	(20)	(6)	(18)	(12)	(19)	(12)
DIAGEO	2	1	4	2	15	(5)

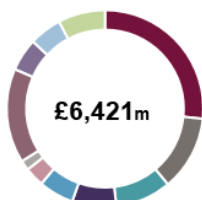
CATEGORY AND BRAND PERFORMANCE (growth %)

	Organic volume		Organic net sales		Reported net sales	
	F17 H1*	F16 H1	F17 H1	F16 H1	F17 H1	F16 H1
SPIRITS	2	-	6	1	20	(4)
SCOTCH	4	(2)	6	1	21	(8)
NORTH AMERICAN WHISK(EY)	11	7	15	10	37	15
VODKA	(2)	(1)	(2)	(8)	15	(9)
RUM	(4)	7	2	4	13	-
LIQUEURS	3	6	2	7	12	2
TEQUILA	22	7	18	6	36	45
GIN	4	2	7	6	21	3
IMFL WHISKY	6	(4)	11	2	14	(1)
BEER	1	15	-	7	7	1
READY TO DRINK	(5)	(14)	(1)	(13)	21	(20)
DIAGEO	2	1	4	2	15	(5)
GLOBAL GIANTS**						
Johnnie Walker	4	(1)	6	1	20	(5)
Smirnoff	(2)	2	(2)	2	13	(1)
Captain Morgan	4	5	2	3	20	3
Baileys	5	4	3	6	17	2
Tanqueray	12	8	9	8	28	9
Guinness	(3)	8	-	9	10	2
LOCAL STARS**						
Crown Royal	15	7	17	8	40	13
Yeni Raki	(4)	5	5	5	16	(14)
JeB	6	(6)	5	(9)	20	(16)
Buchanan's	28	(5)	24	7	40	(13)
Windsor	(14)	1	(15)	(7)	4	(10)
Old Parr	7	(10)	14	-	34	(22)
Bundaberg	(3)	(5)	1	(4)	26	(17)
Black and White	21	14	9	28	27	4
Ypióca	-	(6)	(3)	4	32	(28)
McDowell's	1	2	4	3	1	(2)
RESERVE**						
Scotch malts	4	8	3	10	20	5
Círoc	7	(36)	6	(37)	25	(34)
Ketel One vodka	(3)	-	(8)	(1)	10	4
Don Julio	22	24	17	27	35	75
Bulleit	27	27	29	29	54	36

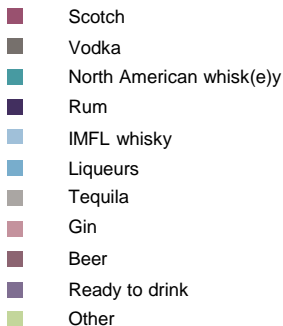
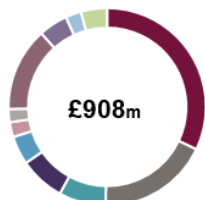
VOLUME



NET SALES



MARKETING SPEND



* Organic equals reported volume movement except for Diageo (1)%, US -, DBC USA(8)%, Canada 3%, Europe (1)%, South Africa 4%, CCA (5)%, PEBAC 12%, India (2)%, South East Asia (5)% and Travel Retail Asia and Middle East (23)%.

* Organic equals reported volume movement except for Spirits 0%, Rum (7)%, IMFL whisky 4%, Liqueurs 0%, Beer (2)%, Ready to drink 2% and McDowell's (3)%.

**Spirits brands excluding ready to drink

