• Good morning everyone. I am pleased to share another strong set of results today.
• Let me start by thanking all of Diageo’s 30,000 employees for their contribution to the consistent performance trajectory we’re on.
• These results and the momentum we have in all four measures of our progress, demonstrate that we are a stronger company that is advancing towards our ambition to be one of the best performing, most trusted and respected consumer products companies in the world.
• We are more consumer centric, more efficient and more agile, executing effectively against our six priorities.
• We are better positioned to take advantage of the natural tailwinds in our industry with favourable demographic dynamics in emerging markets and premiumisation trends across spirits and premium beer categories.
• Kathy will share with you the details of our progress on efficient growth and value creation but let me start by taking you through some highlights first.
Organic net sales grew 5% driven by volume growth and strong price mix with broad based growth across categories and regions, including our three focus areas.

Organic operating margin expanded by 78bps with our productivity work, enabling an upweight in marketing investment as well as delivering margin expansion.

We delivered another year of strong free cash flow, broadly consistent with last year.

Eps pre-exceptionals is up 9.3% primarily driven by organic growth.

We returned £1.5 billion pounds to shareholders in fiscal 18 through a share buyback. Our strong cash flow delivery has enabled us to announce today a share buyback programme of up to £2bn for F19.

We also announce an increase in our final dividend of 5%.
Our ambition is to be one of the best performing, most trusted and respected consumer product companies in the world.

To deliver this we set out a clear strategy to deliver consistent, efficient growth and value creation, as well as drive significant cultural change. We have made significant progress towards our ambition.

These results demonstrate another year of strong, consistent performance across the business with top line growth of 5%, a second year firmly in our guidance range.

We remain focused on margins and our reported operating margin before exceptionals at 31.4% this year is top quartile in our peer set.

We have created a more agile, consumer centric organisation that acts with greater pace and efficiency. This has been enabled by our productivity agenda.

This focus on everyday efficiency has delivered 115 basis points of margin expansion over fiscal 17 and 18 and we are on track to meet our goal of 175 basis points over the 3 years F17 to F19.

Importantly we are also creating fuel for growth, upweighting our A&P spend by 27 basis points as a percentage of net sales this year, and I expect that to continue.

We continue to drive good cash conversion and are now in our fourth year of strong cash flow performance.
• We have a disciplined approach to capital allocation to maximise value for shareholders.
• Our priority remains to invest in organic growth opportunities with the right talent, capabilities and tools to continue to grow our business.
• We also actively review our portfolio, disposing of non-core assets over recent years as well as looking for potential bolt on acquisition opportunities.
• In this fiscal year we completed the acquisition of Casamigos, the fastest growing super premium tequila brand in the US.
• We also announced the acquisition of ultra-premium mescal, Pierde Almas, and premium aperitif Belsazar, and in Distill Ventures, we continue to work with many businesses in their early stages of development. Most recently we have launched a partial tender offer to potentially increase our stake in Shui Jing Fang from just under 40% up to a maximum of 60% which will increase our exposure to the exciting premium Baijiu segment.
• The business continues to generate significant amounts of cash:
  • This year we have returned over £3 billion of cash to shareholders
  • We have again increased our dividend by 5%.
  • And today we have announced that we will return up to £2bn of capital to shareholders in F19 through a new share buyback programme, in addition to the £1.5bn we returned in F18.
• Over the last year we have increased our Total Shareholder return by 23% which builds on two prior years of double digit growth.
• The actions we have taken means Diageo continues to strengthen.
• We are delivering strong results but there is still more to do.
• The journey to create the opportunities to drive growth and value for our shareholders will continue.
Over the last year we have delivered another set of strong results demonstrating the effective execution of our strategy.

It is another year of top line growth within our medium term mid-single digit growth target range and we are on track to deliver our organic operating margin commitment of 175 basis points over the three years fiscal 17 to fiscal 19.

While there is more to do the performance we’ve delivered gives me confidence in the resilience and predictability we are building into this business.

Let me hand over to Kathy to talk about these results in some more detail.
Thank you Ivan and good morning everyone.

In the second year of our medium term guidance we have delivered another consistent strong set of results against the KPIs we use to measure efficient growth and value creation.

- Organic net sales grew 5%, underpinned by 2.5% volume growth and 2.5% positive price/mix.
- Organic operating margin increased 78bps, slightly ahead of expectations as a result of accelerated productivity savings in overheads and lower related costs.
- At £2.5bn, free cash flow continued to be strong and broadly in line with last year.
- Pre-exceptional eps grew 9.3% to 118.6p mainly driven by organic operating profit growth and lower finance charges.
- Return on invested capital improved 48bps to 14.3% and it is now at its highest level in 4 years.
- And finally we delivered total shareholder return that is top quartile relative to our peer group. It was up 23% in the 12 months to June, the third year in a row of double digit growth.
- These are a strong set of results which further demonstrate our ability to consistently deliver efficient growth and value creation and meet our medium term guidance.
- Let’s dive into it.
Reported net sales were up about 1% as organic growth more than offset the significant impact from unfavourable foreign exchange.
• Organic net sales grew 5%, driven by 2.5% volume growth and 2.5% positive price/mix.
• Growth was broad based across regions delivering both organic volume and net sales growth.
• Volume growth accelerated largely driven by IMFL whiskies, scotch and gin. Pricing contribution continued to be muted and mix was impacted by the stronger growth of IMFL whiskies in Diageo India.
Net sales growth continued to be broad-based not only across our regions but also across our categories, with the exception of vodka.

Scotch is our largest category and net sales were up 2% driven by growth in North America, LAC and Asia Pacific. This was partially offset by a net sales decline in Europe and Turkey, due to weakness of J&B in Spain, and in Africa, partially as a result of challenges within our third party distribution network and economic uncertainty in Cameroon, and weakness in South Africa, where competitive pressure impacted our primary scotch brands. Johnnie Walker delivered a good performance with net sales up 5% largely driven by Johnnie Walker Black Label and Blue Label. Net sales growth across our primary scotch brands was also good, up 7%, with a strong performance in LAC where we saw double digit growth. Elsewhere Windsor net sales continued to decline in South Korea amidst category decline and consumers moving away from traditional up-tempo on-trade occasions. Performance in Old Parr, although improving in the second half, continued to be impacted by the tax changes in Colombia.

In vodka net sales were down 1%, an improvement versus last year, as performance in both Ketel One vodka and Ciroc vodka improved but was partially offset by a weaker performance in Smirnoff. Outside North America vodka net sales increased 2%.

Canadian Whisky net sales were up 2% driven by Crown Royal which delivered 3% net sales growth in US Spirits, its biggest market, gaining share in the category. Net sales grew in both Crown Royal Deluxe and Regal Apple but overall growth slowed down as the brand lapped last year’s launch of the Vanilla variant.

Growth in US Whiskey was driven by Bulleit, with net sales up 10% in the US.

Rum net sales grew 1%. In US Spirits Captain Morgan net sales declined as the brand lapped a strong comparable in the previous year, but it continued to gain share in the rum category. Captain Morgan performance outside North America was strong, with net sales up 9%.

In Liqueurs net sales increased 6% as Baileys delivered a solid performance in its 2 biggest markets, US Spirits and Europe, as a result of increased and more effective activation as well as successful innovations.

Net sales in IMFL whisky were up 8% driven by our prestige and above brands that were up 12%. Performance in our business in India improved in the second half as headwinds such as the highway ban are now behind us and the business lapped a soft comparable.

Gin net sales were up 16% and in growth in every region. In Europe, our biggest market, Gordon’s and Tanqueray net sales were both up strong double digit and gained share in the category.

In tequila net sales increased 40% as Don Julio continued to deliver strong double digit growth and share gains in both US Spirits and Mexico.

Beer is our second largest category and net sales increased 4%, mainly driven by Guinness which delivered 5% net sales growth. Elsewhere strong performance of Serengeti Lite in Tanzania and Dubic malt in Nigeria were partially...
offset by weakness in Senator which was impacted by the political uncertainty in Kenya in the first half.
Net sales growth was broad based across our portfolio.

Global giants were up 4%, with all the brands in growth with the exception of Smirnoff, which was impacted by weakness in the US and Europe as well as competitive pressure in South Africa.

Net sales of Local stars increased 6% mainly driven by strong growth in Chinese white spirits, IMFL whisky and Crown Royal, partially offset by declines of Windsor in South Korea, Old Parr in Colombia and JeB in Spain.

In reserve net sales were up 14% largely driven by strong performance in Chinese white spirits, Don Julio and Johnnie Walker Blue label.
- Reported operating profit before exceptional items was up just over 6% with organic growth slightly offset by unfavourable exchange.
- Reported operating margin excluding exceptional items increased 151bps driven mainly by organic operating margin improvements and a favourable impact from exchange, given the lower relative negative impact of exchange on operating profit versus net sales due to our hedging programme which delays the timing of some of the exchange impact on operating profit.
• Organic margin expanded 78bps. This was slightly ahead of expectations as lower than expected productivity programme related costs and accelerated productivity savings in overheads more than offset the decline in gross margin and the impact from increased marketing spend.

• Our productivity initiatives more than offset inflation on COGS, however gross margin declined 43bps mainly due to negative mix, the impact of the hurricane remediation cost in the US Virgin Islands and increased logistic costs in the US.

• Our productivity program provides the firepower to invest in future growth. This year our marketing spend was up 7% in the full year, ahead of net sales growth, driving a 27bps higher investment rate.

• As expected we increased investment behind US Spirits and scotch as well as in India and in attractive growing categories such as gin in Europe and Chinese white spirits.

• In addition productivity initiatives delivered marketing savings in excess of £100m in F18 largely as a result of media savings, more efficient use and sourcing of Point of Sales material and agency consolidation.

• Other operating items delivered 148bps of margin improvements largely driven by productivity initiatives in overheads. Overheads as percentage of net sales decreased 110bps as we continued to move towards a leaner and more agile organization by broadening spans of control and eliminating unnecessary management layers. The continued use of ZBB methodology on indirect costs and the adoption of tools and simplified ways of working are also driving efficiencies.
• As you have just seen, our productivity programme is the key enabler behind our ability to deliver organic margin expansion and increase our investment in the business to fuel future growth. Culturally and operationally, productivity in Diageo means simplifying our business to enable us to deliver more with less.
• I am pleased with the progress made so far across all work streams. I briefly touched on how savings from Global Supply, organizational effectiveness and indirect costs have contributed to deliver 78bps of margin expansion this year, and how we are getting more efficient and effective at managing our marketing spend.
• So let me spend a minute on the work stream I haven’t mentioned yet: Net Revenue Management. NRM is an area where we have built a solid foundation that should begin to yield stronger performance. We have made good progress to improve capabilities and raise cross functional awareness of NRM. We have continued to recruit people with strong NRM experience in many of our markets, including our new global head of NRM and we are investing in our centre of excellence to deliver effective insights in a cost efficient way. We are also rolling out tools that are fit for purpose for our markets, taking into consideration their route to market complexity and the size of the opportunity at hand. In markets like Europe and US we are rolling out Polaris, a comprehensive system that allows real time simulation on pricing elasticity, promotional valuation, trade spend and customer profitability. In other markets we are deploying simpler excel based tools that are more bespoke to their needs.
• In India for example we created a comprehensive NRM framework to be implemented initially across 17 clusters nationally. We have analysed the profitability of trade spend allocation across brands, outlets and channels. That gave us rich information on our biggest areas of opportunity. With this information in hand the team undertook a large scale capability building program with more than 100 team leaders, covering new ways of working, NRM tools and dashboards. These workshops were then cascaded to the sales teams. Early results have been encouraging with pilot clusters delivering volume growth and gross margin expansion ahead of other clusters.
• Overall we made good progress in laying the foundations in NRM and while there is more to do we expect to gain momentum as we continue to build stronger capabilities across the business.
• Two years in, productivity is embedded as business as usual. This gives me confidence we are on track to deliver the balance of our guided organic operating margin expansion as well as continuing to support increased investment behind our brands.
• Now let’s move on to cash and working capital.
• Free cash flow continued to be strong at £2.5bn and broadly in line with last year. Operating profit growth was offset by increased investment in maturing stock and capex, negative exchange and lower operating working capital improvements year on year.

• Operating working capital improved in F18 but the benefits on free cash flow were lower than in the prior year.

• I am pleased with the results of our every day focus on working capital management with our average working capital as a percentage of net sales reduced by 220bps, and our operating cash conversion sustained above 100%.

• Net capex was £544m in line with our guidance and higher than last year. Looking at next year I expect net capex to be in the of range of £650m to £700m, as we increase investment in Scotland to transform our scotch whisky visitor experience, and continue to expand capacity in emerging markets.

• Tax payments were £19m higher year-over-year largely driven by the payment made to HMRC last August which was partially offset by the benefit from the headline tax reduction in US.

• Interest payments were lower than last year as a result of an efficient debt refinancing.
Average net debt increased by approximately £300m as a result of the execution of our share buy back programme and the closing of the Casamigos acquisition in August 2017.

Our effective interest rate was 2.6%, 90bps lower than last year, as we benefited from an efficient debt refinancing in the first half, higher use of commercial paper and higher than expected gains on our swap portfolio.

For the next year I expect our effective interest rate to increase to around 3.3% largely due to the anticipated increase in interest rates.

Other finance charges were £16m lower than last year in part due to lower pension charges, as a result of a lower pension deficit.

In fiscal 19, I expect other finance charges to increase, and in aggregate to be broadly in line with fiscal 17 largely due to a higher charge in respect of the Zacapa put option.
We have a transparent and disciplined approach to our capital structure and it has not changed.

Our leverage policy targets an adjusted Net Debt to EBITDA ratio of 2.5x to 3.0x.

Our priority remains to invest in the business.

In the last few years we have also proactively managed our portfolio and disposed of non-core strategic assets such as our wine business in the UK and US and the Gleneagles Resort.

We also look at opportunities to strengthen our portfolio with potential bolt-on acquisitions.

As you know we completed the acquisition of Casamigos last August, which increased our participation into the fast growing high end tequila segment in the US. We have also recently launched a partial tender offer for Shui Jing Fang with the aim to increase our shareholding from approximately 40% up to 60%.

We have a clear dividend policy. This year we announced a final dividend of 40.4 pence per share, which brings the full year dividend to 65.3p, up 5% from last year, in line with our guidance. We target dividend cover between 1.8x and 2.2x and we finished the year at 1.8x, just into our policy range. I expect to maintain a mid single digit increase in our dividend until we are comfortably back in the policy range.

In February we completed the £1.5bn share buy-back programme that we announced a year ago.

We remain committed to our disciplined approach to capital structure.

We ended F18 with an adjusted Net Debt to EBITDA ratio of 2.2 and, as you have heard from Ivan, in F19 we will return up to £2bn of capital through a new share buy-back programme. We expect to be back within our targeted leverage range in F19.
• Moving now to foreign exchange,
• Exchange rates negatively impacted net sales and operating profit by £454m and £56m respectively, broadly in line with our guidance.
• The negative impact was mainly due to the weakening of the US Dollar and Turkish lira and other emerging market currencies, only partially offset by the strengthening of the Euro.
• As I look at next year, using the rates presented here, exchange is expected to adversely impact net sales by £70m and operating profit by £10m.
• Earnings per share before exceptional items increased 9.3%.
• The negative impact from exchange and higher tax expense was more than offset by organic operating profit growth and lower finance charges.
• Our tax rate before exceptional items was 20.7%.
• Our current expectation is that our tax rate before exceptional items for F19 will be in a range between 21% and 22%, which reflects changing business mix and the level of uncertainty in the current tax environment for most multinationals.
• As I mentioned earlier finance charges were lower than last year and had a positive impact on eps.
• The execution of the £1.5bn share buy back programme which we announced last year, reduced our weighted average number of shares and was the main contributor behind the positive impact shown in the "Other" category above.
• Basic eps increased 14.8%, with the higher growth rate primarily driven by an exceptional tax credit due to the balance sheet re-measurement of our deferred tax liabilities in the US, reflecting the headline rate reduction, partially offset by the tax charge related to the transfer pricing agreement reached with HMRC and the impairment charge in Africa Regional Markets.
So we have delivered another set of strong results with mid-single digit top line growth, up-weighted A&P investment and expanded operating margins.

We have consistent strong cash flow delivery and returned over £3 billion in cash to shareholders through dividends and our share buy-back program in F18. Total shareholder return increased 23%.

Across the board a good year.

Looking ahead to fiscal 19 I expect net sales growth to be broadly in line with this year.

Our productivity programme will enable us to deliver the balance of our medium term organic operating margin guidance while continuing to increase our marketing investment, up-weighting spend behind our focus areas of US Spirits and scotch, while absorbing anticipated mix headwinds from fast growth in markets with lower margins.

And with that I will hand it back to Ivan.
Thank you Kathy.
Kathy shared the results on the first two measures that track the progress against our performance ambition: efficient growth and value creation.
Let me share with you now the progress we’ve made in F18 to become one of the most trusted and respected consumer products companies in the world.
At our first half results I shared with you our new targets to promote a positive role for alcohol in society.

- We aim to reinforce moderation and we target specific issues, to change behaviour and reduce harm.
- We want to persuade people to drink better, not more. This makes sense for our communities and makes good business sense for Diageo.

In fiscal 18, we focused our work to concentrate on those programmes that deliver the biggest impact—specifically targeting drink driving, underage drinking, and excessive drinking.

- We have delivered 225 programmes across more than 50 countries. ‘Smashed’, our flagship youth theatre production, reached 15 countries and our partnership with UNITAR, the United Nations Institute for Training and Research, promoted road safety across 38 countries.
- We have now also trained over one million adults as responsible drinking ambassadors.
- And I am particularly proud that we have begun to mobilise all Diageo employees as responsible drinking ambassadors, through our new DrinkPositive employee engagement programme.

There is of course more to do, and we will continue to monitor progress though Fiscal 19 towards our new 2025 targets; to educate 5 million young people, parents and teachers about the dangers of underage drinking; to collect 50 million pledges to never drink and drive; and reach to 200 million people with moderation messages from our brands.
A company that wants to be truly sustainable must strive to have a positive impact in the societies where we live and work.

I am reassured to see that our overall progress on employee safety in our operations continues to improve.

While progress on our carbon and water efficiency slowed somewhat this year, we have made significant moves towards our 2020 targets and have now delivered more than a 40% improvement versus our baseline.

We remain committed to our 2020 goals and have plans in place to support the delivery of them.

Finally on our commitment to the environment. We’ve had packaging targets for nearly a decade leading to our current position of less than 5% of our packaging being plastic. We announced new 2025 plastics targets in June 2018, recognising public concern and building on our ban of plastic straws in December 2017.

Employee engagement is a key metric given the strong relationship between engaged and empowered employees and performance. Our F18 Annual Employee Values Survey results show employees continue to feel very connected to Diageo.

The progress we are making demonstrates our commitment to become one of the most trusted and respected consumer product companies in the world.
• Our six priorities underpin the delivery of our strategy
• Disciplined execution of our six priorities across the business has enabled the delivery of consistent results
• Today I will focus on sharing some examples of strong execution on three of these priorities: our premium core and reserve brands, and how we’re driving innovation at scale.
Beer net sales grew 4%, accelerating vs F17, with Guinness, our flagship beer brand, growing 5%.

Our Guinness growth drivers are working, with significant contributions to overall growth coming from Guinness both in Africa and in Europe.

In Europe, Guinness performance is strong, up 6%, with growth in core Guinness Draught and new innovations. We are driving quality and visibility in the on premise and we have expanded the Guinness portfolio with beers from the Open Gate Brewery like Citra IPA and Pilsner that launched in March.

The success of Hop House 13 Lager continues, with the brand growing at the fastest rate of any of the top 25 beers in GB. In Ireland it now ranks within the top ten beers and continues to grow, up double digit in the last fiscal year. The brand goes from strength to strength. It is now one of our most successful innovations in Europe, most recently launching in several Continental Europe markets and we have also now launched in Australia and Kenya.

Finally in the US, the official opening of our Open Gate Brewery in Maryland to the public is expected in August this year. Increasingly consumers are looking to build a more personal connection to brands they admire and our new brewery will offer that opportunity to deliver a great consumer experience as well as deliver further innovation for the US market over the coming years.

Moving over to Africa. Beer net sales were up 5% and Guinness was up 7%.

With Guinness we continue to leverage our pan African football sponsorship of the English Premier league and engage with consumers through promotions. In Nigeria, Guinness gained market share over the past year.

In Ghana we’ve had a second year of activating Guinness alongside Ghana Independence Day with a limited edition bottle, giving consumers a chance to win a plot of land. This has driven high engagement with over 9m entries to the National Consumer Promotion.

Now let’s talk about gin.
The Gin category has been experiencing strong expansion, growing value 13.5% in 2017 in IWSR and Tanqueray has been a significant driving force behind this growth.

Geographically, Europe accounted for over 60% of total category growth, however we saw double digit growth in other markets too, such as Brazil, Mexico, South Africa and Australia.

Tanqueray continues to be the bartenders’ gin of choice and has been experiencing strong growth over the past few years. Gaining 20bps of IWSR value share of gin in 2017, we continue to drive success through execution of four simple priorities.

- Driving awareness with a campaign focused on highlighting Tanqueray’s credentials.
- We are investing in the brand, to support liquid experiences in the on-trade and third spaces, with the Tanqueray and Tonic serve being activated in all priority markets.
- We are scaling up Tanqueray Flor De Sevilla, which launched in F18, to tap into the consumer interest in gin with alternative flavour profiles, in a beautifully sophisticated way.
- And we will aim to continue to grow share of the Super Premium segment with Tanqueray No. TEN.
We continue to deliver strong growth in our reserve portfolio. Let me share with you examples of what we are doing in Baijiu and Tequila.

We are the only international spirits company with a meaningful presence in Baijiu and the category is back in double digit growth after slowing down during the anti-extravagance campaign.

This is being driven by a strong premiumisation trend with the fastest growth in the premium segment which is Shui Jing Fang’s heartland.

Since the anti-extravagance measures we repositioned our portfolio, brought in a new leadership team and set out the strategy to grow this business.

We grew net sales 65% in F17 and 63% in F18 and this has been achieved through consistent execution against our enablers.

We are building a contemporary brand expression of craftsmanship and heritage which is key to enhancing the brand’s appeal in the premium segment.

We have successfully deployed and are continuing to evolve our industry leading approach to route to consumer, focusing on must-win battle grounds and expanding distribution in a deliberate and targeted way. A couple of years ago this approach was focused on the five most important provinces, soon after expanding to a further five and now over the last year to a third tier of five.

We have expanded the portfolio through innovation with more premium Shui Jing Fang variants and other tactical innovations built around the core brands to help re-recruit consumers.

Finally we are investing ahead in the brand to give this relatively small, national Baijiu brand the share of voice required to drive awareness and continued growth in this exciting category.
Another part of the business that really excites me is super premium tequila.

Don Julio continues to experience strong growth and share gains in both the US and Mexico as we execute against its growth drivers.

In the US we are driving category share gains by engaging with consumers through experiential sampling, mentoring events and using assets like the Don Julio 1942 era trucks. We’re also communicating with consumers on social media with the use of influencers to continue to build Don Julio’s positioning as the ultimate choice in super premium plus tequila.

In Mexico the tequila category is growing value at around 14% driven by premiumisation and now represents over a third of total spirits. Don Julio is growing share within the category with strong double digit growth.

And we have further strengthened our position in the super premium tequila segment with the acquisition of Casamigos which continues to see strong growth in Nielsen and NABCA in F18. I am delighted with this acquisition and look forward to continued success with our expanded participation in the super premium tequila segment.
We think about the role of innovation to either recruit, re-recruit or disrupt, all of these being grounded in consumer insights.

Gordon’s Premium Pink gin has been the stand out launch in Europe in fiscal 18. In our GB business, it has become the number one spirits innovation in the last decade and it is proving to be highly effective at recruiting new consumers into the Gordon’s trademark. This success is testament to the improved pace and agility we now see across Diageo. This product was launched in Iberia in summer 2017 and very quickly afterwards the decision was made to launch in GB. Only ten weeks later, it was on the shelves, a process that would have taken significantly longer in the past.

Staying with gin, we are recruiting more consumers into Tanqueray with a fantastic new product I mentioned earlier. Tanqueray Flor de Sevilla, based on Tanqueray gin infused with delicate notes of blood orange, including bitters for a more mature and sophisticated taste.

Baileys has some exciting innovations focused on bringing new consumers to the brand through Baileys Almande, a dairy-free and vegan alternative as well as reminding consumers about Baileys all year round with Baileys Strawberries and Cream which celebrates the changing of seasons. The limited time offer, Ciroc Summer Colada, brings the taste of summer to Ciroc and is now in its second year in both the US and Europe with this year expected to be even bigger than its launch year.

When it comes to brands that disrupt, I have two exciting examples.

In May this year we launched Ketel One Botanicals which we believe appeals to consumers who are looking for natural ingredients as well as a lighter calorie offering – served with soda it has just 73 calories. Infused with the finest fruits and botanicals, with lower ABV at 30%, made with non-GMO grain and gluten free, we have three variants that are an exciting addition to the Ketel One brand.

Then we come to Guinness Pure Brew from the Open Gate Brewery. This is a new ultra-low alcohol beer that is produced using a new, unique fermentation process which produces a fully brewed beer at strength of 0.5% ABV. The result, a great tasting lager that in taste tests has 7 out of 10 consumers not recognizing it as a low-alcohol beer.
Now let me now share with you the progress we have made on our three focus areas: Scotch, US Spirits and India.
• We continue to focus on improving our overall scotch performance and delivered solid growth in the year with net sales up 2%.
• Momentum on Johnnie Walker continued, growing 5% with strong growth in all regions except Africa.
• Johnnie Walker Black Label grew 9% as we focused on “painting the world Johnnie Walker Black”. Johnnie Walker Blue Label delivered strong performance with double digit growth.
• Buchanan’s net sales were down 2% over the year as it lapped a strong year in F17. However, sell out performance was stronger in the second half in its biggest market, the US, where it gained category share, while performance was soft in Mexico due to price increases.
• Scotch malts underperformed in F18. We saw strong growth in some markets like GB and mainland China. However, we saw weakness in Taiwan arising from commercial challenges and category contraction faced in that market.
• Primary scotch momentum continued with strong growth on Black & White in Mexico and Brazil. Black Dog, our primary scotch in India, was up 9%.
• Other scotch performance softened versus last year as Old Parr declined due to the recent tax increase in Colombia and J&B was down along with the scotch category in Iberia. We also saw continued decline on Windsor due to the contraction of the scotch category in Korea with a partial offset from growth from non-scotch variants from Windsor although not within the category.
• I am pleased with the performance on Johnnie Walker but we see further room for improvement in scotch.
To deliver consistent growth and gain share we continue to evolve our Johnnie Walker strategy, starting with our vision to become the most desired, enjoyed and talked about whisky.

Our latest campaign aims to remind consumers that the true reason Johnnie Walker brought together the best malts is for it to be enjoyed in the moments that matter with the people that matter the most.

We continue to remind consumers to make special moments in their life with Johnnie Walker Blue Label. We launched the new Blue Label Ghost & Rare limited edition series which contain whiskies from precious casks from Ghost Distilleries – iconic stills that have ceased production.

We continue to put liquid on lips at mentoring events and in the on premise, educating consumers on the heritage, craftsmanship and taste of Johnnie Walker variants and their versatility in mixed drinks. We have just launched a new global partnership with IMG Culinary and their Taste festivals. Food and drink are one of the biggest, on trend consumer passion points, and Taste allows us to showcase our brands with great serves and great experiences.

And we have a holistic influencer programme across media, bartenders, as well as consumer influencers to support us to achieve our vision for Johnnie Walker.

Now, just before I move on from scotch, I’d also like to mention the significant investment we are making in our scotch distilleries over the coming years. We recently announced a three year, £150 million investment programme to transform our scotch whisky visitor experiences which will include a state-of-the-art Johnnie Walker immersive visitor experience in Edinburgh.

In 2017 the number of tourists visiting Diageo’s 12 distillery visitor centres across Scotland reached a record high of 440,000, an increase of over 15% on the previous year and the highest figure reported to date as whisky distilleries become a spirited addition to visitors’ itineraries.

Our investment will further enhance our visitors’ experiences and it will bring to life the story of Johnnie Walker, the world’s most popular scotch whisky brand.
Turning to US Spirits, our second focus area.
Net sales grew 3.3% with all key brands continuing to gain category value share except in vodka.
We are up-weighting our investment behind our brands with marketing spend up 6%.
Vodka performance improved as we executed plans for our super premium vodka brands, Ketel One and Cîroc vodka.
Excluding Cîroc vodka and Ketel One vodka, net sales grew 4.5%. However super premium vodka remains an important area of focus as we drive to improve US Spirits performance towards the industry growth rate.
As I look across the sales performance of our brands in Nielsen and NABCA, Crown Royal delivered a good performance in the year and continued its share gains overall with growth of the base variant Deluxe and Regal Apple continuing. However, overall growth slowed down as it cycled the launch of Crown Royal Vanilla last year.

Johnnie Walker and Baileys delivered good growth and category share gains continue as we consistently deploy plans against those brands.

Captain Morgan and Smirnoff performance remain stable. On Smirnoff we continue to remind consumers that it is a quality vodka at a great price and Captain Morgan continues to gain share within the rum category.

Ketel One vodka showed early signs of improvement as we executed improved plans and launched the Ketel One Botanicals variant.

Cîroc vodka also saw some improvement in performance with the focus on core variants. We remain focused on improving performance on Cîroc vodka and there is still more to do.

Buchanan’s net sales were broadly flat however as you see here sell out performance is good with category share gains continuing.

I believe that we are well set up for F19, as we will continue to up-weight marketing investment behind our proven brand plans.
• In India, net sales were up 9% reflecting an acceleration in the second half, growing 16%, as we moved past the impact of the highway ban and cycled a soft second half last year.
• Our strategic priority in India is to grow our prestige and above brands which now represent around two thirds of our business.
• Our prestige and above brands performance improved, growing 12% supported by market recovery and also strong marketing investment behind McDowell’s No.1, Royal Challenge and Signature.
• At the same time, we also made progress towards our goal to improve operating margins supported by gross margin improvement of more than 300 basis points while navigating the impact of implementing the Goods and Services Tax (GST) which went live on July 1, 2017.
• This strong margin performance has enabled us to upscale investment in our brands with marketing spend growth up double digit.
• And in addition the business has secured both organisational savings and zero based budgeting benefits further supporting operating margin growth which was up 77 basis points.
• This progress we have made here gives me confidence that we can deliver our medium term goal of achieving operating margins in the mid to high teens.
Let me close by saying;
• These are a set of strong results in line with our guidance range.
• Performance is broad based and driven by the rigorous and consistent execution of our strategy.
• We’ve created a stronger business, having embedded significant cultural shifts through the organisation. We now execute with greater pace, agility and efficiency through the right talent, capabilities and tools.
• As a result we have been able to deliver consistent top line growth, increase marketing investment, expand organic operating margins and deliver another strong cash flow performance.
• We have returned more than £3 billion pounds to shareholders through dividends and share buybacks in F18. Our total shareholder return grew 23%.
• I am confident about the future and believe we are on track with our long term performance ambition to be one of the best performing, most trusted and respected consumer products companies in the world.
• Thank you.
APPENDIX 1: 1/2
FORWARD LOOKING STATEMENTS

Exchange rate outlook
Using exchange rates £1 = $1.33; £1 = €1.13, the exchange rate movement for the year ending 30 June 2019 is estimated to adversely impact net sales by approximately £70 million and operating profit by approximately £10 million.

Net sales
Looking ahead to fiscal 19 I expect net sales growth to be broadly in line with this year.

Operating margin
Our productivity programme will enable us to deliver the balance of our medium term organic operating margin guidance while continuing to increase our marketing investment, up-weighting spend behind our focus areas of US Spirits and scotch, while absorbing anticipated mix headwinds from fast growth in markets with lower margins.

Net finance charges
For next year I expect our effective interest rate to increase to around 3.3% largely due to the anticipated increase in interest rates.

In fiscal 19, I expect other finance charges to increase, and in aggregate to be broadly in line with fiscal 17 largely due to a higher charge in respect of the Zacapa put option.
APPENDIX 1: 2/2
FORWARD LOOKING STATEMENTS

Taxation
Our current expectation is that the tax rate before exceptional items for the year ending 30 June 2019 will be in the range of 21% to 22% which reflects changing business mix and the increased levels of uncertainty in the current tax environment for most multinationals.

Capital expenditure
We expect our full year Capex spend to be in the range of £650m to £700m.

Post employment plans
Total cash contributions by the group to all post employment plans in the year ending 30 June 2019 are estimated to be approximately £200 million.

Dividend
We target dividend cover between 1.8x and 2.2x and we finished the year at 1.8x, just into our policy range. I expect to maintain a mid single digit increase in our dividend until we are comfortably back in the policy range.

Capital structure
We ended F18 with an adjusted Net Debt to EBITDA ratio of 2.2 and in F19 we will return up to £2bn of capital through a new share buy-back programme. We expect to be back within our targeted leverage range in F19.

Share buy-back
On 25 July 2018 the Board approved a new share buyback programme to return up to £2bn to shareholders during the year ending 30 June 2019.
APPENDIX 2: RECONCILIATION OF CASH FLOW STATEMENT

Reconciliation of free cash flow waterfall on slide 15

<table>
<thead>
<tr>
<th>Description</th>
<th>F17</th>
<th>F18</th>
<th>Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating profit after exceptional items</td>
<td>3,559</td>
<td>3,691</td>
<td>132</td>
</tr>
<tr>
<td>Increase in working capital excluding maturing stock</td>
<td>289</td>
<td>61</td>
<td>(208)</td>
</tr>
<tr>
<td>Increase in maturing stock</td>
<td>(138 )</td>
<td>(249)</td>
<td>(102)</td>
</tr>
<tr>
<td>Working capital</td>
<td>151</td>
<td>159</td>
<td>(8)</td>
</tr>
<tr>
<td>Depreciation, amortisation and impairment</td>
<td>361</td>
<td>493</td>
<td>132</td>
</tr>
<tr>
<td>Dividends received</td>
<td>223</td>
<td>159</td>
<td>(64)</td>
</tr>
<tr>
<td>Post employment charges in operating profit</td>
<td>109</td>
<td>84</td>
<td>(25)</td>
</tr>
<tr>
<td>Post employment payments</td>
<td>(220)</td>
<td>(192)</td>
<td>(28)</td>
</tr>
<tr>
<td>Post employment payments less amounts included in operating profit</td>
<td>(111)</td>
<td>(108)</td>
<td>3</td>
</tr>
<tr>
<td>Other Items</td>
<td>(6)</td>
<td>10</td>
<td>16</td>
</tr>
<tr>
<td>Tax paid</td>
<td>(732 )</td>
<td>(751)</td>
<td>(19)</td>
</tr>
<tr>
<td>Net interest</td>
<td>(313 )</td>
<td>(251)</td>
<td>62</td>
</tr>
<tr>
<td>Net capex</td>
<td>(472 )</td>
<td>(544)</td>
<td>(72)</td>
</tr>
<tr>
<td>Movements in loans and other investments</td>
<td>3</td>
<td>(17 )</td>
<td>(20)</td>
</tr>
<tr>
<td>Free cash flow</td>
<td>2,663</td>
<td>2,523</td>
<td>(140)</td>
</tr>
</tbody>
</table>
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, objectives 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 Diageo, anticipated cost savings or synergies, expected investments, the completion of any strategic transactions and restructuring programmes, anticipated tax rates, changes in the international tax environment, 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 Diageo’s control.

These factors include, but are not limited to:

• economic, political, social or other developments in countries and markets in which Diageo operates, which may contribute to a reduction in demand for Diageo’s products, adverse impacts on Diageo’s customer, supplier and/or financial counterparties, or the imposition of import, investment or currency restrictions (including the potential impact of any global, regional or local trade wars or any tariffs, duties or other restrictions or barriers imposed on the import or export of goods between territories, including but not limited to, imports into and exports from the United States, Canada, Mexico, the United Kingdom and/or the European Union);

• the negotiating process surrounding, as well as the final terms of, the United Kingdom’s exit from the European Union, which could lead to a sustained period of economic and political uncertainty and complexity whilst detailed withdrawal terms and any successor trading arrangements with other countries are negotiated, finalised and implemented, potentially adversely impacting economic conditions in the United Kingdom and Europe more generally as well as Diageo’s business operations and financial performance;

• changes in consumer preferences and tastes, including as a result of changes in demographics, evolving social trends (including any shifts in consumer tastes towards locally produced small-batch products), changes in travel, vacation or leisure activity patterns, weather conditions, and/or a downturn in economic conditions;

• any litigation or other similar proceedings (including with customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at Diageo in particular;

• changes in the domestic and international tax environment, including as a result of the OECD Base Erosion and Profit Shifting Initiative and EU anti-tax abuse measures, leading to uncertainty around the application of existing and new tax laws and unexpected tax exposures;

• the effects of climate change, or legal, regulatory or market measures intended to address climate change, on Diageo’s business or operations, including on the cost and supply of water;

• (Continued on following page)
(continued from previous page)

• legal and regulatory developments, including changes in regulations relating to production, distribution, importation, marketing, advertising, sales, pricing, labelling, packaging, product liability, antitrust, labour, compliance and control systems, environmental issues and/or data privacy;

• the consequences of any failure by Diageo or its associates to comply with anti-corruption, sanctions, trade restrictions or similar laws and regulations, or any failure of Diageo’s related internal policies and procedures to comply with applicable law or regulation;

• the consequences of any failure of internal controls, including those affecting compliance with new accounting and/or disclosure requirements;

• contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo’s brands and adversely impact its sales;

• Diageo’s ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;

• increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors, that could negatively impact Diageo’s market share, distribution network, costs and/or pricing;

• any disruption to production facilities, business service centres or information systems, including as a result of cyber-attacks;

• Diageo’s ability to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions and disposals, cost savings and productivity initiatives or inventory forecasting;

• increased costs for, or shortages of, talent, as well as labour strikes or disputes;

• fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase Diageo’s cost of financing or otherwise adversely affect Diageo’s financial results;

• movements in the value of the assets and liabilities related to Diageo’s pension plans;

• Diageo’s ability to renew supply, distribution, manufacturing or license agreements (or related rights) and licences on favourable terms, or at all, when they expire;

• or any failure by Diageo to protect its intellectual property rights.

All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the above risk factors and by the “Risk factors” section contained in the annual report on Form 20-F for the year ended 30 June 2017 filed with the US Securities and Exchange Commission (SEC). Any forward-looking statements made by or on behalf of Diageo speak only as of the date they are made. Diageo does not undertake to update forward-looking statements to reflect any changes in Diageo’s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Diageo may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures.

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