No script
Cautionary Statement Regarding Forward-Looking Statements

This document contains forward-looking statements that involve risk and uncertainty. 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 beyond Diageo’s control. For more details, please refer to the cautionary statement concerning forward-looking statements at the end of this document and to pages 48 to 49 of Diageo’s Annual Report on Form 20-F for the fiscal year ended June 30, 2018, filed with the US Securities and Exchange Commission (SEC) on August 6, 2018 (the “2018 Form 20-F”). The 2018 Form 20-F is available from the website maintained by the SEC at www.sec.gov and on the Investors section of the website maintained by Diageo at www.diageo.com.

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 factors described and by the principal risks set out at the end of this document and in the ‘Risk factors’ section on pages 39 to 47 of the 2018 Form 20-F. 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. Filings with the SEC are also available to the public from commercial document retrieval services, and from the website maintained by the SEC at www.sec.gov.

Non-GAAP Financial Measures

This document includes the following financial measures which are not presented in our financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are considered “non-GAAP financial measures” under SEC rules: Volume, Organic growth financials, Free Cash Flow, Earnings per share pre-exceptionals and Return on capital employed (ROIC).

These non-GAAP financial measures supplement our IFRS-IASB disclosures and should not be considered as alternatives to any IFRS-IASB financial measures. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable IFRS-IASB financial measures are included in the section entitled “Definitions and reconciliation of non-GAAP measures to GAAP measures” in the 2018 Form 20-F.
Good afternoon ladies and gentlemen,

My name is John O’Keeffe, and I’m the President for Diageo Africa.

With me today, is Mark Sandys the Global Head of Beer.
WHAT WE WILL COVER TODAY

- Significant growth opportunity in Beer
- Unique Diageo beer model
- 5 clear growth drivers
- Delivering more consistent beer performance
- Beer is accelerating our spirits performance in Africa

Together, Mark and I will discuss Global Beer, and Diageo’s performance within that.

We believe there is a significant opportunity in Beer.

Globally we have a premium beer portfolio, and also a business that is significantly exposed to the fastest growing market.

We have a unique, and highly profitable beer model.

Guinness, which is at the heart of our beer business is the most iconic beer brand in the world.

We are investing to sustain performance.

Finally we will touch on how our Beer business also has the added benefit of accelerating our spirits performance in Africa.

Our presentation should last about 35 mins, at the end of which we’ll be happy to take questions.
Okay, firstly let's understand what’s happening within Beer.
GLOBAL BEER CATEGORY IS FORECAST TO ACCELERATE GROWTH, DRIVEN BY FOUR KEY TRENDS

JOK

Global Beer category has been relatively flat over the past few years, but growth returned in F18.

Beer is forecasted to grow faster in coming years, and this in our view, will be driven by four key trends:

- **emerging markets** (mainly driven by Africa)
- Trading up to more **premium** options
- An unprecedented rate of **innovation**
- **Flight to Flavour** - consumer palate shift from lager to more flavourful beer

Let's dig a little deeper on each of these.
Starting with emerging markets

The case for Africa is well understood:
- Growth driven by strong demographics (rapid growth in the LDA population, +200m by 2030)
- Secondly, incomes continue to rise
- Thirdly, we continue to see headroom in consumption per capita (vs developed markets)
- Finally illicit consumption accounts for around 40% of all alcohol consumed. As markets develop, consumers will enter the formal market (often driven by urbanisation) This will further drive beer growth.

These consumer fundamentals translate to very positive growth with beer volume forecasted to increase by c.20% over next 5 years (source: Global data)
CONSUMERS ARE TRADING UP TO MORE PREMIUM AS WELL AS MORE FLAVOUR, FUELLED BY INNOVATION

PREMIUM BEER IS GROWING RAPIDLY
(the greater the flavour the faster the growth)

Growth by Segment 2013-2018

THE RATE OF INNOVATION HAS NEVER BEEN HIGHER

JOK

The second big trend within beer is **Premiumization**

Consumers are trading up – at a global level moving out of discount and mainstream beer and up to more premium offerings.

Fastest growing segment of beer is what is classified as **Premium Specialty** – this includes IPA and includes Stout.

Although **lager** remains huge, lager’s share of total beer is falling as consumers explore more hoppy, more malty, more flavourful beer. This is in part the result of craft – but it’s not just the craft players who will benefit from this trend - the bigger beer companies that have been able to identify and respond to this change will also reap rewards.

Inherent in this new phase of the beer category is a high level of experimentation and **innovation**. For brands to win, they require a sustainable platform for innovation.
CONSUMERS ARE MOVING OUT OF MAINSTREAM LAGER TO MORE FLAVOURFUL BEER

The 4th and final trend we're seeing is the 'Flight to Flavour'.

The net result of all these changes show an accelerating change in the beer landscape in ALL markets, developed and emerging.

Mainstream beer, shown in the middle, using Global Data 5yr CAGR numbers, is under attack in every market as consumer tastes evolve to more flavour, to premium lager and also to a new segment of 'sweet and fruity'.

This same model is playing out at different rates in different markets. You can see in the US that mainstream beer has lost 1/4 of its volume in only 5 years – but the drivers are the same everywhere.

Critically we use this model to predict how beer markets are going to evolve so that we can future proof our beer business in the markets.
JOK

The four global trends play directly to the strengths.

1) Half of our beer NSV is delivered by emerging markets – principally Africa. This exposes us to the fastest growing region in the world, albeit sometimes comes with high volatility.

2) In terms of premiumization, in addition to Guinness we have pivoted the portfolio to be more premium, with the result that 2/3 of our NSV is premium and above.

3) The shift to more differentiated and more flavorful has benefitted Guinness in particular and we have got better at learning how to use these trends to drive growth.

4) And finally, through our investment in the open gate breweries such as you saw last night we are building an efficient, sustainable innovation model.

Innovation as a % of our total beer sales has risen from only 6% in F14 to now consistently delivering 13% and growing. Mark will speak more to our innovation agenda later.
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- Beer is accelerating our spirits performance in Africa

MS

Thank you John

Our beer portfolio plays to the trends driving growth in the beer market

And our unique beer model also sets us up for success
WE HAVE A UNIQUE BEER MODEL THAT ENHANCES PROFITABILITY

**BEER FOCUSED MARKETS**
- Full Beer portfolio driving scale through relative market share
- Brewery in each market
- Runway to launch and grow spirits

**PREMIUM IMPORT MODEL**
- Highly efficient, asset-light brewing model from Dublin
- Premium portfolio only, centred on Guinness

**IMPORTED BY**
- **DIAGEO**
  - Deliver scale through TBA Diageo portfolio

**IMPORTED BY**
- **PARTNER BREWER**
  - Deliver scale through partner’s portfolio

MS

Our model is unique because we play both as a full portfolio beer player in some markets, and as a premium importer in other markets.

Our beer focused markets in Africa and Ireland make up the majority of our Beer NSV. In each of these markets we have a brewery in the market. We use Guinness, supported by a full portfolio to profitably fill the brewery and deliver strong relative market share. This is the best known part of Diageo’s beer business.

However, it is the premium import model that makes us different from other beer players.

This model reaches the small number of markets where we ourselves distribute Guinness and other differentiated premium variants; and it also reaches the c130 markets where Guinness is distributed and sometimes brewed by a partner brewer.

We produce great quality Guinness or the key ingredients in St James Gate in Dublin, a highly efficient brewery operating at >90% capacity utilisation, and we export them around the world. This model is all premium, highly differentiated and asset light.

As a result, the ROIC from the St James Gate brewery is significantly ahead of the overall Diageo ROIC and one of the most profitable breweries in the world.
This unique route to market model allows us to generate scale which is so important in beer

We are number 1 or 2 player in 90% of the markets where we operate as beer focus markets

In the markets where we leverage the Diageo TBA portfolio we are either number one TBA player (in GB) or the number three in US & Canada where we benefit from the scale of RTD and from sharing back office costs

In the rest of the world we are with the number one or two player in over 2/3rds of our partner beer markets spanning over 130 countries. There are some countries where we choose to partner with a smaller player where that is the right for that market

Our job is to ensure that Guinness remains premium and iconic. That is what our partners need and that is why the model works
WHAT WE WILL COVER TODAY

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MS

To use this route to market to generate sustainable growth, we have five clear growth drivers
There are five core drivers that are delivering our growth in beer currently. The first of these drivers is Guinness...
1. Strong Guinness brand health

**GUINNESS IS A GLOBAL ICONIC BRAND**

<table>
<thead>
<tr>
<th>Brand</th>
<th>No. of Markets with Sales Value &gt;10m USD</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budweiser</td>
<td>21</td>
</tr>
<tr>
<td>Heineken</td>
<td>67</td>
</tr>
<tr>
<td>Corona</td>
<td>41</td>
</tr>
<tr>
<td>Guinness</td>
<td>34</td>
</tr>
<tr>
<td>Stella Artois</td>
<td>26</td>
</tr>
<tr>
<td>Beck’s</td>
<td>18</td>
</tr>
<tr>
<td>Carlsberg</td>
<td>32</td>
</tr>
<tr>
<td>Tuborg</td>
<td>22</td>
</tr>
<tr>
<td>1664</td>
<td>16</td>
</tr>
</tbody>
</table>

*Source: Global Data, 2018*

Our route to market makes Guinness a scale brand. 4th largest premium beer brand in the world and at scale in over 30 countries
MS

We punch above our weight in our impact with consumers

We are the second most talked about brand in the world, despite being massively outspent in media by HKN (3.5x) and BUD (more than double)

The reason we are able to deliver this cut through is because we do things differently. One of our core beliefs is to behave in a way that ‘Only Guinness Can Do’ – a belief that dates all the way back to Arthur’s decision to brew black beer when everyone else was brewing ale

The impact of this can be seen in our distinctivity scores – this is a critical part of how we measure brand equity. The numbers are indexed to total beer at 100, and they show that we are the off the scale in distinctivity.

When we drive distinctivity and salience then we drive great performance
**1. Strong Guinness brand health**

WE HAVE A CONSISTENT GROWTH MODEL THAT IS DELIVERING GUINNESS PERFORMANCE

**CREATIVE EXCELLENCE**

**CREATING GUINNESS OCCASIONS**

**BRAND TO BREWER IN CULTURE**

OUTSTANDING PHYSICAL AVAILABILITY – INTERRUPTING THE SHOPPER AT THE POINT OF PURCHASE

MS

We have a consistent growth model for Guinness. Ed & Cristina spoke about creative excellence – this is critical for Guinness with its long history of creativity, – we know that when our communications deliver great creativity they also deliver great performance

I would like to share two recent examples of that the Guinness Purse ad to celebrate the new Guinness Six Nations sponsorship

(Play video)

And also something a little different – Guinness Clear. This was very important for us to promote responsible drinking and moderation as part of our sponsorship. What we saw was this ad performed in testing as strongly as the award winning sapeurs ad, but more importantly was adopted into the vernacular with people ordering Guinness Clear in bars all over Ireland and the UK

(Play video)

Rugby forms a key part of our strategy as a way to create occasions when people will choose Guinness before they set foot in the pub. In Europe this is through rugby. In Africa we do the same through football and took this to a new level by bringing Rio Ferdinand into Africa – in Cameroon last week. Our activation films with Rio had the highest viewership on Facebook in Africa by any brand

We continue to show the depth of our brewing credentials on Guinness. Craft has raised the importance of provenance, quality and storytelling. The brands that are winning in the post craft world are the brands that are able to do this with authenticity and scale and we do this through experiences and culture
Finally, with beer in particular, we also have to excel in physical availability. We have one job to do when someone walks into a bar, to stop them defaulting to lager and we use behavioural science and creative flair to do this.
We have used our catalyst programme to continuously improve our marketing.

We have improved the quality of creative and using precise tools to optimise media has grown Guinness ROI in GB, (the biggest business in the world for Guinness) by 60% over the past 5 years. Over that time period our on-trade share has grown by over 200bps to now reach record levels.

In the US TV effectiveness increased by 75%, and our digital effectiveness has been optimised to deliver highly efficient cut through.

This level of rigour and flair has now delivered Double Gold IPA effectiveness awards for Guinness as the best global marketing campaign in any category.
The role that lager plays in our portfolio depends on the route to market

In the beer focus markets our goal is to maximize RMS and profitably fill the brewery, and the role of lager is to ensure that we occupy the largest profit pools such as through the large national icon beer brands Tusker, Bell & Serengeti

In the imported markets, our focus is exclusively on premium with highly differentiated lager offerings
Our local beer brands in Africa are strengthening.

Serengeti in Tanzania has doubled in share in the past 2 years driven by powerful innovation and great flair in advertising.

- (SHOW SERENGETI AD)

This has helped Serengeti become the number one beer in Tanzania.

Senator continues to grow rapidly. This is fueled by moving consumers to our brand out of harmful illicit alcohol.

Finally Bell in Uganda has returned to high single digit growth in a market where Diageo share is growing.
AND WE ARE ACCELERATING OUR PIVOT TOWARDS PREMIUM LAGER OVER THE PAST FIVE YEARS

HOP HOUSE 13 SUCCESS IN GB, IRELAND

ROCKSHORE LAGER RAPIDLY GAINING SHARE IN IRELAND

GUINNESS GOLD LAUNCH IN NIGERIA

RE-POSITIONED GUINNESS BLONDE

MS

Our pivot to premium lager is taking shape rapidly

Hop House 13 was launched 4 years ago in UK & Ireland. Over that time we have established a beer brand that has 30pts more distinctivity than Peroni and was named by the Grocer magazine as one of the top 5 fastest growing alcohol brands in UK last year

Rockshore was launched last year in Ireland and from a standing start has won 150 bps share of long alcoholic drinks (LAD) in Ireland within a year

Guinness Gold is a new entry into the super premium lager space in Nigeria – recently launched and doing well

Guinness Blonde is now 5 years on the market and re-positioned with its new provenance as brewed in Open Gate Brewery, Maryland. This is an important sign of the impact the brewery is having placing Guinness and our innovation in the local community, growing salience and sales
3. Exploring the growth opportunity in non-alcoholic MS

We are rapidly testing and learning in non alc

In Africa, our Malta Guinness non alc brand is over 30 years old, is deeply engrained in culture and is growing strongly. We are able to drive scale and strategic advantage thanks to highly effective marketing activations and format expansion to access new occasions.

In developed markets (Europe, US) we have a long standing participation in low-alc with Guinness mid-strength and Open Gate Brewery platform gives access to high quality brewing and experimentation. We are testing and learning what it takes to access this segment at scale – you tasted some of those experiments last night.
**4. Investing to win**

**WE ARE SUPPORTING FUTURE GROWTH OF BEER WITH SIGNIFICANT LONG TERM INVESTMENT IN CAPACITY AND CONSUMER EXPERIENCES**

<table>
<thead>
<tr>
<th>INVESTING IN CAPACITY IN KENYA</th>
<th>INVESTING IN CONSUMER EXPERIENCES</th>
<th>INVESTING IN CONSUMER PLATFORMS</th>
</tr>
</thead>
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<td>Capacity to drive growth of Senator and reduce illicit alcohol consumption</td>
<td>US brewery: 260 years of Irish brewing heritage meets US Beer creativity</td>
<td>6 year sponsorship deal for Guinness Six Nations</td>
</tr>
</tbody>
</table>

**JOK**

Thanks Mark.

We are actively supporting future growth of beer with some extensive investments in both capacity and consumer experiences.

We’ve just completed a new £100M brewery in Kisumu in Kenya. This allows us to actively target sourcing volume from the illicit sector with our brand called Senator.

On the back of the success with the Guinness Storehouse in Dublin in the USA we’ve also built a new brewery and visitor centre that’s already had 300K visitors to-date. As you have seen yesterday at the showcase – the Open Gate Brewery offers an amazing opportunity for engaging consumers with innovative products and bringing them into the world of Guinness.

Finally, you may have seen that we’ve just singed a 6 year sponsorship for the Guinness Six Nations.

(Play Video – Guinness Purse)
4. Investing to win

WE ARE SUPPORTING FUTURE GROWTH OF BEER WITH SIGNIFICANT LONG TERM INVESTMENT IN CAPACITY AND CONSUMER EXPERIENCES

INVESTING IN CAPACITY IN KENYA

Capacity to drive growth of Senator and reduce illicit alcohol consumption

INVESTING IN CONSUMER EXPERIENCES

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INVESTING IN CONSUMER PLATFORMS

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(Play Video – Guinness Purse)
JOK

We’re also investing in Sustainability

In Africa we source 78% of our raw material inputs locally - aiming at 80% next year. To bring this to life, we have a network of over 80,000 farmers supplying our African breweries.
- Kisumu, our newest brewery, contracted 15,000 new small holder farmers from a standing start last year.

We are set to invest £180m in renewable energy sourcing across 7 of our African markets this year and beyond. We believe this to be the most significant investment of its kind in Africa by a company like ours.
- This is a long-term commitment encompassing biomass, solar and water.

We are also removing plastic packaging from our beers out of St. James Gate – recyclable biodegradable card will replace plastic shrink wrap and ring carriers around the likes of Guinness & Smithwicks.

So in total we’re making a lot of head-way on our Sustainability agenda across our beer business
5. Driving productivity

We’re also driving productivity hard to help deliver growth more efficiently and more profitably.

Over the past year we have driven COGS reduction by -1% on yearly basis. This is underpinned by volume increase, progress in capacity utilization as well as number of productivity initiatives in production and supply chain areas. This has been delivered in the context of high single digit inflation in Africa (50% of our business).

Our iconic St. James Gate brewery, that provides volume for Europe, US and much of Asia, has consistently delivered conversion cost reduction and benchmarks very well vs the industry despite huge complexity.
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- Beer is accelerating our spirits performance in Africa

JOK

As a result of executing these key drivers....
BEER IS AN IMPORTANT DRIVER OF DIAGEO PERFORMANCE, WE ARE DELIVERING INCREASINGLY CONSISTENT TOP LINE GROWTH

JOK

Diageo beer performance has improved – delivering four consecutive halves where we have delivered mid single digit growth

Both our developed and emerging markets contributed to that consistency of performance
Finally, we’re participating in Africa first and foremost to access the very significant beer opportunity. Whilst we aren’t the biggest beer player on the continent, where we play we have scale – typically either no 1 or 2.

Beyond the beer opportunity, there is then, the added benefit of the synergy between beer and spirits which allows us to accelerate spirits growth.
DIAGEO IS WELL PLACED TO TAKE ADVANTAGE OF THE GROWING SPIRITS OPPORTUNITY IN AFRICA

AFRICA SPIRITS GROWTH (value CAGR%)

- F13-F17: 4.7%
- F18-F22: 5.9%

AFRICA SPIRITS GROWTH (value CAGR%)

- South Africa: 5.9%
- Nigeria: 4.7%
- Ghana: 3%
- Angola: 2%
- Kenya: 5.9%
- Tanzania: 4.7%
- Cameroon: 3%
- Uganda: 3%
- Ethiopia: 3%
- Total Africa: 3.9%

DIAGEO SHARE OF SPIRITS (value %)

- South Africa: #1
- Nigeria: #1
- Ghana: #3
- Angola: #2
- Kenya: #1
- Tanzania: #2
- Cameroon: #1
- Uganda: #1
- Ethiopia: #1
- Total Africa: #1

Source: IWSR, Diageo internal data

JOK

Spirits is growing faster than beer in Africa and is an attractive growth opportunity – the trend is forecasted to accelerate.

We are a scale player in both MSS (mainstream spirits) and IPS (international premium spirits), we also enjoy #1 market share position in most markets.

We’re 2x the size of the nearest the competitor in IPS and 1.5x the size of the biggest local player in MSS. (source: IWSR)
We can leverage our strong Beer RTM to deliver an accelerated spirits performance.

You can see (if we cut the data on a 3, 5 or 7 year basis) that in markets where we have a beer RTM our spirits growth is significantly higher than those markets where we don’t.

Encouragingly, on right hand side chart you can see the penetration of spirits in Africa is increasing significantly. Over the past 6 years, in Nigeria it’s grown from 11% to 20% and in Kenya for example it’s grown from 10% to also 20%.

The interesting thing is the number of consumers who are consuming both beer and spirits (see the blue bars) – very often on the same occasions within the same evening.

We are very excited by this development and why we firmly believe in that deploying a TBA strategy in Africa is a real competitive advantage.
Our performance within spirits has been strong, across both our IPS and MSS brands.

We’ve also innovated strongly to broaden our portfolio and bring more consumers into the category.
AND SPIRITS BECOMING INCREASINGLY IMPORTANT

As a result, spirits have become an increasingly important part of our portfolio.

Now accounting for 30% of our business in Africa up from 24% 5 years ago.

Going forward, in the medium-term, I expect Africa business to grow mid to high single digit with beer growing fast and spirits even faster.
IN CLOSING

Beer is attractive and growing category

We have business model to access growth

We execute on clear priorities with Guinness at the heart of what we do

Our Africa RTM enables us to grow beer fast and spirits faster

Diageo beer delivers consistent sustained performance

JOK

So in closing:

The beer category is back in growth, driven by a number of key factors all of which play to our strengths.

We have a unique & highly profitable beer model that exposes us to growth with a fit for purpose distribution model

There are five drivers that underpin our growth – not least the growing health of the iconic Guinness brand

We are supporting future beer growth by investing in both brewing capacity and consumer experiences, enabled by a strong step up in our sustainability & productivity agenda

Across Africa, our beer RTM adds top-spin to our spirits performance, and encouragingly we’re seeing spirits penetration increase. As a result spirits is becoming a more significant part of our business.

In Africa i would expect us to continue to grow beer fast and spirits faster.

Within global beer we are driving increasingly consistent and sustained top-line growth
DIAGEO

CELEBRATING LIFE, EVERY DAY, EVERYWHERE

By Gareth Edwards
Cautionary statement concerning forward-looking statements

This presentation and its notes (together, this "Presentation") contain 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. These statements are often, but not always, made through the use of words or phrases such as "believe", "anticipate", "could", "may", "would", "should", "intend", "plan", "potential", "predict", "will", "expect", "estimate", "project", "positioned", "strategy", "outlook", "target" and similar expressions. 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 (see more detailed status on Brexit below);
- changes in consumer preferences and tastes, including as a result of changes in demography, 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-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;
- changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy or as a result of inflation;
- legal and regulatory developments, including changes in regulations relating to production, distribution, importation, marketing, advertising, sales, pricing, labeling, 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;
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Diageo’s ability to renew supply, distribution, manufacturing or licence 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.

Brexit

There continues to be uncertainty with respect to the process surrounding the United Kingdom’s proposed exit from the European Union. We continue to believe that, in the event of either a negotiated exit or no-deal scenario, the direct financial impact to Diageo will not be material. In the EU, we expect that our finished case goods will continue to trade tariff free in either scenario. While there continues to be uncertainty over future trading arrangements between the UK and the rest of the world, we have mitigation plans in place for the short-term disruption that could arise from a ‘no deal’ scenario; in which the UK leaves the EU without the parties reaching a formal withdrawal agreement approved by the UK Parliament, and including the inability of the UK Government to renew existing EU Free Trade Agreements with third party countries to which we export and where trading could revert to WTO rules. We have further considered the principal impact to our supply chain which we have assessed as limited and have appropriate stock levels in place to mitigate this risk.

The full implications of Brexit will not be understood until future tariffs, trade, regulatory, tax, and other free trade agreements to be entered into by the United Kingdom are established. Furthermore, we could experience changes to laws and regulations post Brexit, in areas such as intellectual property rights, employment, environment, supply chain logistics, data protection, and health and safety.

A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within our business represented. We continue to monitor this risk area very closely, including a continuing focus on identifying critical decision points to ensure potential disruption is minimised, and take prudent actions to mitigate risk wherever practical.

Other information

All oral and written forward-looking statements made on or after the date of this Presentation 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 2018 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. The information contained in this Presentation has been prepared solely for use at the Diageo Capital Markets Day 2019 presentation. The Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. This Presentation is provided for the purpose of giving information about Diageo to investors only and is not intended for general consumers. Diageo, its directors, officers, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility is expressly disclaimed. The information in this Presentation does not purport to be comprehensive and has not been independently verified. Certain industry and market data contained in this Presentation has come from third party sources. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but there is no guarantee of accuracy or completeness of such data.

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