SUSTAINABLY DELIVERING EFFICIENT GROWTH AND VALUE CREATION
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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 and welcome back to our final presentation today.
• I’m delighted to be here with you today and being in New York at a Diageo investor conference reminds me of one of my first days at Diageo, when I attended the November 2015 Capital Markets Day three and a half years ago.
• One of the things that attracted me to Diageo is that we have a strong business with leading positions in a fantastic industry.
• The company and the team is everything that I hoped it would be and the culture has only gotten better retaining the diversity, inclusiveness, and high ethical standard that sets us apart with an even greater focus on accountability, executional excellence and being agile and restless to move at pace.
• And the good news is that there’s still plenty to go for; and while our performance is much improved and we are delivering consistently we are all very mindful that we have to raise the bar every day to stay ahead.
• I hope you have found today’s presentations interesting and that they have given you real insight into how we are executing our strategy.
• We hope you leave with a stronger conviction that Diageo has the right recipe to be a consistent compounder of growth with a long runway in front of us.
DIAGEO’S STRATEGY IS CLEAR

To be one of the best performing, most trusted and respected consumer products companies in the world

Delivering through our six priorities with clear goals defined by our performance ambition

Four measures of our progress
• credibility & trust
• motivated people
• efficient growth
• value creation

• Ivan reminded you of our ambition earlier today, to be one of the best performing, most trusted and respected consumer products companies in the world.
• We are confident we have the right strategy to progress toward our ambition as you have heard from the presenters today
• As Ivan said, we measure our progress against our performance ambition in four areas.
• I will focus on the second two; Efficient growth and value creation.
• So let me run through what I’d like to cover.
I will talk through our financial scorecard including the measures we use to track our progress on the financial elements of our performance ambition.

As part of this, I’ll talk you through the improvements we've seen in cash flow performance and then move on to talk about how we have deployed this cash consistent with our disciplined approach to capital allocation.

I will then discuss how we are doing on embedding everyday efficiency into our DNA. I’ll cover how this has been a platform for building new capabilities across the business and the fuel to enable as to further invest in our brands.

Finally, Ivan shared our new medium-term guidance with you this morning and I will share more detail on this and the confidence we have behind it.

So first up are the key metrics we use to measure our financial progress.
DELIVERING EFFICIENT GROWTH AND VALUE CREATION: THE MEASURES

EFFICIENT GROWTH

• Organic net sales growth
• Organic operating margin improvement
• Free cash flow
• Pre-exceptional eps

VALUE CREATION

• ROIC
• Total Shareholder Return

• For efficient growth we have organic net sales growth, organic operating margin growth, free cash flow and growth in EPS before exceptional items.
• And for value creation we look at return on invested capital and total shareholder return.
• We expect the execution of our strategy to deliver consistent mid-single digit organic net sales growth, between 4 and 6%.
• We have delivered top-line growth within the mid-single digit range in fiscal 17 and 18. F19 started particularly strongly and we expect we will close the fiscal year toward the top of this targeted range as we communicated at half year results.
• And you can see that our improved top line momentum has come from stronger momentum in both volume and price/mix.
• As we look at the results for the last few years I would highlight the balance we see across volume and price-mix with all three drivers contributing to our improvement.
• Importantly, this balance should contribute to consistency and sustainability of performance.
• Our strong organic margin improvement combined with accelerated top line momentum has resulted in a strong improvement in organic operating profit growth over the last few years.
• Diageo’s operating margins are top tier among CPG and Alcohol beverage peers today with F18 reported operating margin at just over 30% despite having absorbed nearly £200m of unfavourable FX over the last five years as well as the dilutive impact from fully consolidating USL in F15.
• We have expanded our organic operating margin in each of the last five years and, as Ivan showed you this morning, in the last year and a half we have increased our marketing reinvestment rates at the same time.
• And as you know, our mid-term guidance is to expand organic operating margin by 175 basis points over the three years ending in fiscal 19. I expect us to deliver the remaining 60 basis points improvement required to achieve this goal when we report our fiscal 19 results at the end of July.
• Briefly before I move on, I also wanted to make you aware that we plan to change our organic methodology from July 1st 2019. The change will align management and organic reporting to state both financials at prior year FX rates. This will greatly simplifying our internal processes, as well as better aligning with how our peer group reports. We have back-tested the new methodology and there is no material difference in the results of the new method compared to the current approach. The internal simplification benefits however are significant. We will publish more detail about this change as we report through F20.
• Moving on. Cash flow continues to be strong and consistent and EPS has improved over the last 2 to 3 years driven mainly by organic operating profit growth and in F17 supported further by the devaluation of sterling.

• I’d like to take a moment to talk through free cash flow in a bit more detail. We have significantly improved the consistency of cash flow delivery over the years since F14.
Looking across that period we have essentially doubled our free cash flow driving improvement mainly from two areas; organic growth and working capital performance.

- Cash delivery from growth has been strong as momentum across the business improved and I expect organic growth to continue to deliver sustainable improvement going forward.
- On working capital I am pleased to see the improved results we have achieved. Looking ahead, I expect benefit from working capital efficiencies to be more modest as we have captured most of the more easily accessible opportunities.

We will continue to invest in maturing stock and capital expenditure to support growth. In addition to distilleries, breweries and bottling lines, we are also investing in consumer experiences that showcase our brands and important technology investments that enhance productivity and enable faster, smarter decision making.
• To sustain strong cash flow it’s essential that we improve working capital performance as we grow our top line.
• And to ensure the company has sustainable access to the cash we generate, we need it everyday.
• This is why we swapped the company’s core annual bonus metric on cash flow 18 months ago from Operating Cash Conversion, which is measured based on our year end balance sheet, to Average Working Capital as a percentage of NSV, which is impacted by working capital usage throughout the year.
• This change means everyone in the business has a stake in ensuring we focus on everyday working capital efficiency.
• Since its introduction we have seen consistent improvement in our performance.
Moving on to the measures of value creation.

As I mentioned, over the long term we believe that, consistent delivery of strong, efficient growth will enable strong returns for our investors.

You can see we have improved our performance on both ROIC and TSR over the past two to three years.

While in any given year these measures might be impacted by factors beyond our control such as FX or broader stock market movements, we believe that consistent delivery will positively impact these measures over the long-term.

I’d like to go a little deeper into TSR over the last five years.
Diageo’s total shareholder return over both the last three and five year periods exceeds our peer groups as well as the FTSE 100 and S&P 500. As I said, over shorter time periods we may see more fluctuation but our focus is on the long term and our last twelve month performance is in line with the strong gains we’ve seen across our broad CPG peer group.

It is the long term TSR performance, measured against our peers that will be the key indicator of our achievement of our performance ambition.
Our strong performance on the measures of efficient growth and value creation are matched with the strong discipline we apply to capital allocation.
A CONSISTENT AND DISCIPLINED APPROACH TO CAPITAL STRUCTURE

**Leverage policy**

Adjusted Net Debt* to EBITDA: 2.5x – 3.0x

| Organic growth | Dividends – 1.8x to 2.2x dividend cover | M&A and portfolio management |

**Return excess cash to shareholders**

* Net debt is equivalent to net borrowings. Adjusted net debt includes post employment plan liabilities

- We have a disciplined approach to our capital structure through a leverage policy that targets an adjusted Net Debt to EBITDA ratio of 2.5x to 3.0x. This range is broadly consistent with a single A- credit rating and we believe offers the right balance between financial flexibility and efficient access to debt funding throughout the business cycle.
- Our priority remains to invest in the business to deliver sustainable and efficient organic growth and generate value through acquisitions that further strengthen our exposure to fast growing categories and occasions.
- In addition to the acquisition of Casamigos in August 2017, we also have continued to actively invest in entrepreneurial new to world brands through Distill Ventures and I hope you had a chance to see some of the brands we have invested in last night on our innovation showcase. This is creating a rich pipeline of opportunities for us with the first acquisition of a controlling interest completed last year with the purchase of Belsazar, a German vermouth which plays right into the aperitif occasion.
- Over the course of fiscal 19 we have also increased our shareholding in Shui Jing Fang, our fast growing Chinese White spirits business, from approximately 40% to just over 63%
- We regularly review our portfolio to ensure that we allocate resources behind the opportunities that can maximise shareholder value in the long term.
- Ivan reviewed the many changes we have made over the past five years to further tighten our portfolio of brands including the recent divestiture of 19 brands principally in the value segment in US spirits. This disposal enables us to focus our resources on premium and above brands, where there are stronger growth and profit opportunities.
- We have a clear dividend policy to target dividend cover of 1.8x to 2.2x. We continue to expect mid-single digit dividend increases until we are comfortably back into the target range.
- When we have excess cash we have been clear we will seek to return it to shareholders and the key metric we consider in determining this is our leverage ratio. We opened F19 with our leverage ratio at 2.2x, below our leverage policy range.
- The share buy-back programme this year has therefore been set at a higher level of £3.0bn with the intention of getting us back into the 2.5-3.0 times range and also reflects the use of £340 million of net proceeds from the sale of the US brands to further upweight the share buy-back this fiscal.
- Going forward we expect to operate in the 2.5-3.0x leverage range and will continue to return excess cash to shareholders with our board making those decisions annually, both on amount and mechanism.
Now moving on to share some more detail on how we have embedded a culture of everyday efficiency.

As Ivan said earlier, to maintain our momentum and continue to deliver consistently we need to drive quality growth, everyday efficiency and smart reinvestment.
• Diageo never set out to simply implement a productivity programme. We were always striving toward the higher goal of embedding an everyday efficiency mindset across the business.

• From my perspective this cultural shift has been the biggest achievement of the work we have done over the past three years. Of course we are also proud of the millions of pounds we have saved and reinvested in the business so far. And it’s always been about driving sustainable improvements which means fundamentally changing the way we work and building new capabilities for the future.

• As you know our efforts exceeded our initial expectations which allowed us to raise our target at the end of F17 from £500m to £700m of savings and to increase our expectation of organic operating margin expansion from 100 to 175 basis points for the three years ending F19.

• And as I mentioned earlier, I am pleased to confirm that we are on track and expect to deliver that target at the end of this year.

• Now I’d like to talk you through the areas of the business where these benefits have been derived and why I am confident there is further significant value to capture over the coming years.
NET REVENUE MANAGEMENT: CAPTURING MORE VALUE FROM WHAT WE SELL

FIVE NRM LEVERS

• Headline price
• Pack & Formats
• Promotional effectiveness
• Trade terms
• Trade and portfolio mix

BUILDING OUR CAPABILITY

• Established capability programme
• Leveraging intelligent automation technology to get faster and smarter
• Continue roll out of TRAX
• Continuing to build out a deep internal NRM talent pool
• Continue to drive strong price/mix

• We have made significant progress on Net Revenue Management and are seeing the benefit of improved Price/mix coming through in F19.
• NRM focusses on the five drivers you see on this slide that all impact the net revenue line.
• We have implemented a global tailored NRM capability building programme ranging from a three day intensive deep dive course through to a high level e-learning introductory course which is available to everyone.
• We are already leveraging intelligent automation techniques to enhance our capabilities and have plans to develop this further. For example;
  • We continue to roll out our use of TRAX, the tool used to capture in-outlet data using digital image analysis technology which Deirdre showed you in her presentation earlier today.
  • We are also developing deeper analytics that help us understand the drivers behind consumption occasions that will help us to further optimise our trade and portfolio mix.
• And in terms of talent, we have already recruited NRM specialists into the business and we will continue to hire and train a deep internal NRM talent pool.
• I am excited about the opportunity here, we all know how price and mix drive significant value through the P&L. And with the increased cost inflation we have seen recently there is no better time to ensure we are making the right decisions to drive long term value.
• As we look ahead, our continued capability development gives us confidence we can continue to drive strong price/mix.
• Lets move on to marketing.
MARKETING: DATA DRIVEN EFFICIENCY AND EFFECTIVENESS

**EFFICIENCY**
- Fewer, bigger scale and simpler agency partnerships
- Selectively in-housing certain activities for agility and value
- Looking ahead - more efficient creation and use of marketing assets and continued agency consolidation

**EFFECTIVENESS**
- Investing in core marketing catalyst analytics platform:
  - Driving a common approach to data management
  - Enhancing our interface with agency tools
  - Improving performance tracking of digital media campaigns

- It is fair to say that our approach to marketing over the past three years has been transformational.

- As we explained at our last Capital markets day, we work to maximise both efficiency and effectiveness to create the best value from our marketing spend.

- On efficiency, we’ve driven significant benefit from the changes we have made to how we procure our marketing activity.

- We now have fewer, bigger scale agency partnerships with new simpler and more efficient ways of working fully embedded.

- Most recently we are selectively testing and implementing in-sourcing models across media and creative services, bringing work back into Diageo to deliver incremental value. An example we recently in-sourced is social media buying in the US which has driven direct benefit to the market as well as our global online digital repository limiting duplication of assets.

- Looking ahead, from an efficiency point of view, we are always challenging ourselves further to limit non-working spend like asset production costs, so we can reallocate that spend to marketing activity that directly touches the consumer.

- As part of that we see further potential to optimise the way we produce and adapt our creative assets increasing our ability to re-use assets, as well as consolidate our activation and asset production agencies.

- On effectiveness we have increased the transparency of our A&P spend as we continue to develop capabilities within Catalyst.

- But before I get into this further, lets start by hearing from our team in India on the impact of catalyst on their business.
Video: India catalyst
MARKETING: DATA DRIVEN EFFICIENCY AND EFFECTIVENESS

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EFFECTIVENESS
• Investing in core marketing catalyst analytics platform:
  • Driving a common approach to data management
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• You may remember at our last Capital markets day we talked through catalyst comprising two key modules. The strategic module used for global planning and marketing spend allocation, and the growth driver module, the tool used by our marketers in our markets to plan and optimize their activities.
• Back then it was relatively early days for the growth driver module which relies on econometric modelling to help our marketers optimize ROI. We were only using econometrics to measure our marketing ROI on media spend for our biggest brands in the US and Europe, and typically at a national level.
• Today, we’re carrying out econometrics ROI analytics on over 350 of our top brand-country units as well as evaluating ROI for experiential, on-trade activations, in-store display and sampling.
• In our more advanced markets, with richer data, we are beginning to optimize spend down to regions and metro areas.
• We are now using our significant database to anticipate performance from marketing campaigns on newer activities, brands or markets.
• The work is not yet complete, we will continue to fine tune the tool and data. The ultimate accountability for spending decisions remain with our in-market teams, but they have been empowered by this industry-leading capability to inform how best to allocate their spend week-by-week, channel-by-channel to drive profitable growth for the long term.
• The more we strengthen our data capabilities and feed our learnings back into our tools, the smarter they get.
Moving on to supply.

COGS are about 38% of revenue and the variable costs within COGS are our biggest pool of opportunity.

We have delivered significant savings through improvements we’ve made to supply across our five areas of focus. More recently commodity cost inflation has escalated offsetting much of the savings we are delivering this year.

As we look ahead, we continue to see significant opportunity for further supply savings with the activities to enable these savings shifting a bit. Having secured most of the “easy-wins”, more and more of our activity in plan, make and move will be from driving further simplification and working smarter.

This is where using digital technology will come into play to enable greater efficiency. I’ll give you a couple of examples of deployments in progress;

- In procurement we are using intelligent automation to improve commodities sourcing. By using data analytics to more accurately forecast purchasing requirements we can optimise sourcing and commodity hedging decisions.
- In the “Make” manufacturing space, we are working to develop artificial intelligence technology to look at equipment maintenance logs and help predict maintenance activity requirements to reduce down time.
- And in “Move” we are implementing better data analytics to improve truck fill rates without compromising service levels.

Let’s move onto overheads.
I’d like to cover some of the work we are doing on organizational effectiveness and indirect expenses.

Since we started our overall productivity programme we have developed real rigour and focus in relation to streamlining and simplifying the organization. By improving our average span of control, that is the average number of people that report to each manager, we have reduced costs and also enabled faster decision making.

We have introduced new technologies such as Quip – a collaboration tool, Zoom – for easy and inexpensive video conferencing and mobile Concur – facilitating quick and efficient expense submissions and approvals. These tools are highly accessible and flexible, reducing task time and improving self-sufficiency.

Within organizational effectiveness we see more opportunity to come as we develop and implement Intelligent automation solutions across more of our back-office footprint and we expect our recent deployment of smarter office tools to drive further value as we embed them. I have a video to show you which brings to life the benefits of intelligent automation across the business.
VIDEO Script

• Diageo is utilising the latest in digital innovation to boost profitability and deliver more efficient ways of working.

• We have expanded our Intelligent Automation programme to over 100 different applications across the company. Through predictive analytics, machine learning, and Robotics Process Automation we are increasing productivity and creating competitive advantage through improved and timely decision-making.

• For example, our Sales Order Capture Automation, uses AI technology and machine learning algorithms to extract and process data from more than 1 million customer sales orders per year. Our robots can read x190 languages and can for instance differentiate an order for ‘10 cases of JWBL’ as either 10 cases of Johnnie Walker Blue Label or Johnnie Walker Black Label, by using customer behaviour and transaction patterns to create an accurate sales order in around 2 minutes.

• We are also transforming end-to-end Source to Pay process. Our robots validate invoices against purchase orders, interacts with banks, and executes payments. With our use of automation to execute repetitive tasks faster and more accurately, we improve compliance and quality of data.

• These are just two examples of how we will use this technology, and earlier today you will have seen the US spirits example of Advanced analytics and AI generating outlet-specific insights.

• Looking ahead, we will scale Intelligent Automation and advanced analytics across all core processes to simplify purchasing, financial reporting, planning and analytics on spend, HR and IT as well as automating more of our supply chain processes. This will drive both efficiency and effectiveness, and continue to speed up decision making across the business.
• Let’s round off the overheads discussion with indirect costs
• The use of our global zero-based budgeting tool along with clear global policies for each cost category has driven cost savings. And we have begun moving to new generation office space in a number of locations; typically less square footage but much more versatile space. This facilitates more flexible and agile ways of working for our people, and reduced costs.
• And while we have made great progress there is still more to do.
• With indirects we are putting more work into developing tools, policies and internal benchmarking to identify further opportunities. For example, we expect to increase the use of smaller, less expensive boutique consulting firms, we are looking to further reduce tail spend and looking further at instances of outsourcing where insourcing might be more efficient.
• And we are challenging ourselves further to look for more opportunities to centralise activity.
As I said at the start of this section, while the savings we have delivered are significant, the key here has been to build and embed a culture of everyday efficiency in everything we do.

I fell good about:
- The shift in culture and expectations we have embedded
- The simplification we have driven into the business
- The investments we have made into digital enablement
- And I am confident in the future pipeline of opportunities we see and that they will enable us to continue to drive sustainable benefits going forward.

Based on that pipeline, as I look across the next three years, I would expect we can generate roughly 100 to 150m pounds of benefits each year.

And we will continue to reinvest a significant portion of those savings back into the business to support quality, profitable growth and ongoing capability build to ensure we stay a step ahead of the competition.

I’d like to take a minute to talk about the types of investments that are being fuelled by our productivity efforts.
When we say reinvest in growth, the first thing that comes to mind is probably the marketing investment in our brands. It is certainly true that we have stepped up investment in A&P over the last two years as Ivan shared with you earlier.

However we also make investments in a number of other areas;

- On Capital expenditure, we have invested in future growth in our supply footprint, most recently in Kenya. We are investing significantly in consumer experiences to support our brands in many places from Baltimore to Scotland to Kentucky. And of course the investments we’ve made in Dublin, expanding the Guinness storehouse and opening the new Roe & Co distillery.
- We invest in maturing stock which we set aside from other working capital as these are strategic investments for the long term.
- As you have heard, we are also continuing to invest in digital enablement tools and strengthening analytic capabilities to ensure we are maintaining a competitive edge.
- And of course we invest in inorganic opportunities as well.

All of these investments are made possible by funding from the efficiencies we deliver everyday.
SUSTAINABLY DELIVERING EFFICIENT GROWTH AND VALUE CREATION

Delivering efficient growth and value creation

Linked everyday efficiency culture

Disciplined capital allocation

F20-22 medium-term guidance

I’ll now bring the day’s presentations to a close on why we believe that everything you have heard today should leave you with confidence in our ability to deliver our new F20-F22 medium-term guidance.
SUSTAINABLY DELIVERING EFFICIENT GROWTH AND VALUE CREATION

We operate in an industry that is growing and premiumising globally.

We have leading positions across key categories, regions and price tiers with a fantastic portfolio of brands.

We have transformed the culture of the business.

We have established advanced and evolving capabilities.

We are delivering our strong, consistent performance.

- We operate in a great industry that is vibrant, growing and premiumising globally.
  - In this industry we participate with a leading portfolio of brands across key categories, regions and price points.
    - We are better positioned geographically than we have been historically with a good balance across developed and emerging markets.
    - Our portfolio of brands is also stronger today with increased participation in higher growth segments but also broader participation in mainstream spirits and primary scotch which helps us retain consumers during challenging economic times.
  - We believe that this breadth and depth makes our business more resilient and sustainable.
  - Over the past five years, we have transformed Diageo into a stronger and more agile business. We are more consumer-centric than ever before with a stronger and tighter advantaged route to consumer. This means we see changing consumer trends and changing economic conditions more quickly and we get better more timely and insightful data to make faster, smarter decisions to both better anticipate and respond to marketplace changes.
• As Ivan shared with you this morning, we have instilled the disciplines to drive quality growth, everyday efficiency and smart reinvestment.
  • We have embedded our culture of everyday efficiency that drives us to continuously improve the way we operate and we see a strong pipeline of additional opportunities to drive further efficiencies as we look forward.
  • We plan to continue to invest in the business at the same time as improving profitability. As you have seen over the last 3 years, we will invest in our brands and in more advanced and evolving capabilities delivered through new technology, through training and through new talent.
Over the medium term we expect to drive **consistent** mid-single digit organic net sales growth and **sustainably** grow organic operating profit ahead of net sales, within a range of 5 to 7%.

- That is what gives me and the rest of the team confidence in our ability to deliver consistent, strong top and bottom line performance.
- As we look out over the next 3 years we expect mid-single digit organic net sales growth.
- And to sustainably grow organic operating profit ahead of net sales, within a range of 5 to 7%.
- Thank you to you all for spending time with us and for your engagement.
- I’d like to open up for the final Q&A session.
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 any 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 and 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 “believes”, “anticipates”, “could”, “may”, “would”, “should”, “intends”, “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 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;
• 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, labelling, packaging, product liability, anti-trust, 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;
• 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 or increased competition from regional and local companies, that could negatively impact Diageo’s market share, distribution network, costs and/or pricing;
• Diageo’s ability to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions and/or 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.

No script
• movements in the value of the assets and liabilities related to Diageo’s pension plans.
• 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 or liability 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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