Good day.
I’m Anand Kripalu, Managing Director & Chief Executive Officer of United Spirits Limited, Diageo’s business in India.
After spending three decades in the consumer products industry, predominantly in India, I joined Diageo over 5 years ago when it took controlling stake of United Spirits Ltd.
I can say that I had my fair share of excitement of these 5 years
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 day.
• I’m Anand Kripalu, Managing Director & Chief Executive Officer of United Spirits Limited, Diageo’s business in India.
• After spending three decades in the consumer products industry, predominantly in India, I joined Diageo over 5 years ago when it took controlling stake of United Spirits Ltd.
• I can say that I had my fair share of excitement of these 5 years
• We started our journey in 2014 with the objective of transforming our business in India from the erstwhile United Spirits to making it a true Diageo subsidiary.
• We went through the process of picking core/focus brands and then refreshing most of them. We have made a big change in how we sell from sell in to sell out culture.
• We have built a huge muscle of productivity and that has provided us vital fuel to invest back into the business.
• We have brought about clarity and accountability in customer service levels by integrating the entire end to end supply chain.
• We have put in place better systems and processes and significantly enhanced our controls and speed and quality of reporting.
• We have also made a step change in our corporate citizenship, starting by ensuring highest level of compliance and governance in the market, and from compliance to community to road safety. And we have also changed the nature of our engagement that both we and the industry have with the government.
• We have made significant organizational changes in terms of our talent, our culture, our business model and our ways of working.
• We have sorted out a host of legacy issues that we have inherited as part of the acquisition.
• And finally, in the last couple of years, we have faced some of the largest external headwinds ever seen in this business – demonetization followed by highway ban and then GST. Despite that, we have come out stronger and every part of this business has been transformed.
• And to go back to Ivan’s point, while a lot has been done, we are absolutely not complacent. We know there is a lot more to do and we are focused on trying to do that.
I am going to start today’s presentation with a quick recap of the progress we have made since our last meeting.

I will then update you on where we are against our medium-term strategy.

Finally, I will talk about the long-term opportunity that we see in India in the spirits space and sum up, hoping to reinforce your confidence in the future of our business.
Before we look at the progress, let me give you a context of our portfolio and recent operating environment.
Firstly, just to remind you, we have the broadest and the most comprehensive portfolio of brands in the alcobev industry in India, catering to consumers right from the bottom of the pyramid to the absolute top. Our portfolio can be divided into four broad segments:

1. **Popular segment**: this includes entry level low priced brands that are made in India. This segment is challenged in terms of growth and profitability in India, and therefore we have brought about a fit for purpose operating model here. Where we see a profitable growth opportunity, we do it ourselves. In rest of the states, we have franchised these brands to third parties. This allows us to release resources, so that we can redeploy and focus on other more profitable parts of our portfolio.

2. **Prestige segment**: this is a step above the Popular segment, predominantly Indian brands made in India.

3. **Premium segment**: this comprises International brands that are bottled or made in India.

4. **Luxury segment**: this comprises International brands that are bottled in origin and imported to India.

We refer to segments 2 - 4 collectively as “**Prestige & Above**” segment (P&A) which is where we are focusing. P&A currently accounts for two thirds of the profit pool of the category, and that is expected to grow to 85% by 2025 and over 90% by the turn of the next decade. 2030. So really the P&A segment is the focus area.
Secondly, let me recap the operating environment that we have been in during the last couple of years in India.

There have been three significant and discontinuous changes in the regulatory environment in quick succession over the last couple of years:

1. Starting with demonetization of the Indian Rupee in November 2016 when 86% of the country’s currency became zero value overnight. This led to a series of ripple effects on the economy and particularly our industry that was heavily dependent on cash.
2. This was followed by the Supreme Court of India banning the sale and service of alcohol within 500m of national and state highways;
3. And finally the implementation of Goods & Services Tax (GST), which could have resulted in stranded taxes for our industry, given that the inputs came under GST but the final product didn’t.

Simultaneously, we have had to navigate route to market (distribution) changes in a few big states, with the government taking over distribution in some and moving in the opposite direction in others. While these regulatory changes were unprecedented and caused a short term impact, we have eventually come out stronger and more confident about our ability to withstand such challenges.
With that background, here is a snapshot of progress we have made on high level financials:

- Overall organic net sales grew by 9% in F18 accelerating to 12% in H1 F19. In line with our strategy, our Prestige & Above portfolio has registered double digit net sales growth in F18 as well as H1F19.
- As a result of franchising of some of our Popular business and accelerated growth in the P&A portfolio, the P&A segment now accounts for two thirds of our net sales.
- Finally, we have not just grown, but grown profitably while also investing in our brands. We have delivered an operating profit margin expansion of 77bps during F18 and 527 bps during H1F19 (over H1F18).
So those were the key business metrics. Let me now walk you through “how” we have been executing against our medium-term strategy.
Our performance ambition is to be one of the best performing, most trusted and respected consumer products companies in India.

We have five strategic priorities that help us to deliver that ambition.

Let’s look at each of these.
Starting with the first one: Strengthen & accelerate core brands.

There are four vectors that we drive to make that happen.
The first is to play into India’s top passion points with our core brands.

We believe that in order to deepen relevance & connection with consumers it is critical for brands to have a strong play in culture. Let me give you some colour on how we have attempted to create these links.

1. **Music:** McDowell’s No1 owns music as a platform. I have a sample of the music to share with you

<AUDIO PLAYED>

2. **Food:** A big part of the millennial culture today is driven through experiences centred around food and drink, as mentioned by Cristina spoke about earlier. B&W aims to bring people together around a table of food and drinks through its purpose of made of sharing.

3. **Cricket:** It is the biggest unifier in India. The association of Royal Challenge with Cricket is further bolstered by the fact that we own a cricket team in Indian Premier Leagues (IPL), called Royal Challengers Bangalore (RCB). The team captain is none other than Virat Kohli, arguably one of India’s biggest icons.
The second way in which we are strengthening and accelerating our core brands is through purpose led marketing, that brings these passion points alive.

RC is all about cricket. There are two things we do:

1. Use thematic advertising to push the boundaries and challenge the status quo. Royal Challenge launched its first manifestation of the idea during Indian Premier League (IPL) 2019, with a campaign for a mixed gender match featuring captains of India’s women and men cricket teams— a great example of pushing for change and gender equality. As a first step to this symbolic equality, Royal Challenge is asking people to support India’s first mixed gender T20 match by voting on [www.rcchallengeaccepted.com](http://www.rcchallengeaccepted.com)

2. Use cricket team to connect with the fans. We have recently created an RCB mobile app to engage with RCB fans. The app is a single platform that provides access to exclusive content, live sports feed, player & match statistics, polls & predictions & in built e-commerce to buy tickets & merchandise. With a strong community approach the platform also allows fans to interact with each other, be a part of micro-community & engage in real-time social conversations around their favourite player/team/topics.

**Within the first month of app launch, we achieved close to 1Mn downloads.**
The third way in which we are strengthening and accelerating our core brands is through leveraging our Scotch Portfolio to drive premiumization.

- Our Scotch portfolio is the broadest in the industry – not surprising, as John said, we are the leading Scotch producer in the world. Furthermore, we have Johnnie Walker in our portfolio - world’s #1 Scotch brand that is very aspirational in India.

- The line-up of brands above shows the breadth and depth of our portfolio. We have a product for every consumer at each price point - from primary scotch brands in order to recruit middle class consumers into the category, to single malts for the highest spenders.

- We have been leveraging our scotch portfolio and been able to accelerate growth, as visible in the chart on the right. We have driven growth in luxury scotch segments faster than the primary scotch.

- This is despite India having one of the highest custom duties on import of Scotch at 150%! Imagine what would happen as and when this duty gets rationalized.
The fourth lever towards strengthening and accelerating core brands is our innovation funnel. Innovation is a capability we continue to focus on while also benefitting from Diageo’s global expertise.

Our innovation effort is threefold –
(i) to recruit new consumers to existing categories through new propositions – like Hipster – our new Scotch offering.
(ii) to re-recruit consumers through new variants of existing brands – like a premium variant of our largest whisky brand McDowell’s No.1 called McDowell’s No.1 Platinum, that is doing reasonably well in the market
(iii) to disrupt through untapped categories and adjacencies like beer

Let me now give you an example to bring it to life.
RECRUIT: Hipster: Our new Scotch offering
The Scotch Hipster is an innovative take on Scotch that unlocks a new opportunity for consumers. It is uniquely portable and designed to complement the style of every consumer, just like their smartphone. This new format is expected to appeal to younger consumers (subject to LDA) and more relevant in casual occasions with friends; thereby recruiting more consumers into the category.

<VIDEO PLAYED>
Our second strategic priority is to evolve our route to consumer to move the focus from sell in to sell out.
## MULTI-PRONGED APPROACH

<table>
<thead>
<tr>
<th>AFFLUENT INDIA</th>
<th>MIDDLE INDIA</th>
<th>ASPIRING INDIA</th>
</tr>
</thead>
<tbody>
<tr>
<td>Unique experiences, Weddings &amp; Banquets</td>
<td>Leverage outlets to build brand equity</td>
<td>Focus on retained states, support franchisees</td>
</tr>
</tbody>
</table>

India is not a homogenous country and at the minimum, we believe the consumer base can be divided into three broad segments. These are:

1. **Aspiring India**
   - Price conscious
   - Entering consumption cycle
   The focus here is to drive availability and visibility in mass outlets— the two most important drivers for these consumers.

2. **Affluent India**
   - Globally travelled
   - Seek luxury experiences
   To reach these consumers who sit at the top end of the spectrum in terms of purchasing power, we curate unique experiences for them like gourmet food pairing, literature and music festivals etc. Also at hotels, weddings and banquets.

3. **Middle India**
   - Brand conscious
   - Willing to pay for value
   This represents the bulk of the Prestige & Above segment. The key here is to ensure that our brands show up in stores in a way that builds brand equity.
The stores in these three segments require different types of capability and therefore we have dedicated teams with appropriate skills for each of these. And we:

For Affluent India we need key accounts team that deals with hotels and luxury accounts and we have focused team that aims to do that; for Aspiring India we need team with basic sales skills that can drive volume and make sure availability and visibility happens.

These sales people are then equipped with a range of tools that we use globally in Diageo:

To give you an example, to improve the efficiency and effectiveness of our field staff during their outlet visit, key metrics such as purchase patterns, market execution history, activations for each outlet are available to them on their mobile phones.

We are in the process of rolling out EDGE, Diageo global initiative Ivan spoke about:

There are two modules we are rolling out as we speak:

- Advanced analytics where we combine demographic and economic data with store & depletion data to predict the sales potential at store sku level, that guides sales person visiting that store.
- And then we have EDGE TRAX – that's about real time execution data based on visual recognition, so we can get live information on availability, visibility and share of shelf. Deidre will be speaking a lot more about this and showing the video as US is far ahead where we are on this project.
Let me now share with you the progress we have made against our third strategic priority.
DRIVE PRODUCTIVITY TO INVEST IN GROWTH

<table>
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<tr>
<th>NET REVENUE MANAGEMENT</th>
<th>COGS</th>
<th>MARKETING</th>
<th>OVERHEADS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Efficient trade spends</td>
<td>Rate &amp; feature optimization</td>
<td>Efficiency in agency and point of sale costs</td>
<td>Right size the organization</td>
</tr>
<tr>
<td>Positive price/mix from P&amp;A growth</td>
<td>Manufacturing footprint optimization</td>
<td>Catalyst to improve ROI</td>
<td>Tight control on discretionary costs</td>
</tr>
</tbody>
</table>

18 MONTH PERIOD (JUL 17 – DEC 18)

- Gross margin +491 bps
- A&P reinvestment -166 bps
- Overheads +264 bps
- OP margin +604 bps*

*Includes 15bps from one-offs
All figures above represent organic numbers

• Although we started our productivity journey with a specific program, it is now very much embedded in our culture and an integral part of our organizational DNA.
• We are relentlessly focused on driving efficiencies across all lines of the P&L – be it COGS or overheads. Especially in a market where pricing is not free, it is imperative to reduce costs in order to deliver on our margin ambition and to be able to invest in growth.
• Starting with our topline, you are all well aware by now of our focus on premiumization to achieve better price mix. In addition to that, we are also looking at ways to optimize and get the most out of our trade spends through Net Revenue Management – optimizing to enhance our sales while improving gross margins.
• While growing our topline, we are simultaneously driving further efficiencies in our COGS line. As an example we have brought down our manufacturing footprint from 93 units before Diageo acquired its stake in United Spirits to 49 units. We have driven feature optimization that includes glass light-weighting and removal of features in our product design that don’t add consumer value. In procurement, we have leveraged reverse auctions and “should cost” based negotiation. We have also brought in a lot of efficiencies in our manufacturing processes.
• Below the gross profit line, we are attacking all components of our operating costs as well.
• You have already heard from Ed on Catalyst. We are leveraging that to improve the effectiveness of our marketing spend as it helps us measure the ROI on each of our A&P investments.
• We have made efforts to right size the organisation while still investing in talent in critical areas. We have also put a cap on discretionary overheads.
• As a result of these efforts, we have delivered a gross margin expansion of 491bps and an OP margin expansion of 604bps over a period of 18 months from Jul 17 to Dec 18, while enhancing A&P investment by 166bps.
• Overall, I am pleased that all lines of our P&L are moving in the right direction enabling us to create a virtuous cycle of performance.
Our fourth strategic priority is about corporate citizenship.
We believe in the business, this is the priority that we creates long term runway for sustainable growth of the industry and our company.
In our quest to become one of the most trusted and respected consumer products companies in India, the importance of driving the highest ideals of corporate citizenship can’t be overstated.

There are two aspects of corporate citizenship for us in India:

1. **Changing the reputation of the industry**: Traditionally, the alcobev industry in India hasn’t enjoyed great reputation. Since Diageo’s acquisition, we have made huge strides towards transforming our corporate image;
   • Everything starts with doing the business the right way and bring highest standards of governance and transparency in management of our company; and this is what we have been trying to do
   • We also are striving to be ethical marketeers of alcohol though our Alcohol in Society programs
   • Road safety initiatives: Do not drink and drive campaigns & pacts, partnering with traffic police, partnering with Universities, partnering with startups that provide chauffeur on demand service.
     # of traffic police trained: 6234
     # of signatures on don’t drink and drive pact: 3mn
   • Giving back to the communities through projects in Safety (in areas of sanitation & water), Healthcare & Education (SHE) of women.
     # of beneficiaries: 40,000 individuals.

2. **Shaping the regulatory environment for alcobev in India**: In India alcohol is a state subject, with each state regulating the manufacture, taxation, distribution, sale and pricing of alcohol.
Accessibility is another challenge, with a country of 1.35 billion people having c.75000 outlets to buy or have alcohol. Contrast that to a country like Spain, with a fraction of India’s population having 250,000 outlets.

To add to the complexity, direct advertising of alcohol is not permitted.

The disparate nature of regulation in our industry creates complexity but also creates high barriers to entry. As market leaders, we are helping to shape the regulatory environment so as to ensure win-win for all stakeholders. As a result, below are some of the outcomes that we have achieved in the last couple of years:

• GST mitigation – we were able to minimize the adverse impact of GST.
• Unlocked pricing in 13 states during the 18 month period from Jul 2017 to Dec 2018.
• Route to Market (RTM) changes - we partnered with some of the states in ensuring a smooth transition to the new distribution structure.

The good news is that we know how to do business in this environment with it’s complexity as we shape it for future.
The last but definitely not the least priority is to build a future ready organisation. Over the last few years, we have transformed the organisation at several levels:

- To give you a sense of this change, in the last 5 years, we have almost halved the number of our white collar employees, almost halved the number of factories while still improving our performance.
- We have aligned the levelling and grading structure of employees with Diageo to enable seamless movement of people.
- We have also evolved talent, ways of working and culture that I will talk to you more about.
Attracting and developing **talent**

Enhancing **diversity**

Driving **simplification**

Building a **high performance culture**

1. First is to attract the right talent – to this end we have been able to attract talent from some of the leading companies from a wide variety of industries ranging from FMCG, Telecom, Engineering & Manufacturing and even Consulting. This has been made possible in part due to our work on changing the reputation of our industry and also due to our efforts in making Diageo India a better place to work. We have also made our policies more employee friendly.

Also, on the other hand, we are slowly but surely becoming a source of talent for Diageo globally and also able to attract global talent from Diageo into India. Since last year, we have had 10 talent moves from India into global roles.

2. Secondly, we have been making sharp & sustained efforts to build an inclusion and diversity focused organization. Women now constitute 28.3% of the top 50 leaders in Diageo India. Additionally, 3 out of 8 Executive Committee members in Diageo India are now women.

3. Thirdly, we have been driving simplification across the organisation – be it through org structure, ways of working, systems and processes, technology, or the transition of some of the transactional functions to shared services.

4. Lastly, we are embedding a high performance culture that is truly merit based, less hierarchical and performance driven. We truly believe that culture is a critical source of sustainable competitive advantage.
• We have made good progress against our 5 strategic priorities but there is still a lot to be done
• The market place is getting far more aggressive, far more competitive and while we did evolve many of out brands in the first part of our journey, the time has come to take the next leap, be even more competitive and strengthen our market position further
• We have taken out a lot of low hanging fruit in productivity – we need to reach for higher hanging fruit and we still need productivity as part of DNA to help us fuel the growth of the business
• We need to keep at the journey of working with government to ease regulatory environment.

Now let us move from the rear view mirror to the windscreen, to see where we are going.
THE EVOLUTION OF CONSUMER LANDSCAPE

~45% of India’s population is <25 years; ~65% is <35 years
~17m people enter Legal Drinking Age* each year in India

Source: World Economic Forum-Bain report, Census of India (for 2016), Internal analysis
*Legal Drinking Age assumed as >21 years for Spirits; period 2016-21

- The above chart shows growth in number of households and the exploding middle class in India.
- As per the World Economic Forum-Bain report, India is slated to become the 3rd largest economy between 2027-2030 on the back of ‘more people’ and ‘more people earning more’.
- More importantly, the middle class is going to explode with middle income households projected to account for 78% of India’s total households by 2030, up from 54% in 2018. This would translate to 301m households i.e. 1.3b people (average household size of 4.45 members – Census of India 2011).
- Importantly, affluent class at 7% of the population in 2030, would amount to 120m people. To put that in perspective, that’s almost twice as much as UK’s entire population.
- This growth in purchasing power will coincide with extremely favourable demographics; with 17m people entering Legal Drinking Age (assumed as >21 years for Spirits) each year and with the median age of the population at 25 years.
- The combined effect of economic growth and favourable demographics is accentuated by the shift in attitude towards alcohol in India.
• Although India is the largest whisky market in the world and one of the top 10 economies, the per capita consumption still remains much below that of the big economies.
• Just like any other industry, alcobev in India will also follow the S curve, with the potential for per capita consumption to continue to grow.
• Moreover, as consumers drink better, the market would continue to premiumise.
• We are already seeing premiumisation in action with each segment growing faster than the one beneath it, and that trend is expected to continue as can be seen in the chart on the right.
Confidence in the Future

India continues to present an attractive market opportunity

Consistent progress on our strategic priorities

Transforming business to harness the future

Medium Term Goal

GROW TOPLINE BY DOUBLE DIGIT AND IMPROVE OPERATING MARGIN TO MID-HIGH TEENS

• Undoubtedly, this makes India one of the most exciting growth markets in the world for alcobev and Diageo is well positioned to capitalize on this opportunity.
• What gives us even more confidence is the progress we have made towards driving a holistic transformation of our business be it our strategy, business model or the reshaping of our organization.
• Despite regulatory uncertainties, which I believe will smoothen out with the efforts we are putting in, the positives in India by far outweigh any of the negatives associated with the regulatory environment.
• While we have travelled quite a distance, there is more to go for. We will continue to make consistent ongoing progress on our strategic priorities and hereby reiterate our medium term goal to grow our topline by double digit and improve operating margin to mid-high teens.
THANK YOU
DIAGEO
CELEBRATING LIFE, EVERY DAY, EVERYWHERE
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 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, 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 or increased competition from regional and local companies, 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/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
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 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 inavailability 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 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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