Cautionary statements concerning forward-looking statements and non-GAAP financial measures

The following presentations contain 'forward-looking' statements, including statements related to new medium-term guidance, future Total Beverage Alcohol market share ambitions and Diageo's expectations of performance for the six months ending 31 December 2021. Forward-looking statements 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 that are outside Diageo's control. All oral and written statements made on or after the date of these presentations and attributable to Diageo are expressly qualified in their entirety by the factors set out in the cautionary statement concerning forward-looking statements at the end of the presentations and to the statements under "Our principal risks and risk management" in Diageo's Annual Report and under "Risk Factors" in Diageo's Annual Report on Form 20-F filed with the US Securities and Exchange Commission for the year ended 30 June 2021. The Form 20-F is available from the website maintained by the US Securities and Exchange Commission at www.sec.gov and, together with Diageo's Annual Report, on the investors section of the website maintained by Diageo at www.diageo.com.

Any forward-looking statements made on or after the date of these presentations 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. You should, however, consult and take note of any additional disclosures that Diageo may make in any documents which it publishes and/or files with the US Securities and Exchange Commission. Filings with the US Securities and Exchange Commission are also available to the public from commercial document retrieval services, and from the website maintained by the US Securities and Exchange Commission at www.sec.gov.

These presentations include financial measures which are not presented in Diageo's financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are considered "non-GAAP financial measures" under US Securities and Exchange Commission rules. Please refer to the section "Definitions and reconciliations of non-GAAP measures to GAAP measures" set out in the cautionary statement at the end of the presentations.

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Good afternoon from Diageo's headquarters in London.

Thank you for joining us today. I'm Ivan Menezes, Chief Executive of Diageo.

And It is my pleasure to welcome you to our 2021 Capital Markets Day

OPENING SESSION

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

DIAGEO 3 | *Capital Markets Day 2021*

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As the world around us is changing at pace, we continually strive to be one of the best performing, most trusted and respected consumer products companies in the world. This ambition is firmly embedded across our business. From the results of our employee survey 84% of responding employees can see a link between their work and Diageo's immediate priorities and performance ambition.

And I am proud of the progress we have made against this ambition since we met two years ago. We have demonstrated resilience and agility in the face of extensive volatility, and we have emerged stronger. In Fiscal 21 we delivered organic net sales ahead of fiscal 19 pre-pandemic levels by over 6% on a constant basis. We have upweighted marketing, acquired 12 brands and continued to invest in future growth. We have launched Society 2030, the next phase of our 10-year, sustainability action plan. We have delivered strong cash performance, demonstrating the everyday efficiency focus that is embedded into our business rhythm. We have increased our full-year dividend per share for the 20th consecutive year, in spite of the pandemic. And we commenced a return of capital programme of up to £4.5 billion to be completed by the end of fiscal 2024 of which about a third has been completed by way of share buy backs to-date. And, as we will demonstrate throughout today, I believe the best is yet to come.

Our executive team are a winning combination of home-grown talent who have held varied roles across Diageo markets and new joiners, who bring valuable outside perspective and a wealth of expertise.

My world-class team of colleagues and I will discuss how Diageo's core capabilities and unique purpose driven culture are sources of competitive advantage, enabling us to deliver long-term sustainable growth.

Cristina, Debra, Alvaro and Sam will showcase how we are marrying outstanding creative flair and leading-edge analytics to nurture and build exceptional brands.

Ewan and John O'Keefe will demonstrate how our supply chain is a key driver of our competitive advantage, even in the most challenging market conditions.

Mairead, Hina and John Kennedy will bring to life how our people's passion for our purpose is driving performance, as well as an ownership mentality.

And finally, Lavanya will discuss our sustainable growth algorithm, including our new, higher, medium-term guidance. And we will have several Q&A sessions through the day.

CULTURE

Celebrating life,
every day,
everywhere

DIAGEO 6 | *Capital Markets Day 2021*

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As we progress through today's agenda, there are six takeaways to keep in mind:

1. Diageo is the #1 international spirits player and spirits is rapidly premiumising and gaining value share of global total beverage alcohol (or TBA).
2. Diageo has an advantaged portfolio with extraordinary brands across price segments, categories, and geographies.
3. Diageo actively shapes its portfolio towards higher-growth opportunities and builds highly successful brands.
4. Diageo has leading market positions with exposure to significant current and future growth opportunities.
5. Diageo is building on its strong track record of ESG in pioneering grain-to-glass sustainability - with a 10-year action plan, Society 2030: Spirit of Progress.
6. And Diageo's people are passionate about its brands, and their engagement with its purpose, creates an ownership mentality, fuelling better execution.

OPENING SESSION

Attractive consumer fundamentals

Population	*Demography* Global LDA pool growing	*Affluence* Continued rise of middle class	*Latency* Huge untapped new cohorts in key markets
Penetration	*Brand* Recruitment giants in premium core	*Category* Growth headroom versus beer	*Occasion* New repertoire opportunities
Premiumisation	*Spend* Consumers making it count	*Propensity* New pleasure seekers	*Culture* Growing interest in all things special

DIAGEO 7 | *Capital Markets Day 2021*

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The growth in the total beverage alcohol market is underpinned by strong consumer fundamentals in both developed and emerging markets. The first is population, with an additional 550 million consumers coming of age this decade. The relentless rise of the middle class continues, enabling a further 700 million consumers to access our brands. In India alone we anticipate 100 million new potential consumers in the next five years.

The second is penetration, across the world our iconic global giants recruit over 40 million new consumers each year to our brands. Even in our largest market the United States there is still significant headroom as only ~50% of households purchase spirits every year. The pandemic disrupted consumer behaviours creating an exciting opportunity for spirts with a significant rise in the ‘at home cocktail’ occasion.

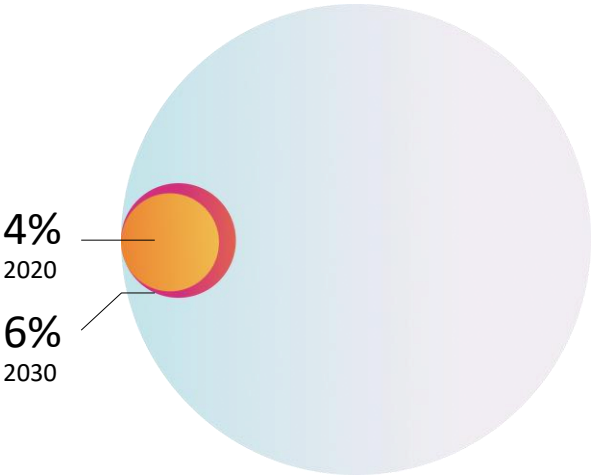
The third is premiumisation, purchasing power has remained resilient, with the premium end of house-hold staples continuing to gain share as consumers look for affordable luxuries. And total basket size for consumers who purchase spirits is considerably higher than for those who just purchase beer. The google searches for premium spirits has increased 10-fold in the last decade reflecting consumers desire to trade up to drink “less but better”.

OPENING SESSION

Significant growth opportunity

~50%

Increase in TBA market share ambition by 2030



DIAGEO 8 | *Capital Markets Day 2021*

Source IWSR, Diageo's 2020 Retail Sales Value (RSV) % Share of Total Beverage Alcohol (TBA) Market

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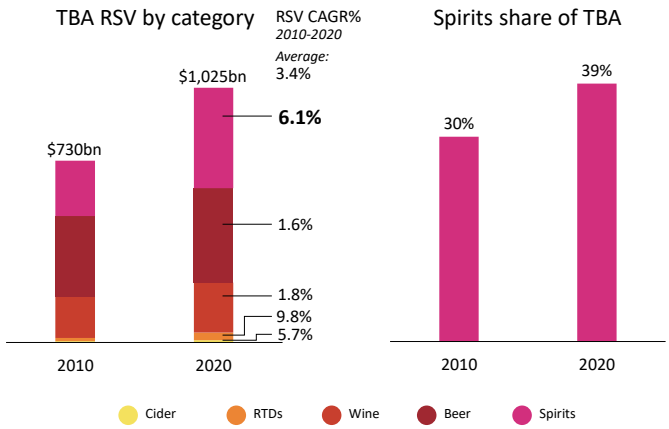
Let me start with why I believe Diageo has a long runway for exciting growth ahead of us. Firstly, Total Beverage Alcohol, or TBA, remains a very attractive market. It is large and growing, and we are focused on increasing our market share.

Diageo is already the leading international spirits player by retail sales value, 1.5 times the size of our nearest competitor. But it is the TBA market that represents our overall consumer opportunity. Given that we only hold about a ~4% value share of global TBA, we have significant headroom for long-term sustainable growth. Our ambition is to deploy our superior capabilities to outperform the market and deliver a 50% increase in Diageo's TBA share by 2030.

I am confident in our ability to achieve this ambition. Since our last Capital Markets Day, we have continued to build Diageo into a stronger and more agile business. We are more consumer-centric than ever before, with a stronger, advantaged route to consumer. This means we see changing consumer trends and economic conditions more quickly. We are getting better, more timely and insightful data, enabling us to make faster, smarter decisions. All of which allows us to better anticipate and respond to marketplace changes.

Spirits fueling TBA *growth*

Winning significant share of TBA



Source IWSR TBA and Spirts Retail Sales Value 2010 & 2020

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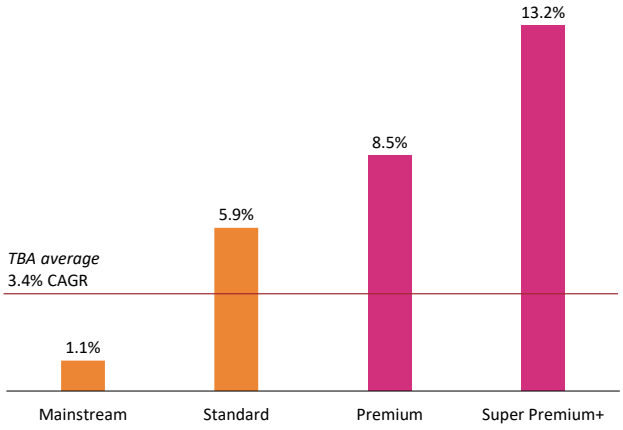
Over the past decade, the TBA market grew at +3.4% CAGR, with total spirits growing materially faster at +6.1% CAGR, gaining 9 percentage points of total TBA share.

OPENING SESSION

With premium Spirits price points growing faster

Spirits growth by price point
CAGR% 2010-20



Source IWSR retail sales value, CAGR % 2010-2020

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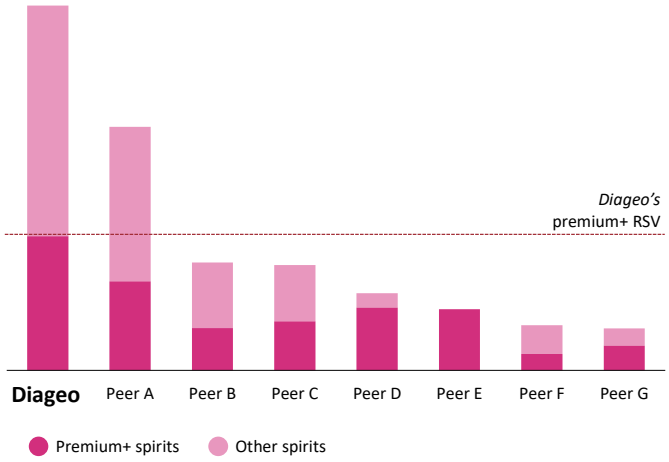
Within spirits, premiumisation or trading up is a long-established trend, with the total premium plus spirits segment growing at double digits annually for the past decade.

Going forward we expect spirits to continue to win share from beer and wine and for the premiumisation trends to continue, driven by the favourable consumer fundamentals I touched on earlier. Cristina will bring these to life in her presentation.

OPENING SESSION

Diageo is leading in premium+ spirits

Diageo and key competitor 2020 RSV by price point



DIAGEO 11 | *Capital Markets Day 2021*

Source IWSR Retail Sales Value 2020

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In addition to being the largest international spirits competitor, we have the largest premium plus business. Premium plus brands are those retailing at over $25 a litre and so includes brands like Johnnie Walker Black and above. On a standalone basis, our premium plus retail sales value is larger than the total retail sales value, of each of our spirits peers, with the exception of just one competitor.

Since fiscal 15, our premium+ spirits portfolio Net Sales Value or NSV has grown at a rate that is significantly higher than the Diageo average. Innovation has contributed to this growth of our premium portfolio and Cristina will discuss our capabilities in this exciting area later this afternoon. And this dynamic and highly profitable business now drives over half of our total NSV. In addition, we are the only international spirits player to compete in the large, growing and rapidly preimmunizing Baijiu market, with our majority stake in Shui Jing Fang in China.

OPENING SESSION

Diageo is *well positioned* in fast growing areas

Forecast 5Yr RSV CAGR%

DIAGEO 12 | *Capital Markets Day 2021*

Source Diageo forecast 2020-2025

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We expect the rapidly growing categories of agave, gin, international whisky, and scotch to drive international spirits retail sales value growth over the next five years**.**

Let me tell you about our exciting positions in these categories

OPENING SESSION

Tripled our tequila share

#1 in Gin

DIAGEO 13 | *Capital Markets Day 2021*

Source IWSR

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Tequila is a dynamic and exciting category which we expect to continue to grow rapidly. As Debra will bring to life later tequila is delivering on key consumer and cultural trends, with its authentic blend of tradition and craft. We used our deep consumer insights to prepare for the category take off and built a powerful portfolio of brands which are rapidly gaining share. In 2015, we had just a 6% share of the global tequila category, since then we have tripled our market share, driving over 30% of total category growth. In the United States we are expecting the tequila category to deliver over 50% of incremental spirits growth in the market over the next five years, supported by the rapid premiumisation of this category. We are very excited about the future of our portfolio in this category which you will hear more of today.

We are the #1 global gin company, over twice the scale of our nearest competitor, with a strong portfolio that is driving category growth. At our last capital markets day, Cristina highlighted Gordon's as an example of what great creativity can do for a brand. A few years prior to that, Gordon's was at risk of losing relevance and its leadership position. We showed you how through our radical brand intervention and by getting the fundamentals and creative right, it's possible to re-ignite growth. Today, Gordon's continues as the world's leading gin. In the past five years, Gordon's has driven almost 40% of total retail sales growth in the standard price point, recruiting new consumers into this dynamic category. Gin is rapidly premiumising, with premium+ price points growing at almost 20% CAGR over the past five years. We have fuelled this growth, gaining +5 percentage points of share, with Tanqueray growing strongly

50% of category growth

Largest premium scotch *portfolio*

Source IWSR

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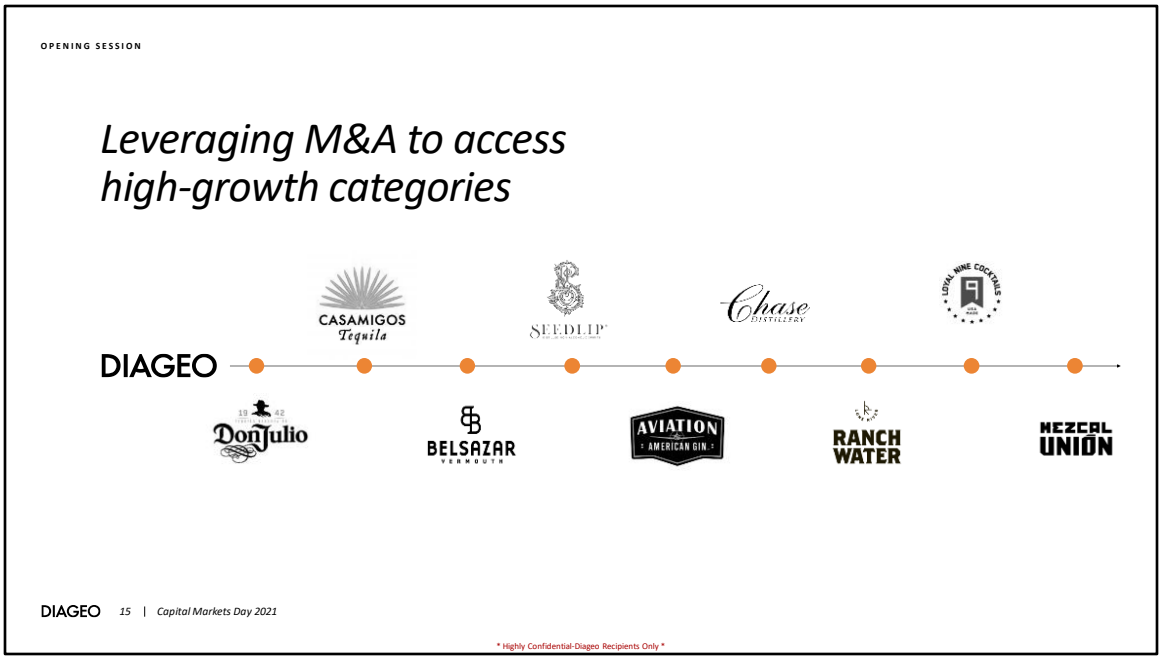
Crown Royal, our iconic brand, has driven over 50% of the growth of the total Canadian Whisky category over the past five years, increasing its share to almost 40%. With strong performance of flavours such as Crown Royal Apple, it is also expanding into the explosively growing, premium, ready to drink market in the US.

Scotch is forecast to grow at +7% CAGR, supported by strong premiumisation trends. And we expect it to contribute at least 15% of total international spirits RSV growth over the next five years. We have the world's leading scotch portfolio with a 35% total share of RSV. Over 1.7x the scale of our nearest competitor. Our flagship scotch brand Johnnie Walker is 3 times the size of its nearest competitor**.** And our premium+ scotch portfolio now drives almost 70% of our total scotch NSV.



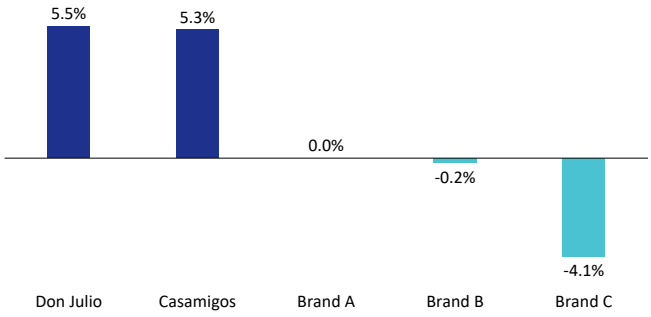
Many of our iconic brands have been built over decades, or even centuries. While never losing sight of the importance of investing in the growth of these great brands, we use our insights to identify acquisition opportunities in fast growing segments, both through outright acquisitions, as well as taking smaller stakes through our Diageo-backed incubator, Distill Ventures.

Examples include: Don Julio and Casamigos: acquired to capture the fastest growing segment in our largest market - Tequila in the US. Aviation American Gin and The Chase Distillery: to broaden our portfolio in the fast-growing premium gin occasion. Lone River Ranch Water and Loyal 9 Cocktails: to support our ambitions in the rapidly growing ready to drink category in the US. And Seedlip: to meet consumer demand for sophisticated, non-alcoholic options

We have active portfolio management discipline and dispose of assets that offer less attractive growth potential. For example, a strategic review of Diageo India's Popular brands is currently underway, to potentially streamline the domestic/IMFL portfolio, in pursuit of quality, sustainable growth. Through the acquisition of premium-plus brands in fast-growing categories alongside strategic disposals, we have actively strengthened our portfolio and geographic footprint

Diageo uses *core capabilities* to accelerate market share gains

Top 5 global Tequila brands change in RSV % market share 2015-2020



Source IWSR

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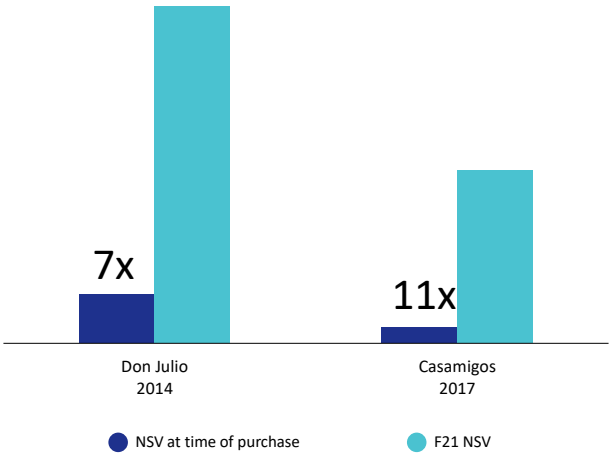
Since acquiring Don Julio and Casamigos, we have applied our core capabilities: the best brand building expertise which combines consumer insights with marketing creativity and flair; and then brought strong execution, to accelerate the performance of these brands. They are the only two tequila brands in the top five, to have gained market share over the past five years, as we enhanced consumer awareness of their strong premium cues, craftmanship and authenticity.

OPENING SESSION

Transforming *their scale*

NSV growth since acquired by Diageo



DIAGEO 17 | *Capital Markets Day 2021*

Source Diageo

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Since acquiring Don Julio, we have increased its NSV 7-fold and Casamigos 11-fold. Tequila has recently seen accelerating growth in the US. And so, we believe our Tequila portfolio has significant runway ahead. You will hear more of this later

Diageo is the *international spirits leader* in the *majority* of *key growth geographies*

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OPENING SESSION

Diageo is the *international spirits leader* in the *majority* of *key growth geographies*

DIAGEO 19 | *Capital Markets Day 2021*

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Diageo is the #1 spirits company in North America and is gaining share. This important region contributes 40% to Diageo's net sales value and over half of its operating profit. However, with only 7% value share of TBA, we have a long runway for growth in key growth categories, such as Tequila and whiskey.

OPENING SESSION

Diageo is the *international spirits leader* in the *majority* of *key growth geographies*

DIAGEO 20 | *Capital Markets Day 2021*

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Diageo is the #1 international spirits company in Europe, with a strong position in the fastest growing premium+ segment. I am particularly pleased that momentum in the on-trade continues to build, as consumers re-emerge from the pandemic. John will discuss how Guinness is at the heart of the conversation about recovery and the reopening in Ireland. And, the off-trade remains robust in the region.

Greater China is the biggest TBA market in the world, and we expect it to continue growing strongly over the next five years and, we have a clear ambition to be over 10% of Diageo's net sales over time. I am particularly excited that we are building our first whiskey distillery in China, which will be in the environmentally stunning Yunnan Province. It will produce a new superdeluxe, Chinese origin, single malt whisky. It also features an immersive and interactive visitor centre, bringing whisky to life for an even greater audience, for generations to come. You will hear more about this from Sam Fischer later.

We are playing the long game in India, where by 2030, McKinsey estimates the country will have the third largest number of high–income households globally. A trend that is driving strong growth in the premium and above categories. Diageo is #1 in international spirits in India and #1 in the exciting premium+ segment, which is forecast to grow at twice the market forecast rate.

OPENING SESSION

Diageo is the *international spirits leader* in the *majority* of *key growth geographies*

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We believe Africa will be another long-term engine for NSV growth, supported by highly favourable demographics. In this dynamic region, we have a wide portfolio of brands across beer, spirits, and non-alcoholic categories, in over 30 markets, at multiple price points. John O'Keefe will tell you more about Africa later.

OPENING SESSION

Diageo is the *international spirits leader* in the *majority* of *key growth geographies*

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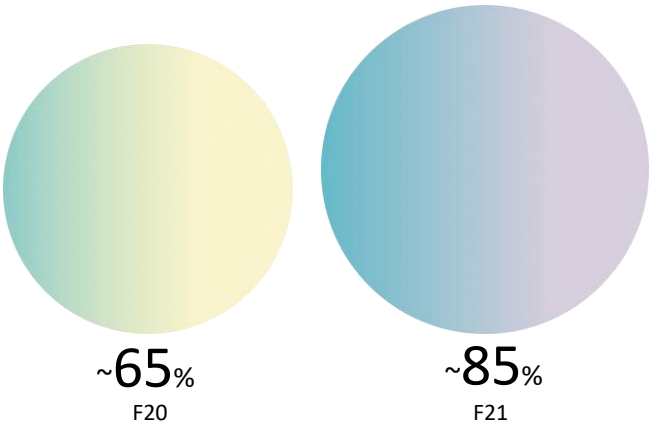
Again, in Latin America and the Caribbean, Diageo is the #1 international spirits company. This region is experiencing rapid growth and premiumization, with above average contribution to Diageo's operating margins. Alvaro will speak more to this dynamic region later today.

OPENING SESSION

We are building *market share* momentum

Percentage of Diageo total net sales value gaining/holding off-trade share in measured markets



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Source: please see financial/legal appendix

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During the pandemic, consumption moved between channels towards the off-trade. We responded to this increased off-trade demand with focused commercial execution, upweighted marketing and accelerated innovations which delivered strong results. In fiscal 21, we held or grew off-trade share in over 85% of our net sales in measured markets.

OPENING SESSION

E-commerce

#1 *on Amazon in Europe*

#1 *on Drizly in the US*

26% *of Whisky RSV on Tmall*

DIAGEO 26 | *Capital Markets Day 2021*

Sources: [1]Edge by Ascential Market Share Data covering Great Britain, Germany, Spain, Italy (H1 F21); [2]Drizly reported data to Diageo; [3]Smartpath

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Another consumer trend that has accelerated meaningfully during the pandemic is e-commerce. By increasing the visibility and ease of purchase for our brands online, we have driven strong performance with some of our largest e-commerce customers.

Diageo is the number one in spirits retail sales on Amazon in Europe, the number one in spirits retail sales on Drizly in the US, and in China, we’ve maintained our leadership in whisky with a 26% share of whisky retail sales on Tmall. In addition to building on our partnerships with e-retailers and traditional trade channels, we are also developing our own e-commerce channels. In fiscal 21, we launched nine new sites, bringing the total to 28. In our measured markets, including China, the UK and Germany in F21 we grew our spirits e-commerce share by almost two percentage points.

OPENING SESSION

We are driving *growth momentum* in F22

1H F22 guidance

Organic net sales growth of at least

16%

Organic operating profit to

grow ahead

of organic net sales growth

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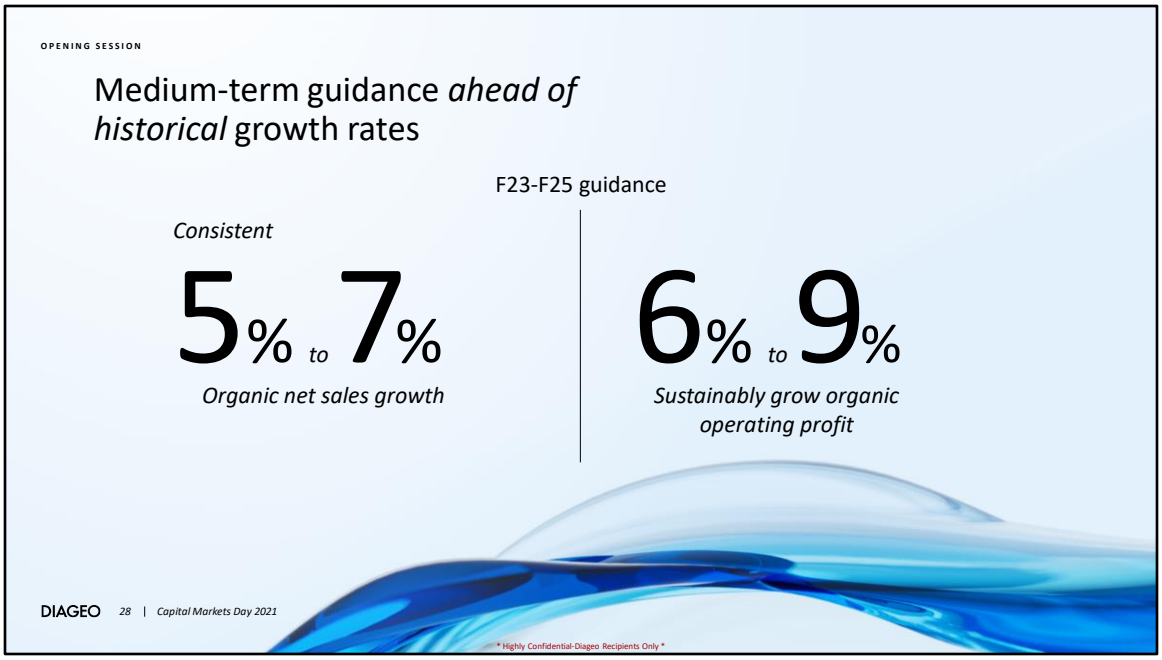
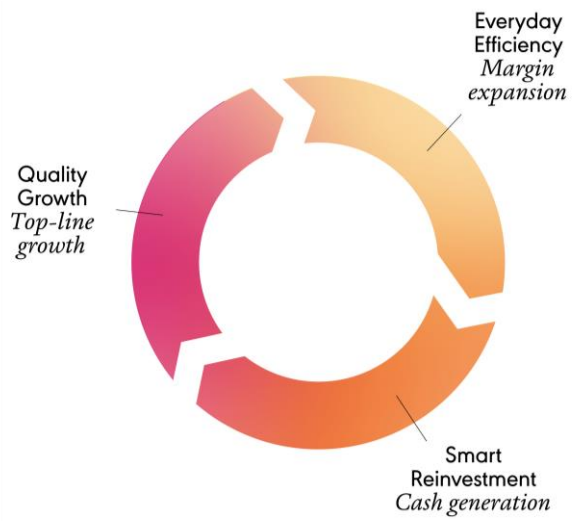
We are pleased with the strong start we have made to fiscal 22, with growth momentum across all regions. We expect organic net sales to grow around 15% in the first half of fiscal 22, and organic operating profit growth to grow slightly ahead.



Looking ahead to the next three years, we are confident in our ability to deliver our new medium-term guidance of: Consistent 5% to 7% organic net sales growth and, sustainable organic operating profit growth ahead of net sales, within a range of 6% to 9%. Lavanya will discuss our guidance for both the first half of fiscal 22 and the medium-term in more detail during her presentation later today

OPENING SESSION

Performance ambition supported by leveraged growth model



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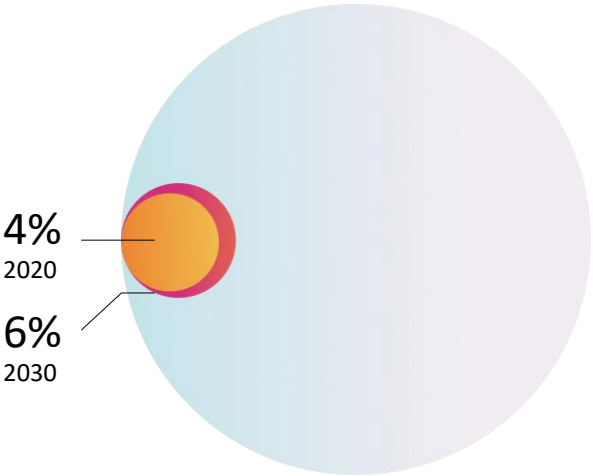
Our strategy remains the right one and it has mobilised our people.

OPENING SESSION

Significant growth opportunity

~50%

Increase in TBA market share ambition by 2030



DIAGEO 30 | *Capital Markets Day 2021*

Source IWSR, Diageo's 2020 Retail Sales Value (RSV) % Share of Total Beverage Alcohol (TBA) Market

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We are determined to use our superior capabilities to outperform the market and deliver 50% market share growth by 2030…

As I mentioned earlier, we are confident in the position the company is in today. We are the #1 international spirits player and spirits is rapidly premiumising and gaining value share of total beverage alcohol (or TBA). We have an advantaged portfolio with extraordinary brands

across price segments, categories, and geographies. We actively shape our portfolio towards higher-growth opportunities and build highly successful brands. We have leading market positions

with exposure to attractive current and future growth opportunities. We are building on our strong track record of ESG in pioneering grain-to-glass sustainability - with our 10 year action plan, Society 2030: Spirit of Progress. The passion our people have for our brands, and their engagement with our purpose, creates an ownership mentality, fuelling better execution.

OPENING SESSION

Investing for *sustainable* long-term growth

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I am very excited and optimistic about our ability to drive long term sustainable growth. We continue to do business the right way, for the long term; First, we invest in hiring and developing the most talented people, creating a culture where we execute with discipline and urgency, while doing business the right way. Second, our commitment to having a positive impact on society is firm. We continue to promote moderation and tackle alcohol misuse; we lead on carbon emissions and water use; and we support the communities where we live, work, source and sell.

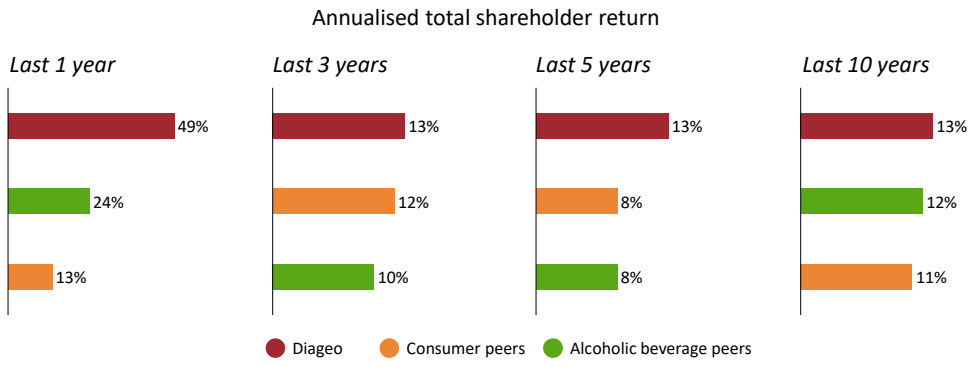
Finally, our focus is not just on delivering this year's results, but on building a truly sustainable business for the very long term. We are making investment decisions today, that will take decades to play out, including re-opening ghost distilleries and building new ones across the globe in a way which supports our sustainability and environmental goals. These long-term decisions will ensure many more of our brands enjoy 200-year anniversaries, as Johnnie Walker did in 2020.

Building on the rich cultural heritage of outstanding, distinctive brands, and weaving it into the fabric of a local culture is paramount to what we do. That means understanding key moments in people's lives – and the meaningful role our brands can play in those moments – and connecting with consumers in unforgettable ways.

Now let me show you how we deliver a global icon with a local heartbeat. [VIDEO: Chicago Guinness Tap Room]

OPENING SESSION

Superior *shareholder value* creation



DIAGEO 33 | *Capital Markets Day 2021*

Source: please see financial/legal appendix

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When I think of what we have accomplished, I am most proud of our ability to continue to balance driving long-term sustainable growth, while also supporting our people, and our customers as well as making progress on delivering a positive social impact for generations to come.

And as stakeholders, you should feel confident that we understand this balance. We have created significant value for all of our stakeholders, and we remain committed to doing so as we look to the future. We will continue to evolve to stay relevant -- innovation and agility are now core competencies at Diageo. We are executing our strategic priorities and running the business for the long-term each and every day.

OPENING SESSION

Confident
for the future

1 Leading premium drinks company

2 Advantaged brand, category and market exposure

3 Portfolio shaping/market firepower

4 Winning in the marketplace

5 Investing in people, planet and long-term sustainable growth

6 Compelling long term value creation

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I am excited and confident about Diageo's future because of the incredible talent of our people, our unrivalled products, category and geographic footprint and our proven ability to build fantastic brands for the long term. I believe the best is yet to come.

Appendix 1: Forward looking statements

1H fiscal 22 guidance

Organic net sales

- Our business is performing strongly in fiscal 22, with organic net sales momentum across all regions.
- Our North American business is delivering strong growth, despite some supply chain constraints, driven by resilient consumer demand. Our business in Europe is recovering strongly, with off-trade demand remaining robust and good momentum in the on-trade. Our businesses in Africa, Asia Pacific and Latin America and Caribbean are performing well. Travel Retail continues to be disrupted.
- In the first half of fiscal 22, we expect organic net sales growth to be at least 16%.

Organic operating profit

- We expect organic operating profit to grow ahead of organic net sales in the first half in fiscal 22.
- This reflects an improvement in organic operating margin driven by a further recovery in sales volumes, positive channel mix and premiumisation. We are continuing to invest in our marketing and commercial capabilities while managing rising inflationary pressures, which are partly due to supply chain constraints.

FY fiscal 22 guidance

- We expect the strong growth momentum in the first half of fiscal 22 to continue through the remainder of the fiscal year. However, in the second half of fiscal 22 we will be lapping a tougher comparator.
- As we expect near-term volatility to continue, including the potential impact of any future waves of Covid-19, we are not providing specific full year guidance for fiscal 22 at this time.

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Appendix 1: Forward looking statements

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Medium-term guidance, fiscal 23 to fiscal 25

- We expect organic net sales to consistently grow within a range of 5% to 7% in the period fiscal 23 to fiscal 25.
- We expect organic operating profit to sustainably grow in the range of 6% to 9% between fiscal 23 and fiscal 25.

2030 total beverage alcohol share growth ambition

- Our ambition is to outperform the market and deliver 50% TBA market share growth by 2030.

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Appendix 2: Financial / legal appendix

Definitions and reconciliation of non-GAAP measures to GAAP measures

Diageo's strategic planning process is based on certain non-GAAP measures, including organic movements. These non-GAAP measures are chosen for planning and reporting, and some of them are used for incentive purposes. The group's management believes these measures provide valuable additional information for users of the financial statements in understanding the group's performance. These non-GAAP measures should be viewed as complementary to, and not replacements for, the comparable GAAP measures and reported movements therein.

It is not possible to reconcile the forecast tax rate before exceptional items to the most comparable GAAP measure as it is not possible to predict, without unreasonable effort, with reasonable certainty, the future impact of changes in exchange rates, acquisitions and disposals and potential exceptional items.

Volume

Volume is a performance indicator that is measured on an equivalent units basis to nine-litre cases of spirits. An equivalent unit represents one nine-litre case of spirits, which is approximately 272 servings. A serving comprises 33ml of spirits, 165ml of wine, or 330ml of ready to drink or beer. Therefore, to convert volume of products other than spirits to equivalent units, the following guide has been used: beer in hectolitres, divide by 0.9; wine in nine-litre cases, divide by five; ready to drink in nine-litre cases, divide by 10; and certain pre-mixed products that are classified as ready to drink in nine-litre cases, divide by ten.

Organic movements

Organic information is presented using pounds sterling amounts on a constant currency basis excluding the impact of exceptional items, certain fair value remeasurement and acquisitions and disposals. Organic measures enable users to focus on the performance of the business which is common to both years and which represents those measures that local managers are most directly able to influence.

Calculation of organic movements

An explanation of non-GAAP measures, including organic movements, is set out on page 74 of Diageo's Annual Report for the year ended 30 June 2021.

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(a) Exchange rates

'Exchange' in the organic movement calculation reflects the adjustment to recalculate the reported results as if they had been generated at the prior period weighted average exchange rates.

Exchange impacts in respect of the external hedging of intergroup sales by the markets in a currency other than their functional currency and the intergroup recharging of services are also translated at prior period weighted average exchange rates and are allocated to the geographical segment to which they relate. Residual exchange impacts are reported as part of the Corporate segment. Results from hyperinflationary economies are translated at respective years' actual rates.

(b) Acquisitions and disposals

For acquisitions in the current period, the post acquisition results are excluded from the organic movement calculations. For acquisitions in the prior period, post acquisition results are included in full in the prior period but are included in the organic movement calculation from the anniversary of the acquisition date in the current period. The acquisition row also eliminates the impact of transaction costs that have been charged to operating profit in the current or prior period in respect of acquisitions that, in management's judgement, are expected to be completed.

Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the reporting period, the group, in the organic movement calculations, excludes the results for that business from the current and prior period. In the calculation of operating profit, the overheads included in disposals are only those directly attributable to the businesses disposed of, and do not result from subjective judgements of management.

(c) Exceptional items

Exceptional items are those that in management's judgement need to be disclosed separately. Such items are included within the income statement caption to which they relate, and are excluded from the organic movement calculations. It is believed that separate disclosure of exceptional items and the classification between operating and non-operating further helps investors to understand the performance of the group. Changes in estimates and reversals in relation to items previously recognised as exceptional are presented consistently as exceptional in the current year.

Exceptional operating items are those that are considered to be material and unusual or non-recurring in nature and are part of the operating activities of the group such as impairment of intangible assets and fixed assets, indirect tax settlements, property disposals and changes in post employment plans.

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Gains and losses on the sale of businesses, brands or distribution rights, step up gains and losses that arise when an investment becomes an associate or an associate becomes a subsidiary and other material, unusual non-recurring items, that are not in respect of the production, marketing and distribution of premium drinks, are disclosed as non-operating exceptional items below operating profit in the consolidated income statement.

Exceptional current and deferred tax items, comprising material unusual non-recurring items that impact taxation. Examples include direct tax provisions and settlements in respect of prior years and the remeasurement of deferred tax assets and liabilities following tax rate changes.

(d) Fair value remeasurement

Fair value remeasurement in the organic movement calculation reflects an adjustment to eliminate the impact of fair value changes in biological assets, earn-out arrangements that are accounted for as remuneration and fair value changes relating to contingent consideration liabilities and equity options that arose on acquisitions recognised in the income statement.

Organic growth excluding Travel Retail and Guinness

The performance of the Travel Retail channel is dependent on the level of international travel and the performance of Guinness is highly dependent on the availability of the on-trade channel (particularly in Europe and Turkey).

Due to ongoing travel restrictions and market variability of on-trade recovery conditions brought about by the Covid-19 pandemic, we are experiencing slower recovery in Travel Retail and Guinness performance. Therefore, in order to provide additional insight on how these parts of our business and the performance of the remainder of our business have been impacted in each of fiscal 20 and fiscal 21 by Covid-19, additional information has been provided about these components and on the performance of the business excluding Travel Retail and Guinness. Management uses this information to monitor and assess business performance and believes that having the additional information provides them with improved insight to manage the business, particularly related to rate of growth. Management also believes that such information will be similarly useful to the readers of this document.

An explanation of non-GAAP measures, including organic movements excluding Travel Retail and Guinness, is set out on page 74 of Diageo's Annual Report for the year ended 30 June 2021.

In respect of Global Travel, the decline in this channel due to the impact of Covid-19 travel restrictions will have also driven some level of incremental sales of our products in certain domestic markets, which would have a positive impact on their reported results. It is not possible to quantify the impact of any such incremental sales either at Diageo or an individual market level.

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Shareholder value metrics

- Dividends: Diageo internal data.
- Return of Capital (RoC): Diageo internal data.
- TSR: Factset as of 29th October 2021. TSR based on time periods of 1, 3, 5 and 10 years up to the 29th of October 2021. TSR calculated as the annualised TSR performance of the stocks up to the 29th of October 2021. TSR based on trading currency.

- **Off-trade market share approach**
- All analysis of data has been applied with a tolerance of +/- 3 bps
- Percentages represent % of markets by total Diageo net sales contribution who have held or gained off-trade share.
- India and Canada share data represents total trade.
- Measured markets indicate a market where we have purchased any market share data.
- Market share data may include beer, wine, spirits or other elements.
- Measured market net sales value sums to 87% of total Diageo net sales value in fiscal 21.

Calculation of impact of selected acquisition and disposal on US Spirits top-line growth

- All data used for calculations based on Diageo internal information.
- Pro forma impact of Casamigos acquisition on US Spirits top-line growth calculated as actual growth of US Spirits net sales in F19, F20 and F21 less pro forma growth of US Spirits net sales in F19, F20 and F21 assuming Casamigos had not been acquired in F18.
- Impact of disposal of 19 brands on US Spirits top-line growth calculated as growth of US Spirits net sales in F18 excluding 19 brands sold to Sazerac less actual growth of US Spirits net sales in F18.
- All calculations based on actual performance of relevant brands.

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Cautionary statement concerning forward-looking statements

This document contains 'forward-looking' statements, including statements related to new medium term guidance, future TBA market share ambitions and our expectations of performance for the first half of fiscal 22. Forward-looking 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 or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation or regulatory enquiries, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control.

Factors that could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements include, but are not limited to:

- economic, political, social or other developments in countries and markets in which Diageo operates (including as a result of the Covid-19 pandemic), 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 and the European Union and/or the United Kingdom, as well as the United Kingdom's recent departure from the European Union);
- the impact of the Covid-19 pandemic, or any other global or regional public health threats, on Diageo's business, financial condition, cash flows and results of operation;
- 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 consumer preferences and tastes, including as a result of disruptive market forces, changes in demographics, evolving social trends (including any shifts in consumer tastes towards at-home occasions, premiumisation, small-batch craft alcohol, lower or no alcohol, or other alternative products), changes in travel, holiday or leisure activity patterns, weather conditions, health concerns, pandemics and/or a downturn in economic conditions;
- 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;
- 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;

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- any litigation or other similar proceedings (including with tax, customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at Diageo in particular;
- 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 of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;
- 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;
- cyber-attacks or any other disruptions to core business operations including manufacturing and supply, business service centres and/or information systems;
- 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;
- increased costs for, or shortages of, talent, as well as labour strikes or disputes;
- 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;
- fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase Diageo's financing costs or otherwise adversely affect Diageo's financial results;
- movements in the value of the assets and liabilities related to Diageo's pension plans;
- Diageo's ability to renew supply, distribution, manufacturing or 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.

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Other Information

All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the above risk factors, by those set out in Diageo's annual report for the year ended 30 June 2021 under "Our principal risks and risk management", and by the 'Risk factors' section contained in the annual report on Form 20-F for the year ended 30 June 2021 filed with the US Securities and Exchange Commission (SEC). Any forward-looking statements made by or on behalf of Diageo speak only as of the date they are made. Diageo does not undertake to update forward-looking statements to reflect any changes in Diageo's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Diageo may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures.

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Past performance cannot be relied upon as a guide to future performance.

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