

Interim Management Statement for the nine months ended 31 March 2011

Diageo delivers 7% organic net sales growth in Q3

In the quarter ended 31 March 2011 Diageo delivered organic net sales growth of 7% against the comparable period with volume up 2%.

In the nine months ended 31 March 2011 net sales increased 5% on an organic basis against the comparable period and volume was up 3%. Organic net sales growth by region was:

- North America 3%
- Europe (3)%
- International 14%
- Asia Pacific 9%

On a reported basis net sales grew by 3% in the quarter ended 31 March 2011 and by 2% in the nine months ended 31 March 2011, against the comparable prior period in each case.

Net assets were £5,407 million at 31 March 2011, compared with £5,650 million at 31 December 2010. The accrual for the interim dividend, partially offset by profit for the period, were the only material changes in the financial position of the group in the quarter. Profit for the period included an exceptional charge amounting to £54 million for increased liabilities for ongoing excise tax disputes in Turkey and Thailand, partially offset by a reduction in the provision for corporate tax liabilities following settlement with tax authorities. Net borrowings were £7,062 million at 31 March 2011 having been £7,010 million at 31 December 2010.

Foreign exchange movements are currently expected to increase operating profit for the year ending 30 June 2011 by £25 million against the prior year. This represents a reduction of approximately £30 million against the guidance given at the time of the interim results and is mainly as a result of the weakness of the US dollar against sterling.

Paul Walsh, Chief Executive of Diageo commented:

‘Trading in the third quarter was in line with our expectations that the second half would be stronger than the first.

‘In North America consumer trends are improving, albeit modestly, and Diageo’s scotch, vodka and tequila brands performed strongly in the quarter. Better mix and lower discounts offset volume decline to drive top line growth. Overall trading in Europe continues to be challenging although in the quarter stronger price/mix in Great Britain and Russia offset weaker price/mix in Ireland and Greece and a deterioration of the on trade in Spain. Further improvement in price/mix in both International and Asia Pacific in the quarter were driven by the continuing strength of our scotch brands especially around Chinese new year, improving trends for our beer brands in Africa, especially in Nigeria, and stronger growth in South Africa and Australia.

‘This overall improving trend is the result of our focus on our priority brands and our strengths in market. We remain confident that our up weighted marketing investment together with the increased investment we have made in emerging markets in the year will continue to deliver improving performance.’

Forward-looking statements

This document contains 'forward-looking statements'. These 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 and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability or cost of financing to Diageo, anticipated cost savings or synergies, the completion of Diageo's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation 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. 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 'risk factors' contained in Diageo's annual report on Form 20-F for the year ended 30 June 2010 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 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 documents it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures. The information in this document does not constitute an offer to sell or an invitation to buy shares in Diageo plc or an invitation or inducement to engage in any other investment activities. Past performance cannot be relied upon as a guide to future performance.

Investor enquiries to:	Nick Temperley	+44 (0) 20 8978 4223
	Sarah Paul	+44 (0) 20 8978 4326
	Kelly Padgett	+1 202 715 1110
		<u>Investor.relations@diageo.com</u>
Media enquiries to:	Stephen Doherty	+44 (0) 20 8978 2528
	Rowan Pearman	+44 (0) 20 8978 4751
		media.comms@diageo.com