

19 October 2011

Interim Management Statement for the three months ended 30 September 2011

Diageo delivered 9% organic net sales growth in Q1

In the quarter ended 30 September 2011 Diageo delivered organic net sales growth of 9% against the comparable period with volume up 5%. Organic net sales growth by region was:

- North America 5%
- Europe 6%
- Latin America and Caribbean 30%
- Africa 9%
- Asia Pacific 14%

On a reported basis, including net sales of £29 million attributable to the acquisition of Mey İçki on 23 August 2011, net sales grew by 9% in the quarter against the comparable period.

In North America net sales growth was driven by continued positive price/mix across all categories while volume was down 2%. Price/mix in US spirits benefitted from comparison against the prior period which saw the launch of the lower priced RÖKK. The wine category remained weak and beer was broadly flat. Double digit growth in Russia and Eastern Europe, in Germany and the Nordic markets and in Spain, where performance benefitted from the comparison to a destock there in the prior period, drove net sales growth in Europe. There was some price/mix erosion as a result of the continued difficult consumer environment. Each market in the Latin America and Caribbean region delivered very strong double digit growth and the performance in Venezuela benefitted from comparison against reduced shipments in the prior period. In Africa there was continued strong performance in all markets except South Africa which saw negative price/mix due to the growth of lower priced locally produced spirits. In Asia Pacific the developed markets delivered low single digit net sales growth while the developing markets grew very strongly led by the performance of Johnnie Walker.

Net assets were £6,572 million at 30 September 2011, compared with £5,985 million at 30 June 2011 primarily as a result of net profit for the period. Net borrowings were £8,358 million at 30 September 2011 having been £6,450 million at 30 June 2011. The increase is primarily due to the acquisition of Mey İçki for £1.3 billion.

Foreign exchange movements are currently expected to reduce reported operating profit for the year ending 30 June 2012 by approximately £35 million against the prior year. This is higher than the guidance given at the time of the preliminary results as a result of the strength of sterling against a number of currencies partially offset by the strength of the US dollar against sterling.

Paul Walsh, Chief Executive of Diageo commented:

'Diageo has delivered a good start to the new financial year. Net sales growth was marginally ahead of expectations and the quarter did benefit from some one-off factors which are not expected to reoccur in the second quarter. Consumer trends are broadly unchanged. We have delivered positive price/mix in North America, an improvement in net sales growth in Europe and we have driven strong growth in the developing markets with net sales up 20%. We continue to expect that net sales growth for the first half will improve on that delivered in fiscal 2011.

'We are alert to any impact which the fragile global economy may have on trading patterns as we continue to build our brands with consumers and enhance our relationships with customers. The sharpened focus we have brought to our investment in marketing, innovation and sales to build the strength of our brands and our routes to market underpins our confidence in the performance of the business.'

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Editor notes

Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol brands across spirits, beer and wine. These brands include Johnnie Walker, Crown Royal, J&B, Buchanan's, Windsor and Bushmills whiskies, Smirnoff and Ketel One vodkas, Baileys, Captain Morgan, Jose Cuervo, Tanqueray and Guinness.

Diageo is a global company, with its products sold in more than 180 countries around the world. The company is listed on both the New York Stock Exchange (DEO) and the London Stock Exchange (DGE). For more information about Diageo, its people, brands, and performance, visit us at Diageo.com. For our global resource that promotes responsible drinking through the sharing of best practice tools, information and initiatives, visit DRINKiQ.com.

Celebrating life, every day, everywhere.

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

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