

18 April 2013

Interim management statement for the nine months ended 31 March 2013

Diageo reports consistent performance with 5% organic and 6% reported net sales growth for the nine months ended 31 March 2013

In the nine months ended 31 March 2013 Diageo delivered 5% organic net sales growth with volume up 1%. This is in line with the first half performance of fiscal 2013. In the quarter ended 31 March 2013, Diageo delivered 4% organic net sales growth with volume down 1% and strong price/mix. Reported net sales grew 7% in the quarter benefitting from the acquisition of Shui Jing Fang and Ypióca and a small positive foreign exchange impact. Reported net sales growth in the nine months ended 31 March 2013 was 6%, also against the comparable prior period.

By region, organic net sales growth for the nine month period was:

- North America 6%
- Western Europe (4)%
- Africa, Eastern Europe and Turkey 9%
- Latin America and Caribbean 14%
- Asia Pacific 4%

Commentary on the quarter ended 31 March 2013:

Diageo's US spirits business again delivered a strong performance with underlying consumer trends unchanged from the first half. Price increases taken on US spirits brands since May 2012 delivered stronger price/mix. US spirits remain the key driver of performance for Diageo North America. Underlying trends in Western Europe remain unchanged. The stronger performance in the quarter was due to the comparison against a weak third quarter in the prior year in France, an earlier Easter in 2013 and shipment phasing in Spain which is expected to reverse in Q4. Trading in Africa, Eastern Europe and Turkey is broadly unchanged from the first half. As anticipated, trading in Nigeria weakened slightly and there was a short term impact from the elections in Kenya. Russia's performance was affected by comparison against a strong quarter in the prior year; the result of shipment phasing between Q3 and Q4 last year. Net sales growth in Turkey was impacted by customer purchases in Q2 ahead of the duty increase. Performance in Latin America and Caribbean moderated as consumer weakness in Brazil impacted performance despite share gains. In Colombia and Venezuela, systems changes led to higher shipments in the first half which reversed in Q3. Performance in Asia Pacific was affected by the comparison against a strong quarter in the prior year due to the timing of price increases and the continued decline of the scotch market in Korea.

At 31 March 2013, net assets were £7,670 million (£7,448 million at 31 December 2012) and net borrowings were £8,431 million (£7,897 million at 31 December 2012).

Paul S Walsh, Chief Executive of Diageo commented:

'Our performance in the quarter was robust and again demonstrates Diageo's strengths, global reach and category breadth and depth. Therefore despite consumer weakness in three markets, Korea, Nigeria and Brazil, Diageo's performance for the nine months is in line with the first half and our expectations. Strong performance from our biggest business, US spirits; the continued growth of spirits in Africa; share gains across our markets in Asia Pacific and double digit growth of Johnnie Walker, Crown Royal, Buchanan's, and Tanqueray are the highlights of the quarter. Given our market positions and geographic diversity we remain confident that Diageo's performance continues to be in line with our medium term guidance.'

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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, Cîroc 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.

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