

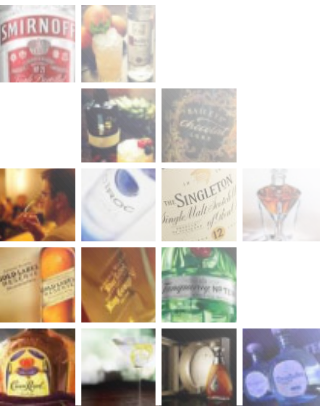
DIAGEO

PRELIMINARY RESULTS

YEAR ENDED 30 JUNE
2014



Efficient growth in a tougher environment



North America growth and **stability in Western Europe** compensated for **emerging market weaknesses**

Share gains despite top line pressure

2.7ppts positive price/mix offset volume decline

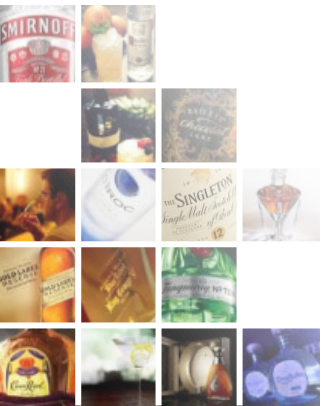
Strong reserve growth – net sales up 14%

Innovation drove incremental sales in all regions

Focus on cost drove **77bps operating margin** improvement and **3% operating profit growth**

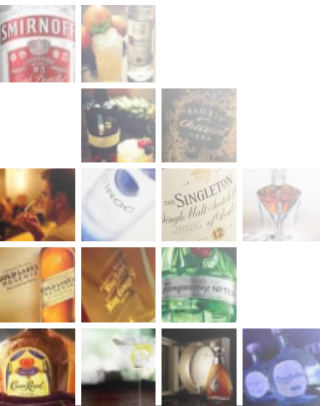
Majority shareholding in India's **United Spirits**

Our long term
performance
ambition is:



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

Our strategy remains unchanged



DIAGEO'S STRATEGY AIMS TO DELIVER OUR PERFORMANCE AMBITION THROUGH:

Prioritised investment in:



Premium core spirits*



Reserve

Targeted investment in:



Other spirits*



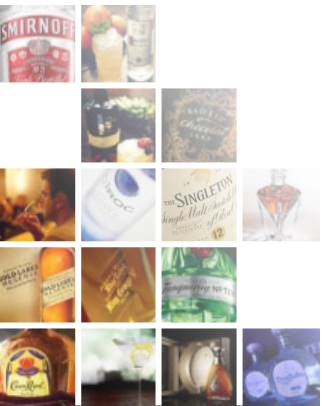
Beer



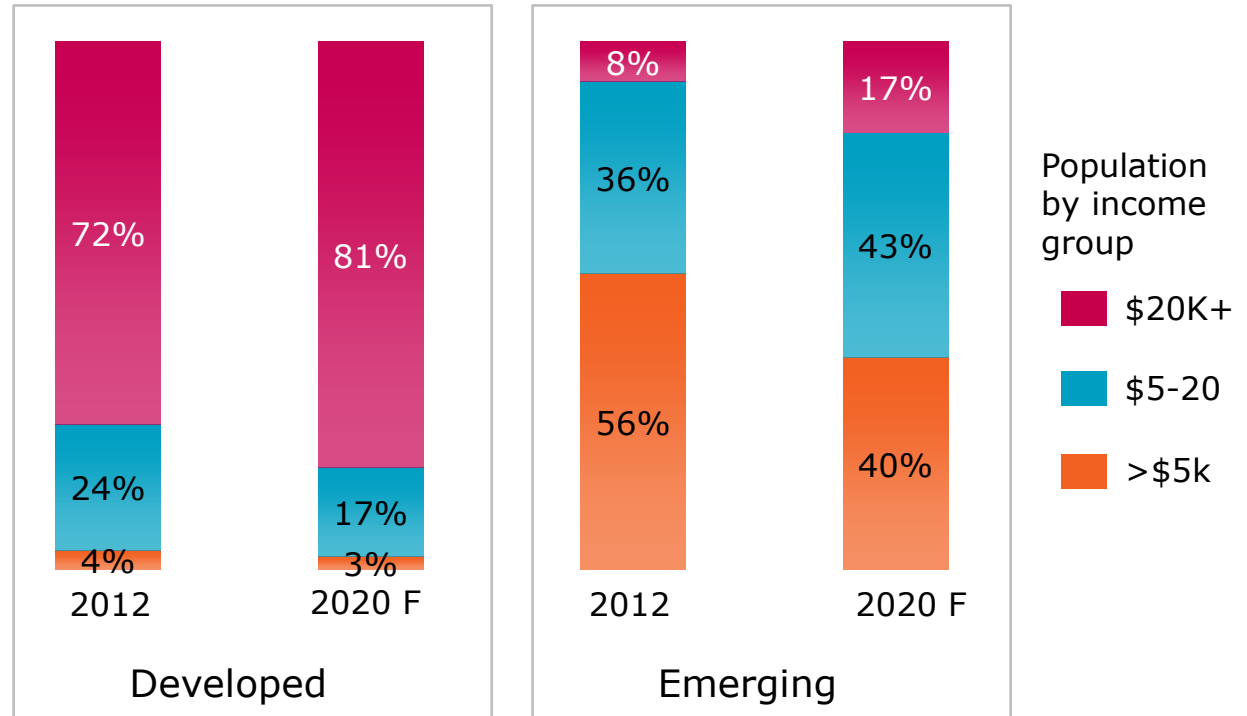
Wine

*Spirits include ready to drink (RTDs)

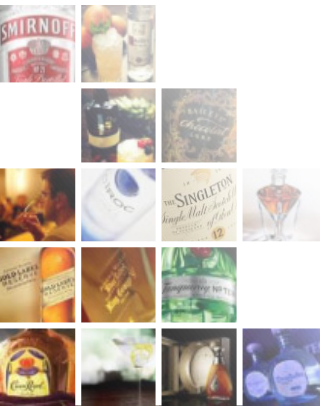
A strong business in an attractive sector



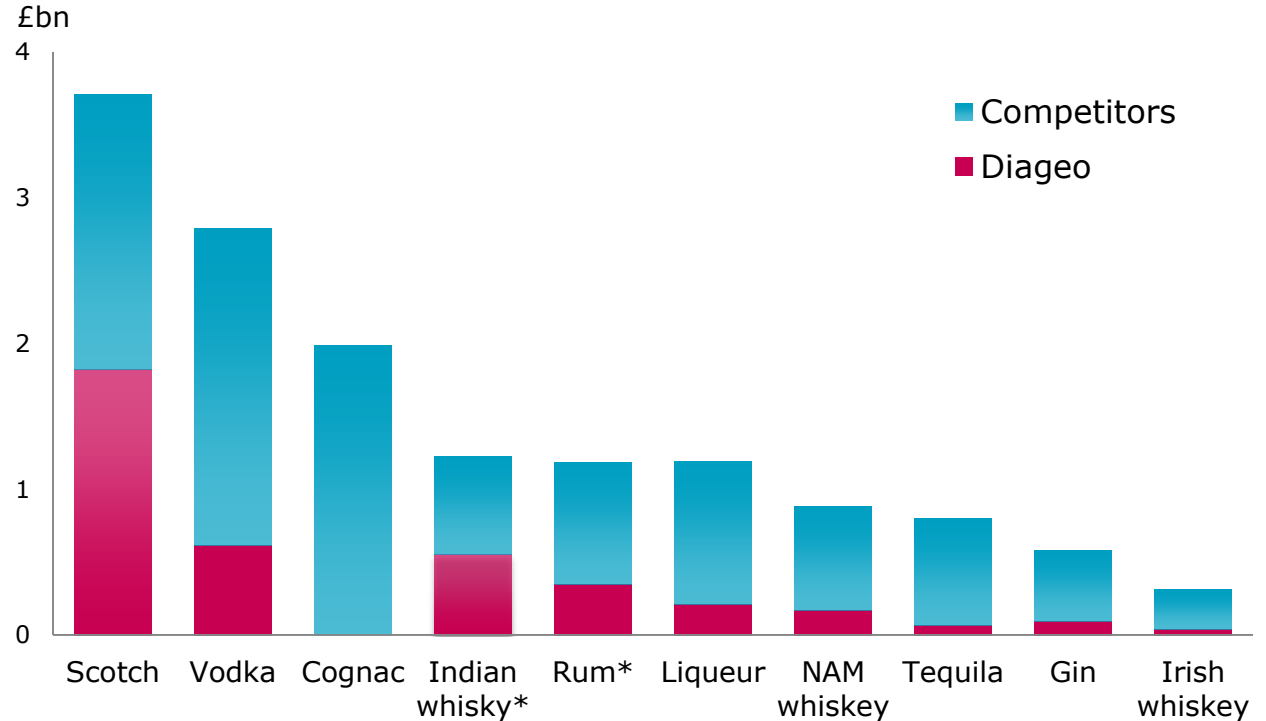
The number of consumers who can afford our brands is a sustained growth driver



Diageo is well positioned to capture this increase in demand



Forecast spirits category growth 2012-17 (£bn)



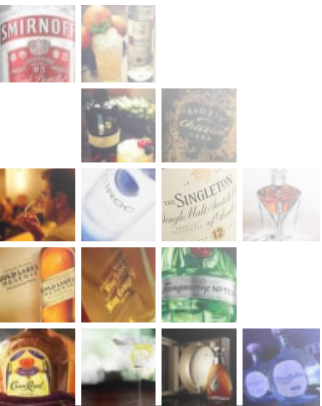
In F14 we took action to manage the challenges we faced

Reduced stock levels in **South East Asia and West LAC** to improve visibility

Repositioned price points in **Nigeria**, up-weighted advertising and focussed on route to consumer

Innovated in **baijiu** to broaden portfolio across price points

Restated FX rate in **Venezuela** to remove exposure risk



North America, our biggest and most profitable region, continues to deliver



Further **top line growth** and margin expansion

Premium Core brands impacted by slower growth of spirits market

Strong growth from our **reserve** portfolio

Strength in **innovation**

Western Europe
saw stronger
performance
and improved
trends



Remains challenging but has **stabilised**

Targeted marketing delivering **share gains**

Reserve and innovation driving growth

Strengthening our **route to consumer**

Africa, Eastern Europe and Turkey has posted modest growth



Share gains across a number of markets

Strong performance in some markets **offset** by weakness in others

Continued **strong reserve** growth

Innovation to meet key consumer trends

Performance in Latin America was strong overall with share gains and an expanded portfolio



Good performance despite mixed economic conditions

Multi-category growth with some challenges in scotch

Reserve continued strong growth

Very strong **innovation** performance

Asia Pacific top line performance was challenged



Top line decline impacted by performance in **China** and **South East Asia**

Scotch and baijiu were particularly impacted

Continued strong performance in **reserve**

Innovation focused on **super** and **ultra premium**

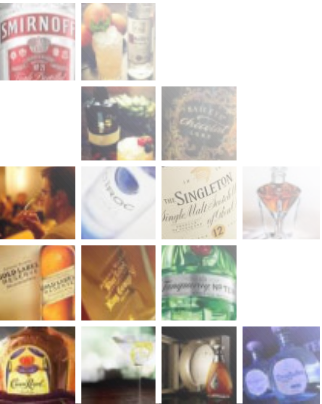
United Spirits transforms Diageo's platform in India

Acquired **controlling stake** in India's leading spirits producer
and world's largest by volume

Access to Indian spirits category and **nationwide
distribution**

Indian **consumer fundamentals are strong** – young,
growing population; long-term GDP; large whiskey category

Complementary portfolios



Our six performance drivers are improving focus across the business

Strengthen and accelerate our premium core brands

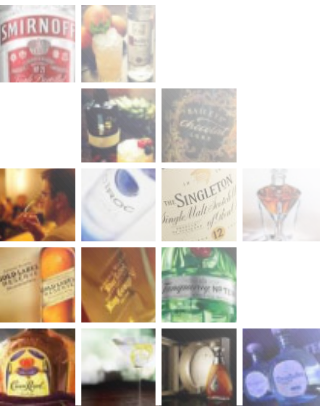
Win in Reserve in every market

Innovate at scale to meet new consumer needs

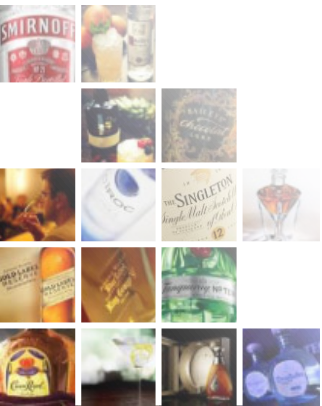
Build and then continually extend our advantage in route to consumer

Drive out costs to invest in growth

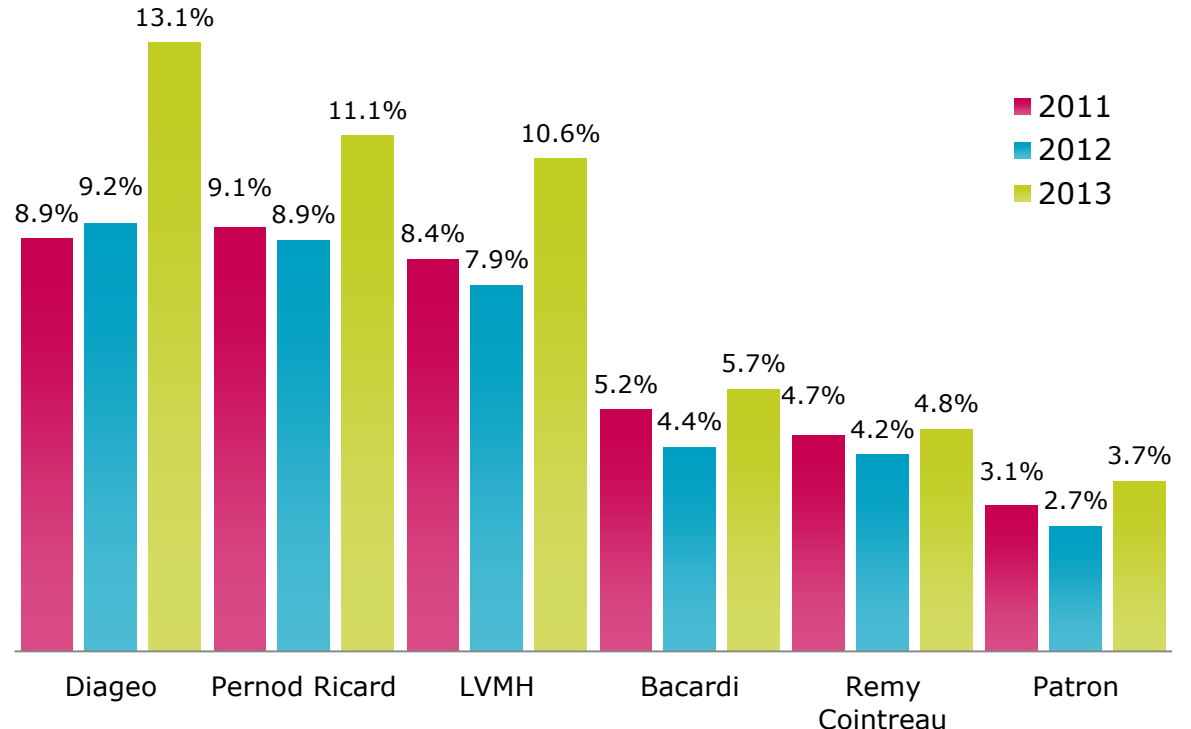
Ensure we have the talent to deliver our performance ambition



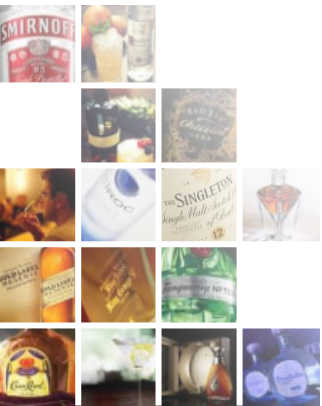
Strong reserve performance with extended leadership position



Market share (value) – super deluxe spirits category



Capturing incremental growth through an advantaged route to consumer



Our brands in **more places**



Global toolkit
to drive rate of sale



More brands through innovation and investment in **talent and capability** are key enablers

Growing **sales** and **gaining share**



The year ahead

Top line **improvement**

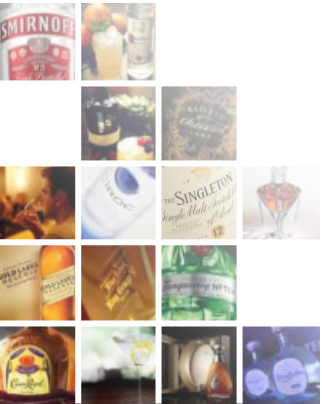
Emerging market volatility is **moderating**

Western Europe **stabilised** - right **strategy** and **structure** in place to capture growth

North America will continue to **grow**

Continued **share gains** and **growth** in reserve

Expect decline in baijiu to **stabilise**



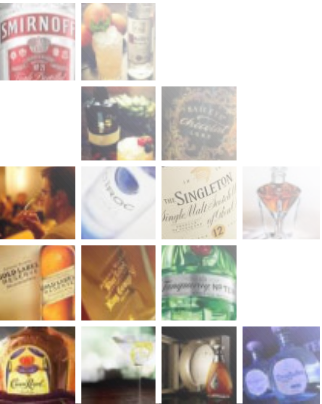
A stronger
business in a
tough
environment

In F14 we set out how we would deliver change

Our strategy is unchanged and we are building on a position of strength

Our goals are clear and we have the platform and clarity across the business of what we need to do

We start F15 with a more agile organisation



DIAGEO

Q&A



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This presentation 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, anticipated deficit reductions in relation to pension schemes, general economic conditions and all statements on the slide "outlook statements". 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.

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- changes in consumer preferences and tastes, demographic trends or perceptions about health related issues, or contamination, counterfeiting or other circumstances which could harm the integrity or sales of Diageo's brands;
- developments in any litigation or other similar proceedings (including with tax, customs and other regulatory authorities) directed at the drinks and spirits industry generally or at Diageo in particular, or the impact of a product recall or product liability claim on Diageo's profitability or reputation;
- the effects of climate change and regulations and other measures to address climate change including any resulting impact on the cost and supply of water;
- changes in the cost or supply of raw materials, labour and/or energy;
- legal and regulatory developments, including changes in regulations regarding production, product liability, distribution, importation, labelling, packaging, consumption or advertising; changes in tax law, rates or requirements (including with respect to the impact of excise tax increases) or accounting standards; and changes in environmental laws, health regulations and the laws governing labour and pensions;
- the costs associated with monitoring and maintaining compliance with anti-corruption and other laws and regulations, and the costs associated with investigating alleged breaches of internal policies, laws or regulations, whether initiated internally or by external regulators, and any penalties or fines imposed as a result of any breaches;
- ability to maintain Diageo's brand image and corporate reputation, and exposure to adverse publicity, whether or not justified, and any resulting impacts on Diageo's reputation and the likelihood that consumers choose products offered by Diageo's competitors;
- increased competitive product and pricing pressures and unanticipated actions by competitors that could impact Diageo's market share, increase expenses and hinder growth potential;
- the effects of Diageo's strategic focus on premium drinks, the effects of business combinations, partnerships, acquisitions or disposals, existing or future, and the ability to realise expected synergies and/or costs savings;
- Diageo's ability to complete existing or future business combinations, restructuring programmes, acquisitions and disposals;
- contamination, counterfeiting or other events that could adversely affect the perception of Diageo's brands;
- increased costs or shortages of talent;
- disruption to production facilities or business service centres, and systems change programmes, existing or future, and the ability to derive expected benefits from such programmes;
- changes in financial and equity markets, including significant interest rate and foreign currency exchange rate fluctuations and changes in the cost of capital, which may reduce or eliminate Diageo's access to or increase the cost of financing or which may affect Diageo's financial results and movements to the value of Diageo's pension funds;
- renewal of supply, distribution, manufacturing or licence agreements (or related rights) and licenses on favourable terms when they expire; and
- technological developments that may affect the distribution of products or impede Diageo's ability to protect its intellectual property rights.

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