Slide 1

- Live Q&A dial-in details – No script.

Slide 2

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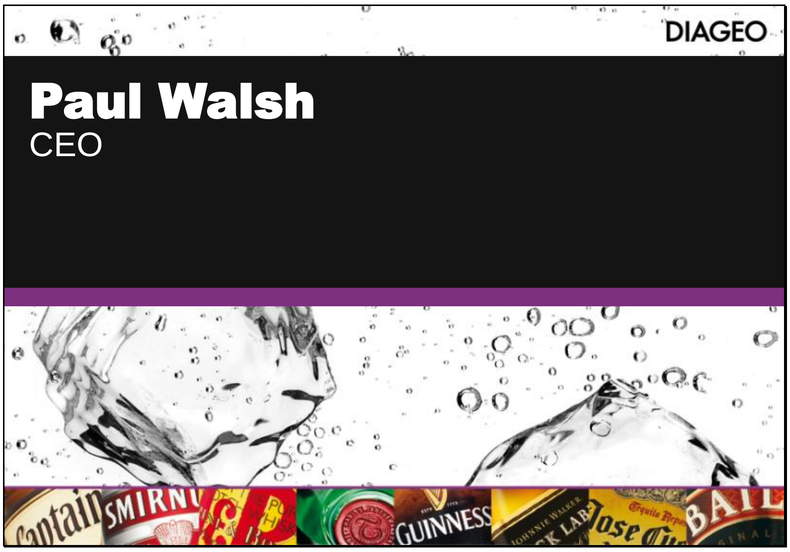

- Good morning and thank you for your time today.
- We are staying with our usual format today although Nick is doing this for the last time. He and I will take you through the results we released this morning in some more detail and then we will take your questions. At that point we will be joined by our four regional presidents Stuart Fletcher, Ivan Menezes, Andrew Morgan and Gilbert Ghostine. We also have Deirdre Mahlan, our CFO designate, with us.

Slide 4

DIAGEO

Diageo delivered top and bottom line growth and strong cash flow in a challenging year

- Organic net sales up 2%
- Organic operating profit up 2%
- Favourable currency movements led to reported growth of 5% in net sales and 6% in operating profit
- eps pre-exceptionals up 13%
- Free cash flow of £2bn
- Recommending 6% increase in final dividend

Year ended 30 June 2010.
eps pre-exceptionals excludes discontinued operations.

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- As we expected, the year brought both challenges and opportunities characterised by the mixed performance of the global economy. In developed markets, there has been a fragile and uncertain recovery. Consumers continue to search for value in their discretionary spend and to shift from the on to off trade. In contrast, there was continued strength in the developing markets of Latin America and Africa, the developing markets in Asia Pacific recovered and in Europe, Russia returned to growth.
- Given the trading pattern of the previous year, we knew that the first half would be especially difficult and our results would improve in the second half. This is exactly how it played out.
- Net sales decline of 2% in the first half was replaced by second half growth of 6%, with all four regions posting growth.
- The pricing environment was difficult throughout the year and the weakness of the on trade limited our ability to trade consumers up. But through innovation and improved on trade customer marketing, we created opportunities to grow at the super premium end. Our reserve brand portfolio grew strongly in Latin America and Global Travel and Cîroc continued to outperform in the United States.
- In a difficult year and after having increased marketing spend as a percentage of net sales, we delivered 2% organic operating profit growth. The actions we took to hold COGS flat and reduce overheads maintained margin in a tough year. Currency movements again benefited our reported results, with net sales up 5% and operating profit up 6%.
- eps pre-exceptionals grew 13% driven by organic growth, favourable FX and lower interest.
- Our free cash flow generation is at a record level at over £2 billion, reflecting our focus on improving working capital.
- Our confidence that our business is stronger allows us to recommend a 6% increase in the final dividend.

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- Markets, categories, price points and brands were all affected by the economic downturn but in different ways and to differing degrees. To deliver these results we had to be agile in our response. The question we have continued to ask ourselves as we manage a volatile environment has been "how do we make the business stronger?"
- We stepped up our marketing spend significantly in the second half behind proven campaigns and category momentum. The biggest increases in spend were behind our biggest brands in their biggest markets, Johnnie Walker, Smirnoff and Captain Morgan.
- We continued to grow our sales capability. Investing to build strong category management skills and deeper shopper understanding. Our relationships with our biggest customers and distributors have never been better. We have increased our category captaincy positions around the world and we are generating above average growth with the four largest global retailers.
- We have extended our brand positions, gaining share in two thirds of our top 20 markets.
- The global restructuring programme, we announced last year, is complete. It has delivered a leaner cost base and faster, more efficient, working practices. Further cost savings will be delivered, primarily as a result of changes in the supply organisation and in the North American wine business.
- Strong cash generation, up £800 million, and improved return on invested capital to 14.8%, has again enhanced our financial strength.
- Later, I am going to return to how each of these actions has enhanced the business, but first let me hand over to Nick.
- Nick.

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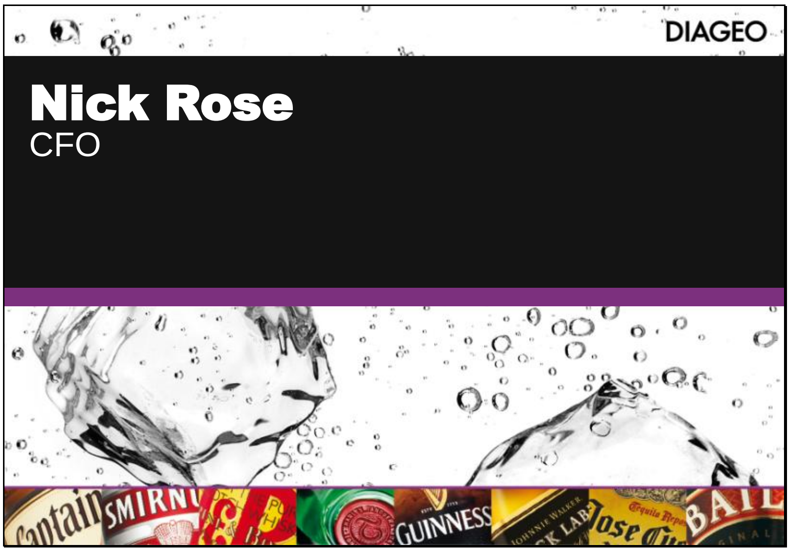

- Thank you Paul and good morning everyone.
- I will now take you through the figures in more detail.

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DIAGEO

Organic growth in net sales and favourable exchange rate movements drove reported net sales growth

	Volume, eu m	*Net sales, £m*
F'09	**141**	**9,311**
Exchange	**-**	**267**
Organic movement	**2**	**168**
Scope change*	**-**	**34**
F'10	**143**	**9,780**

Organic growth	**2%**	**2%**
Reported growth	**2%**	**5%**

Year ended 30 June.
*Scope change comprises acquisitions and disposals.

- Looking first at net sales.
- Exchange rate movements benefited reported net sales by £267 million as the US Dollar, the Euro and the Korean Won all appreciated, offsetting the impact of the depreciation of the Nigerian Naira.
- During the year we acquired distribution rights in respect of a number of brands, Grand Marnier and Windhoek and consolidated the outstanding shares in Stirrings. At the end of last year we discontinued our interest in the French Agency wine business in North America.

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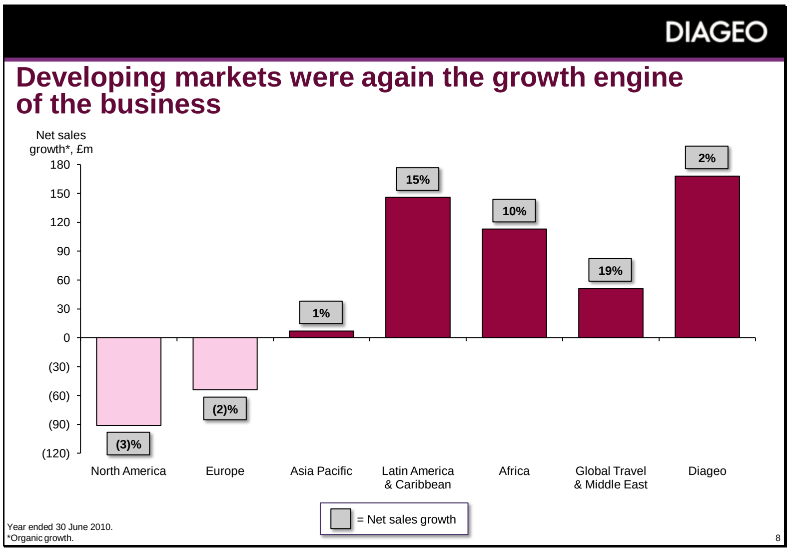

- Turning now to organic net sales growth on a regional basis.
- In North America, there have been some signs of recovery but they are not consistent. The market has not yet returned to a period of sustained growth across all categories and price points, and consumer confidence remains weak. However, we were quick to find the right way to reach consumers in this tough environment and we grew share of our key brands. We launched some great innovations and up-weighted our marketing activity around proven growth drivers. This contributed to 3% net sales growth in our US spirits business in the second half. Innovations and some improvement in the on trade led to strong growth of our premium and super premium vodka brands in H2
- Performance in Europe was mixed as we expected. GB and Russia delivered growth whilst Spain and Ireland continued to decline, albeit at a slower rate, as the tough economic environment continued to negatively impact the on trade in both markets. Following a very strong performance particularly around Christmas, the GB business continued its positive trend in the second half, driven by wine, Smirnoff and Baileys. In the second half, Russia returned to growth, driven by Johnnie Walker, White Horse and Bell's as the market recovered quickly from the downturn. Whilst there has been margin erosion, double digit net sales growth of Johnnie Walker in the second half is an encouraging indication that premiumisation is returning to scotch in Russia. In Greece, the impact of the tough austerity measures introduced towards the end of our fiscal year had limited impact on the full year results and we expect more of an impact next year.
- In the second half, Asia Pacific's performance improved driven mainly by Johnnie Walker. The destocking in China which drove over 20% net sales decline in H1 was replaced by strong growth in H2. Johnnie Walker Black Label in China posted double digit net sales growth and gained over 2 percentage points of share in the second half.
- As you have seen it was the performance of our International business which was again the engine for growth. The 7% organic growth delivered last year, was reinforced by 13% growth this year. Each hub performed strongly as you saw from this morning's announcement, and our International business increased net

sales by over £300 million. There were a number of excellent performances. Scotch in Latin America, and beer in Africa both increased net sales by over £100 million. Great sales execution in Global Travel Retail, as traveller numbers improved, delivered very strong performance. We delivered growth in spirits in Latin America, spirits in Africa and ready to drink across International. It was a strong overall performance which demonstrates the strength of Diageo's brands and routes to market in these developing markets.

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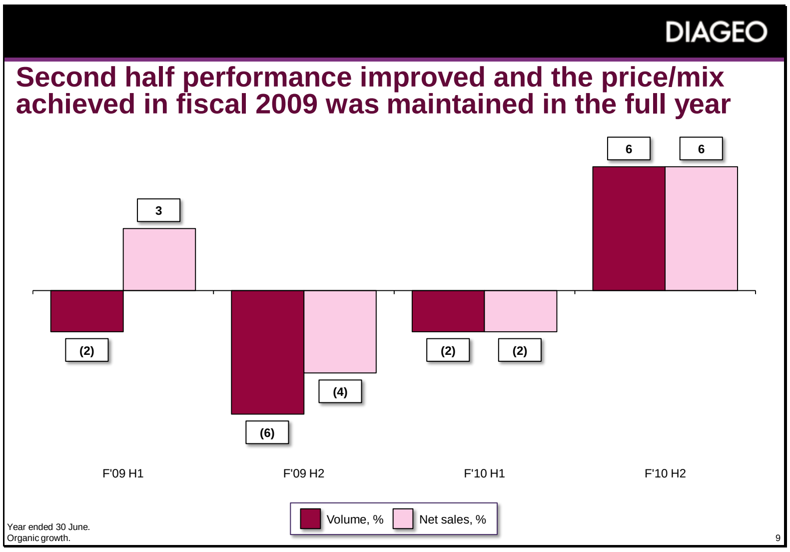

- If we compare our performance in H1 with H2, we see how each was impacted by the comparison against the prior year. The first half was lapping relatively strong performance and good price/mix in H1 fiscal ‘09, as our business was not really impacted by the global downturn until November 2008.
- Performance improved in the second half primarily because comparatives eased. However, underlying performance also improved as we increased marketing spend, launched a number of innovations and developing markets continued to perform strongly.
- Through the year, we have maintained the strong price/mix that we achieved in fiscal 2009. Even though promotional activity was more intense, and as Paul said the pricing environment was difficult, our brands have continued to sell at a price premium, providing a strong foundation for the year ahead.

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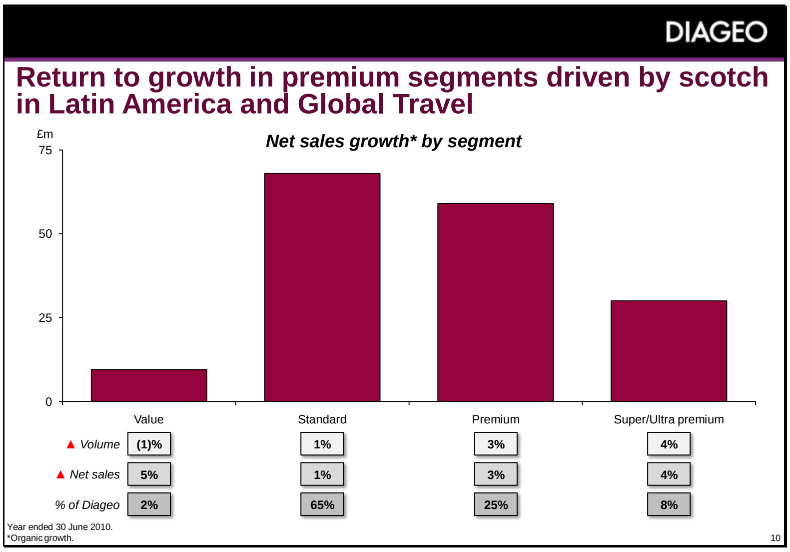

- Looking at the growth of our business by segment, in contrast to the first six months of the year, all segments showed growth over the full year.
- The growth in the value segment was driven by consumers trading down in vodka in South Africa, and by the growth of Senator in Kenya. This was partially offset by the decline in value brands in North America and Europe.
- Within the standard segment, growth of Johnnie Walker Red Label and Cacique in Latin America, and growth from lager in Africa, offset declines in Jose Cuervo and Smirnoff in North America, and Guinness and J&B in Europe.
- The strong performance of Johnnie Walker Black Label, together with growth of the Singleton in Asia, and Buchanan's and Old Parr in Latin America drove growth in the premium segment.
- Vodka drove the improvement in super and ultra premium, led by Ketel One vodka and Cîroc, as both benefited from innovation and an upturn in the on trade in some parts of North America. Johnnie Walker super deluxe in International, Old Parr Superior in Latin America, and Windsor XR in China also contributed to this growth.

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DIAGEO

Stronger second half performance drove full year operating profit growth

	Volume, eu m	*Net sales, £m*	*Operating profit*, £m*
F'09	**141**	**9,311**	**2,588****
Exchange	**-**	**267**	**126**
Organic movement	**2**	**168**	**46**
Scope change***	**-**	**34**	**(9)**
F'10	**143**	**9,780**	**2,751**

Organic growth	**2%**	**2%**	**2%**
Reported growth	**2%**	**5%**	**6%**

Year ended 30 June.
*Excluding exceptional items. **Restated for IAS 38 and the change in accounting treatment for returnables. *** Scope change comprises acquisitions and disposals. 11

- Turning now to operating profit.
- In a difficult year organic operating profit grew 2%. On a reported basis the FX benefit to operating profit was £126 million. A translation benefit of £37 million and a transaction benefit of £133 million were offset by an adverse movement of £44 million under IAS 21.
- For F'11, foreign exchange movements, excluding any potential changes to the Venezuelan Bolivar, which I will come on to in a moment, are currently expected to increase operating profit by £80 million and decrease interest by £5 million.
- The current situation in Venezuela with respect to currency controls and the official exchange rate is uncertain. In fiscal '10 we had local currency operating profit of approximately 450 million Venezuelan Bolivar and under current accounting treatment these local currency profits were translated at the official rate of 2.15 to the US dollar in H1 and 4.3 in H2. If the translation exchange rate is changed in F'11 this would most likely create an adverse FX movement.

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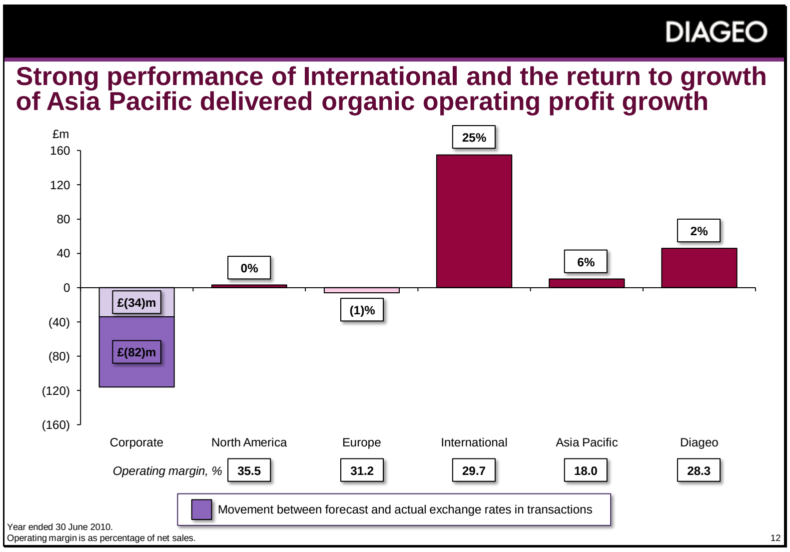

- Moving on to operating profit by segment. I am going to start with corporate. Corporate costs grew by £34 million. As you remember corporate costs were up £49 million in H1 and we expected to see a fall in H2 reflecting overhead savings from restructuring.
- The performance by region is reported using forecast exchange rates and the difference between our forecast and actual exchange rates for F'10 is taken to corporate. This amounted to an adverse movement of £82 million.
- If this adverse movement were allocated back to the regions, it would have some impact on organic growth rates, primarily in North America and International. It would not have any impact on the overall operating margin which was maintained at 28.3% of net sales.
- In North America, despite a decline in net sales, and a significant increase in marketing spend in the second half, operating profit was flat and operating margin improved, driven by overhead savings and gross margin improvement.
- In Europe, operating profit was down. The reduction in marketing spend more than offset a decline in gross margin to deliver some improvement in operating margin. Overhead benefits from restructuring were offset by lapping a VAT reclaim in GB in fiscal '09.
- In International, gross margin improvement driven by scotch delivered strong operating profit growth and operating margin improved.
- Improved gross margin and lower overheads, which were partially offset by higher marketing spend, led to operating profit growth in Asia Pacific.

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DIAGEO

Organic operating profit growth, FX benefits and lower net finance charges led to strong growth in PBET

	F'09, £m*	*F'10, £m*	*Movement, £m*
Operating profit**	**2,588**	**2,751**	**163**
Associate income net of tax	**164**	**142**	**(22)**
Trading profit**	**2,752**	**2,893**	**141**
Net finance charges	**(592)**	**(462)**	**130**
PBET	**2,160**	**2,431**	**271**

Year ended 30 June.
*Restated for IAS 38 and the change in accounting treatment for returnables. **Excluding exceptional items.

- Moving on to the other lines in the income statement.
- There was a £22 million reduction in associate income mainly due to Moët Hennessy.
- Against this, there was a significant decrease in net finance charges and therefore profit before tax and exceptionals was up by £271 million.
- Let's look at the net finance charge in more detail.

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DIAGEO

Finance charges benefited from lower interest rates and lower debt

	F'09, £m	F'10, £m	Movement, £m
Net interest charge	(516)	(375)	141
Finance income/(charge) from post employment obligations	2	(47)	(49)
Other finance charges	(34)	(30)	4
Exchange movements on short term inter-company balances and other financial investments	(44)	(10)	34
Net other finance charge	(76)	(87)	(11)
Net finance charges	(592)	(462)	130

Year ended 30 June.

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- Net finance charges have decreased by £130 million.
- Net interest charges decreased by £141 million, driven by a significant fall in average floating rates and lower average net borrowings as a result of our strong cash flow.
- Net other finance charges were £87 million. They included £47 million in respect of post employment plans, £18 million due to the unwinding of discounts on liabilities, £16 million in respect of a hyperinflation adjustment in Venezuela, and translation differences on inter-company funding of £10 million.
- For fiscal 2011, I would expect our interest rate, excluding the impact of IAS 21 and 39, to be slightly higher than the 4.8% we achieved in fiscal 2010. Floating rates are expected to increase and I think that it may be appropriate in F'11 to fix in some of the historically low rates we are currently seeing in the market. This will benefit our interest charge long term but will increase the charge in F'11 as we move to a higher proportion of fixed rate debt. Other finance charges are likely to be lower in F'11 as the charge for post employment obligations under IAS 19 is expected to be about £5 million.

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DIAGEO

Exceptional operating items totalled £177 million

	F'09, £m	*F'10, £m*
Global restructuring	**166**	**85**
Global Supply operations	**-**	**93**
Brewing operations in Ireland	**4**	**12**
US wine restructuring	**-**	**(48)**
Brand value adjustment	**-**	**35**
Total exceptional items	**170**	**177**

Cash outflow	**53**	**145**

Year ended 30 June.

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- Moving now to exceptional items.
- Total exceptional charges were £177 million for the year. Charges in respect of the restructuring programmes we have previously announced amounted to £190 million, in line with our guidance. The restructuring of our wine business, which we announced in May 2010, resulted in an exceptional credit of £48 million as the profit arising from the sale and leaseback offset the restructuring costs.
- Brand value adjustments in respect of Ursus, which is essentially dependent on Greece, gave rise to a £35 million charge.
- The cash outflow in F'10 was £145 million compared with £53 million last year. This is below the guidance I gave in February as supply projects were delayed slightly, and as costs reduced, for example in our Scottish projects, where we have seen people take up relocation rather than redundancy.
- I expect the exceptional charge to be £30 million in fiscal 11, primarily in respect of the restructuring of Global Supply operations, while cash expenditure is likely to be approximately £150 million.

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DIAGEO

Profit for the full year increased despite an increase in the reported tax rate

	F'09, £m*	*F'10, £m*	*Movement, £m*
PBET	**2,160**	**2,431**	**271**
Exceptional items	**(170)**	**(177)**	**(7)**
Sale of businesses	**-**	**(15)**	**(15)**
PBT	**1,990**	**2,239**	**249**
Tax	**(286)**	**(477)**	**(191)**
Profit for the period**	**1,704**	**1,762**	**58**
Memo: Reported tax rate	**14.4%**	**21.3%**	**7ppts**

Year ended 30 June.
*Restated for IAS 38 and the change in accounting treatment for returnables. ** Before discontinued operations.

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- In addition to the exceptional items, there is also a charge in respect of sale of businesses which relates mainly to our planned disposal of non-core wine brands in the United States.
- The overall tax charge increased by £191 million. As you recall the reported tax rate last year was 14.4% reflecting changes to tax assets and provisions held on the balance sheet which had to be recognised in the P and L. There are no such adjustments this year and therefore the reported rate is 21.3%.
- The underlying tax rate remains around 22%, at 21.6% this year against 22.1% last year.

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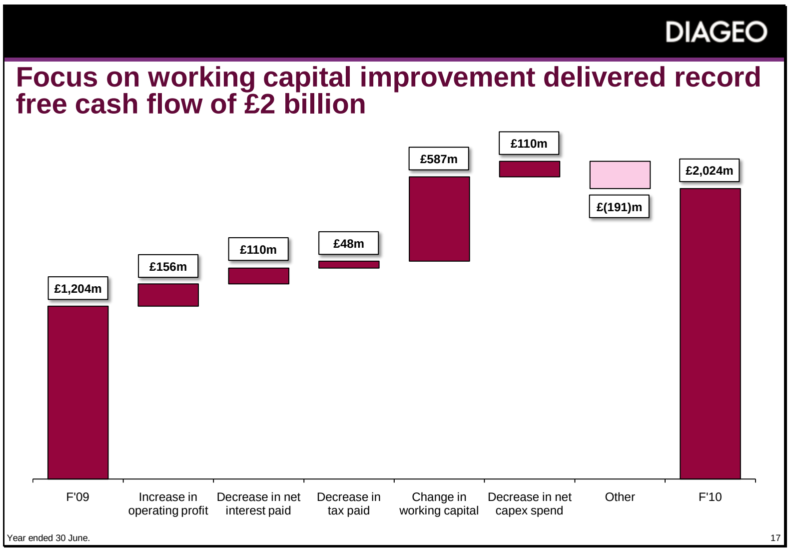

- As I said earlier, fiscal 2010 has been about investing behind capabilities and brands, controlling our cost base and a real focus on cash generation.
- The result of that focus is the exceptional cash flow of over £2 billion.
- Higher operating profit, lower interest and a reduction in tax payments all contributed to the improvement.
- However, the major driver was the introduction of new policies and procedures which step changed our management of working capital and delivered a cash flow benefit of £587 million.
- Net capital expenditure was also lower, benefitting from the proceeds of the sale and leaseback on wines in North America. Capital expenditure, before disposal proceeds, increased £19 million as a result of investment in additional casks in North America and more spend on information systems.
- Other movements in cash flow include a reduction of £63 million in dividend income from Moët Hennessy and the reversal of non cash items in the P/L such as the gain on the sale and leaseback.
- This has been an exceptional year for our free cash flow. In fiscal 2011 we expect working capital ratios will be maintained and net CAPEX will be higher largely due to spend in developing markets. So whilst I do not expect F'11 cash flow to be this strong, I do see that we can move beyond the average we have delivered in the past.

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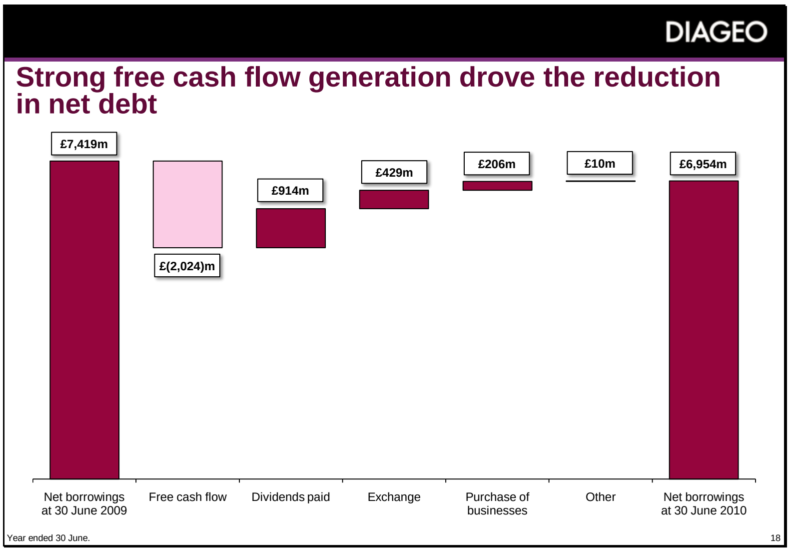

- The increase in free cash flow was the biggest driver of the reduction in net borrowings.
- Dividend payments were £914 million and exchange rate movements increased net debt by £429 million due to the stronger dollar partially offset by the weaker Euro.
- “Purchase of businesses” includes £123 million placed on deposit with China’s securities depositary and clearing agency in respect of our possible tender offer to increase our shareholding in Shui Jing Fang. It also includes nearly £30 million for set up costs for our South Africa JV and £25 million to increase our shareholding in Nuvo.

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DIAGEO

Growth in eps pre-exceptionals was driven by FX and organic growth

	Pence	*%*
eps pre-exceptionals, 2009*	**63.6**	**-**
Underlying eps growth**	**4.5**	**6**
Impact of foreign exchange	**4.3**	**7**
Scope change***	**(0.4)**	**-**
Impact of IAS 19	**(1.7)**	**(3)**
Impact of IAS 21 and IAS 39	**1.7**	**3**
eps pre-exceptionals, 2010*	**72.0**	**13**

Year ended 30 June.
*eps pre-exceptionals excludes exceptional items in discontinued operations. **Underlying growth before exceptional items, adjusted for exchange, scope changes, the effects of IAS 19, 21 and 39 on other finance charges and using the underlying tax rate. ***Scope change comprises acquisitions and disposals.

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- eps before exceptionals was 72.0 pence, an increase of 13% against last year.
- Foreign exchange benefits drove 7 percentage points of this growth and organic operating profit growth and lower interest drove 6 percentage points of growth.

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- Diageo's financial position has always been a key strength. In what has been a challenging year we took a number of decisions which were aimed at enhancing this.
- We broadly maintained our operating margins, improving our gross margins with strict control of COGS and production overheads. We invested in marketing which together with increased innovation maintained the price/mix we delivered last year.
- Economic profit increased by £78 million to £890 and return on invested capital increased by 30 basis points. These improvements were driven by the increase in operating profit.
- Debt was reduced, as was the interest charge, and we accessed the debt market during the year in order to optimise our long term maturity profile.
- We have agreed an efficient funding plan for the UK and Irish pension schemes which gives the trustees security and maintains the company's cash contributions at this year's level for a number of years.
- We are recommending a 6% increase in the final dividend, which is modestly ahead of expectations and given our financial strength we anticipate at least maintaining this rate of dividend growth in F'11.
- We have the capacity to fund the growth of the business and balance future shareholder returns between dividend growth and share buy backs as appropriate.

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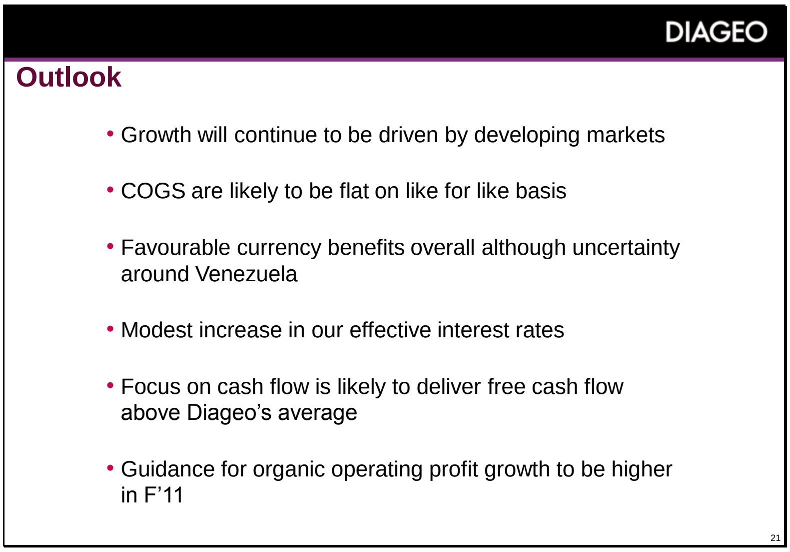

- F'10 was a tough year and while we expect the global economy to grow faster in F'11, the level of growth in the developed markets is uncertain. Signs of recovery in North America are muted and have not yet proved to be consistent and may therefore not be sustained. In Europe, the consumer remains cautious as governments look to address deficits. In contrast, the developing markets benefit from more stable economic growth and a growing middle class. These markets are now a significant part of our business and will again be the engine of our growth.
- We expect to hold COGS flat in F'11. Our hedging policies provide some certainty about this outcome. This is underpinned by the cost savings which our restructuring will achieve.
- We again expect to benefit from currency movements in the year although moderated by events in Venezuela.
- In F'11, our interest charge will benefit from the fall in net debt we delivered in F'10 through our strong cash flow. As I said I do not expect that our cash flow will be as strong in F'11 but it will be above the average we have achieved for the last few years. Floating interest rates are likely to increase so I do expect a slight increase in our overall interest charge but this is likely to be offset by lower net financing charges as the IAS 19 charge reduces.
- Taken together then, in the new fiscal year we will face a number of uncertainties but we have taken the actions which will allow us to control our costs and fund increased marketing. This is the basis on which we have issued our guidance today for organic operating profit growth in F'11 to improve on the 2% we achieved in F'10.

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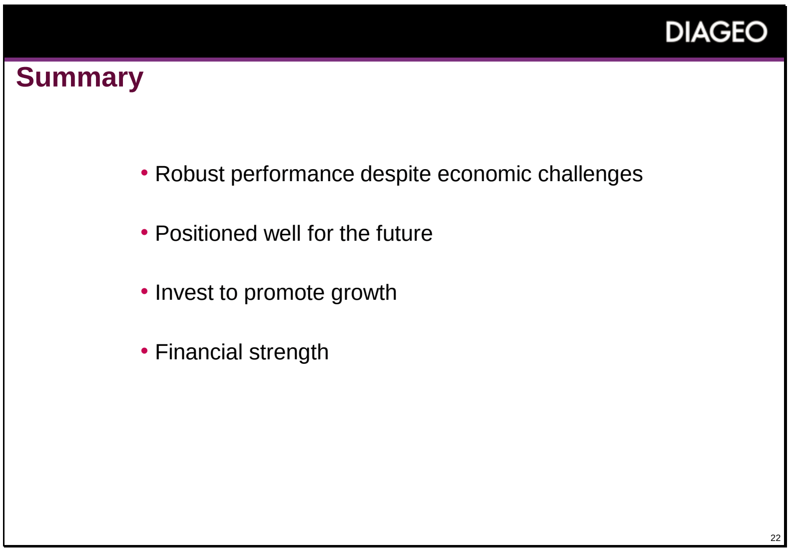

- In summary, I am pleased to say that in my final set of results, Diageo has weathered the economic challenges of F’10 extremely well, and we have taken some tough decisions to position us well to generate future brand growth.
- I am leaving a company that has the financial strength to invest in its brands and geographies and provide good returns to its shareholders.
- And on top of all of this, Diageo is full of very talented people, including the new CFO, who will take the company to even greater heights, and I shall miss it all.
- With that, I shall say for the last time, “and now back to Paul”.

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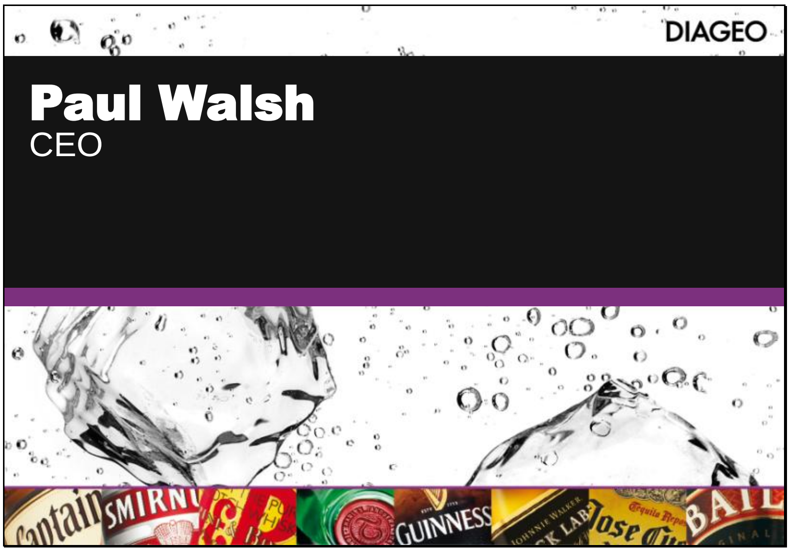

- Thanks Nick.

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- The global economy improved during the year but the recovery was fragile.
- We were quick to respond to the disruptions and changes which occurred in our markets last year. We have honed these skills as we reduced our cost base and held COGS flat. We now have a more agile organisation which can move quickly.
- Our performance was different between the two halves and differed between the developed and the developing markets. In H1 we were lapping a tough comparison while in H2 the comparison was easier. But our performance in H2 did benefit somewhat from the actions we took to increase innovation, up-weight marketing and increase our consumer and customer marketing programmes.
- In the developed markets, we prioritise resources on the biggest value creating opportunities. In the developing markets which are experiencing more stable growth, we have capitalised on our leading brand positions and great routes to market.
- So it has been a year in which we have done a lot. We have taken cost out, we have reprioritised spend and we have made a number of decisions, which although difficult, will serve us well for the future. At the same time we delivered growth, improved our cash generation and improved our returns.
- Let's now look at how this has positioned us for the future.

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DIAGEO

Marketing spend was increased in the second half behind proven campaigns and category strength

	F'09	H1	H2	F'10
% increase	(9)%	(5)%	14%	3%
% of net sales	14.3%	13.9%	15.2%	14.5%

H2 Marketing spend increases

North America	Europe	International	Asia Pacific	H2
20%	7%	18%	8%	14%

Year ended 30 June.

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- We spend over £1.4 billion a year to build our brands. We spend it behind campaigns which drive sales and build brand equity and we spend it effectively.
- In the first half, there was a reduction in spend, mainly in Europe, which mirrored the consumer downturn there.
- In the second half, more growth opportunities presented themselves and we increased spend by 14%, well ahead of net sales growth of 6%.
- We made our allocation decisions through two lenses: firstly, we invested behind proven growth drivers which we can execute at scale.
- This drove increased investment in the US where we have some of our most developed campaigns.
- Investment in Johnnie Walker was increased significantly in GTME, in Mexico and in Brazil with the "Strides" and the "Walk with Giants" campaigns, both of which are part of our successful "Keep Walking" platform.
- Investment increased behind the global Smirnoff "Be There" campaign as the brand continued to offer consumers unforgettable experiences across the globe.
- Marketing spend increased over 35% on Captain Morgan focused on its heartland of North America and on growth opportunities in Europe behind the signature serve with cola and the "Got a Little Captain in You?" campaign.
- Secondly, we invested where we saw opportunities emerge by market or by category.
- For example, Guinness investment was increased in Africa, up 8%, strengthening the brand's equity and supporting the brand's premium price positioning in Nigeria, Cameroon and Ghana.
- Let me now show you two specific examples.

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- In the second half, we increased global spend behind Captain Morgan by over 75%.
- This brand is the fastest growing spirit in the Impact top 20. It is growing share in the United States and momentum is increasing internationally. This year, the brand grew net sales over 40% in Europe and we launched it into several markets in Latin America. In F'11 we will begin to test the brand in Asia.
- Even in the more difficult environment of Europe, we have step changed the trajectory of the brand in Northern European, especially Germany. We took the North American growth drivers that we know work, and applied them in Europe. Non-working spend was minimised and utilisation of existing assets was maximised.
- The majority of the spend was behind the "Got a Little Captain in You?" television campaign. Driving awareness of the brand and communicating the personality of the Captain.
- Supported by Captain & Cola promotions in the on and off trade during the football World Cup, net sales doubled and made a significant contribution to the growth of the brand globally.

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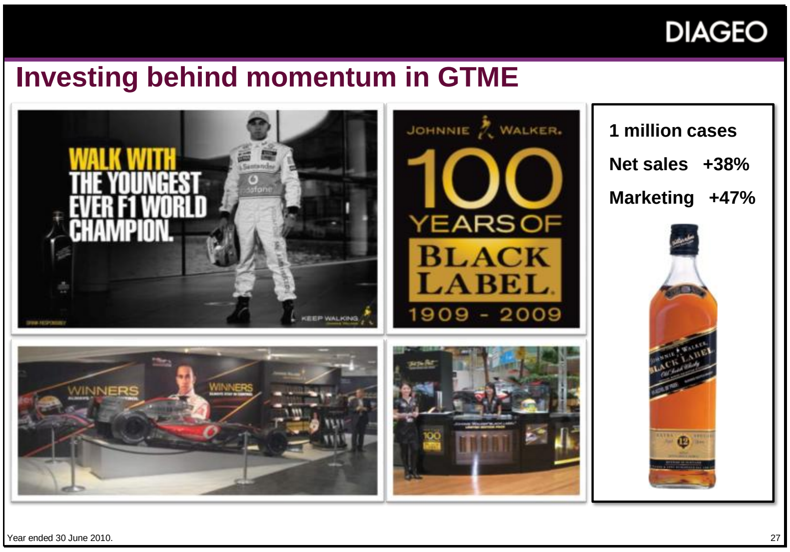
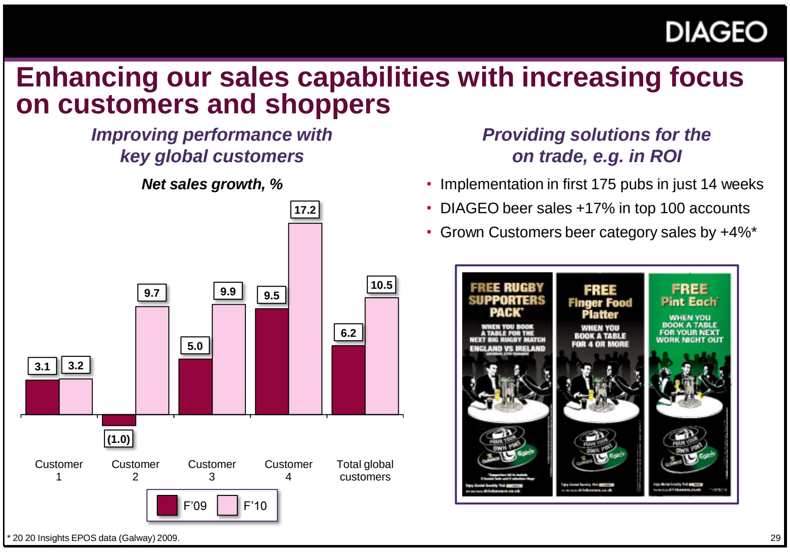


- And secondly, an example of where we invested behind a specific growth opportunity.
- As the Travel Retail channel recovered from the global economic recession, we invested behind this momentum, in particular behind Johnnie Walker Black Label.
- In the first half, the 100 Year Anniversary programme was activated at scale, resulting in massive visibility in store and grabbing the interest of consumers at the point of purchase.
- We activated the “Walk with Giants” campaign in over 50 airports in the second half. Much of the activation centred around our Grand Prix sponsorship. Images of Lewis Hamilton created an engaging brand story at the point of purchase. Executions in Abu Dhabi and Singapore’s Changi airport were recognised as best in class for the Travel Retail industry. Investment in duty free drives domestic sales in developing markets and the increase in spend behind activations in Shanghai airport was a key driver of the growth in Johnnie Walker in China in H2.
- The results were clear. GTME sold 1 million cases of Black Label, its best year ever, and the brand is again the number one Deluxe Scotch in Travel Retail with momentum that can continue into this fiscal year.

Slide 28

- Innovation has provided us with significant net sales growth again this year.
- As consumer behaviours change, innovation provides customers and consumers with new products and formats.
- Our approach is simple – to innovate primarily within our core brands, finding opportunities quickly but founded on deep consumer and shopper insights. The breadth of our brand range provides us with a competitive advantage in doing this.
- This approach is focused on four key areas:
- In developing markets improving accessibility can be a powerful growth driver. In Africa, for example, innovation around canned beer and premix spirits has brought our brands to new consumers and into new occasions.
- In developed markets, we use innovation to broaden our offering and maintain consumer interest. Flavour innovation across our vodka brands in North America and Europe, is a great example of this. We are also successfully innovating against the increasing trend for home consumption in these markets.
- We use innovation to bring premium offerings to consumers who continue to desire the quality assurances of our brands but are looking for something new. The super deluxe Johnnie Walker innovations we have introduced are a great example but Crown Royal Black in the US and Old Parr Superior in Latin America are also enjoying success in the premium and super premium segments.
- And finally, we sustain innovations through the co-ordinated transfer from the innovation team to the in-market team so that innovations prosper in the long term. The concept of our entry level single malt whisky, The Singleton, was developed by the innovation team four years ago. Its successful transition to the in-market teams has led to its position as the world's fastest growing single malt.

Slide 29

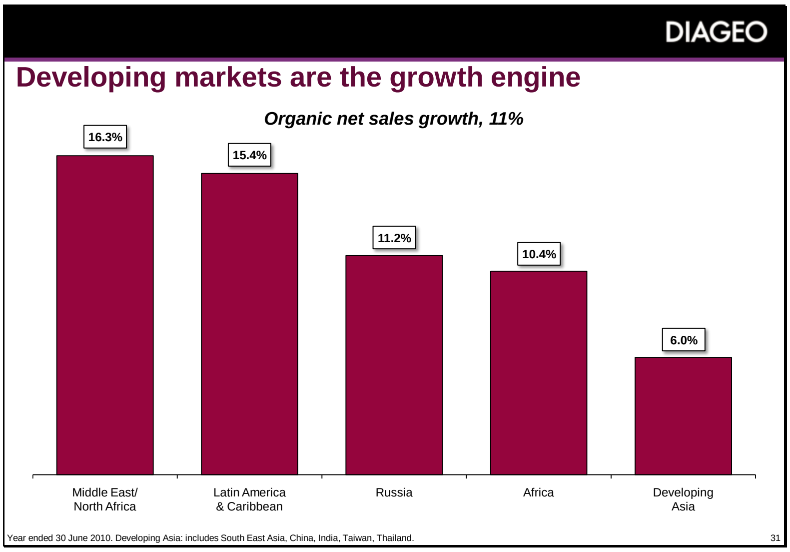


- This year we have significantly up-weighted our focus on our customer marketing capabilities. We now have 500 people across 30 countries dedicated to customer marketing.
- The result is closer, strategically focused relationships with our key customers, both retailers and distributors, both on and off trade.
- We are now engaging with each of our customers at every level of their organisation, from our regional presidents to our sales people, to agree the outcomes we are going to target for the year.
- We partnered with our customers to make it easier for shoppers to find, choose and buy brands in the category.
- We delivered a large number of multi-brand and category events in addition to our single-brand activities. Some of these were market specific like the “Summer Spirits” campaign in Great Britain. Others like the Whiskey Festival, were global. The result is that our share of shelf is improving with, for example, share up 1.5 percentage points in the US off trade and, as you can see from the slide, our sales with the biggest off trade customers is out pacing our competitors.
- Our investment in customer marketing is providing our customers with growth opportunities which are increasingly moving away from traditional price driven activations.
- We recently surveyed on trade customers in our top 20 markets. To date we have received results from 14 markets and in 12 of them Diageo is rated as the number one supplier to the on trade. It’s an amazing accolade and the result of our work to provide targeted on trade solutions such as the example from Ireland on this slide.
- Diageo’s scale, geographic reach and brand range position us well to develop customer marketing as a key sales driver in F’11.

Slide 30

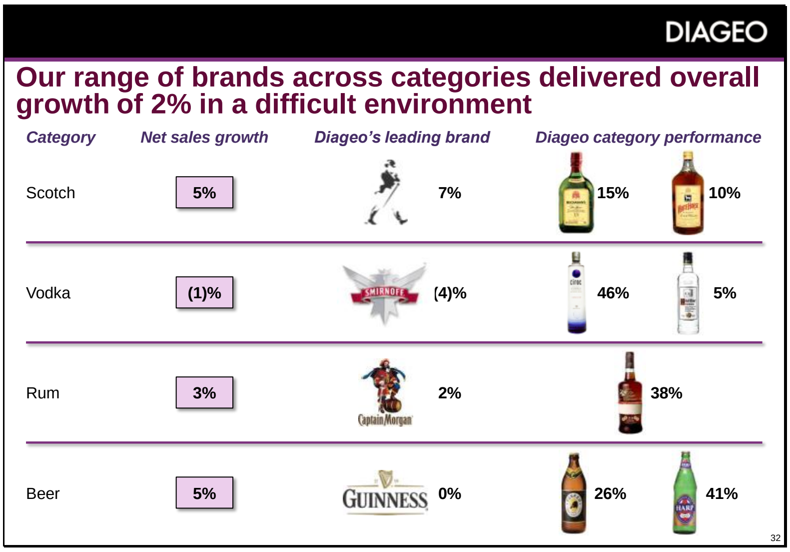
- In the developed markets, the macro environment was challenging with fragile economic recovery and weak consumer confidence and net sales declined 2% in fiscal 2010.
- I couldn't do a lot about the economy but I could ensure our business was in good shape.
- In North America, we increased marketing to strengthen our core brands: Smirnoff, Captain Morgan and Johnnie Walker. Innovation had its best year ever. Diageo delivered over half of the top new product launches in US spirits as we premiumised our brands and broadened their consumer appeal.
- As a result, our priority brands grew share, both in volume and value.
- Europe was once again the most challenging region.
- In a flat beverage alcohol market in Great Britain, we strengthened our relationships with the increasingly important off trade retailers where Diageo's spirits brands grew 18% and the category 6%.
- The Irish market remained in single digit decline but we again grew share of beer and spirits. Guinness has grown share in the on trade every month for the past two and a half years with great campaigns such as the "250th" celebration.
- Southern Europe was particularly tough. Though the rate of decline in Spain has eased, the on trade remains depressed. However, our innovations tailored to new at home occasions are performing well in an off trade that is growing.
- The developed markets of Asia Pacific also experienced some category weakness. However, we maintained our leadership of spirits in our two largest markets, through increased marketing spend on Windsor in Korea and Smirnoff in Australia.

Slide 31



- The developing markets of the world were again our growth engine, up 11% in the year.
- These markets now represent a third of our net sales. The market fundamentals for the future are positive; high population growth, rising personal affluence and a large increase in the number of middle class consumers who aspire to our brands.
- We have strong exposure to all the developing regions in key categories: scotch in Latin America, Russia and Asia and beer in Africa.
- In Latin America, we have well established routes to market and leading brands. We are investing strongly behind scotch and to develop new categories such as vodka.
- In Africa, we have iconic lager brands together with the non-alcoholic Malta Guinness. Guinness remains the only true pan-African beer brand with strong equity and a significant price premium.
- In South Africa, we operate across all the beverage alcohol categories and we generate consumer insights to direct our targeted marketing programmes. Our investment behind our scotch brands in the year has positioned us well as the economy starts to improve. Through the brandhouse joint venture, we now have over 18% share of beverage alcohol, up 1.5 percentage points from last year.
- In China, Johnnie Walker Black Label, the heart of our business there, grew strongly and gained share on the back of significantly increased marketing spend.
- In Russia, we are the leader in scotch and the growth we delivered throughout the second half gives us confidence that this momentum will continue.
- We are increasing our investment in developing markets, building our routes to market in Vietnam, India, Angola and Tanzania to take advantage of the future opportunities in these markets.

Slide 32

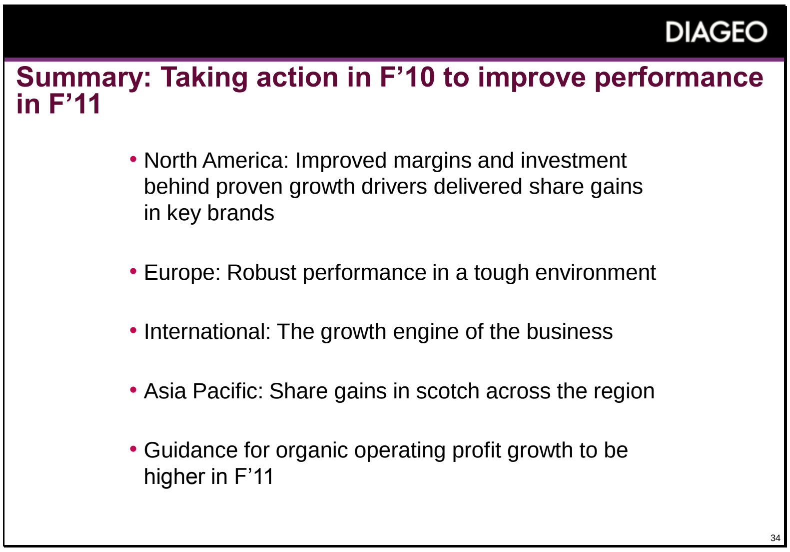


- It is worth spending some time looking at our performance by category. Challenges and opportunities varied but this plays to Diageo's strength, the range of our brands across categories. We have strong global brands, carefully built over many years, complemented by brands which have resonance with consumers in their local markets.
- In scotch, Johnnie Walker grew strongly gaining share in many of its largest developing markets as well as in the United States. Our category approach positions brands alongside Johnnie Walker to appeal to consumers in a different way. Either through a different price point such as White Horse in Russia or with a different proposition for example Buchanan's "Leave a Legacy" message in Latin America.
- The vodka category has been competitive in most markets, especially in the price range at which Smirnoff is positioned. However, our super and ultra premium vodkas remained in strong growth, with Ketel One vodka up 5% and Cîroc up 46%.
- You saw the strength of Captain Morgan earlier. In addition, Zacapa contributed to the performance of the category and to the growth of our reserve brand portfolio.
- Our beer brands had another strong year. The performance of local brands in Africa drove our 5% net sales growth while Guinness outperformed in tougher European markets.
- Our customers think in terms of categories and we have the brand range to work with them by category.

Slide 33

- This year, we have taken significant steps to improve the efficiency of our organisation.
- The global restructuring programme we announced last year is now complete and has delivered a leaner cost base which will benefit the business in F’11.
- Likewise, we have addressed key areas of our supply base to ensure that our production costs remain competitive into the future.
- In Roseisle, we invested a further £40 million to build additional capacity and reduce distilling costs. High quality Speyside malt for our blends will be available from 2012. The consolidation of bottling into two sites and the expansion of our grain distilling capacity in Cameronbridge will also deliver significant cost benefits from 2011.
- In Ireland, we are consolidating kegging operations from Kilkenny, Dundalk and Waterford into St James Gate which will benefit our cost base by 20 million euros annually once complete in 2011.
- In North America, we have reorganised our wine business. The sale and leaseback in Napa Valley released capital while the rationalisation of brands and the reorganisation improved focus and margins.
- We have now passed the halfway stage in the construction of the new rum distillery in the US Virgin Islands. On schedule, it will be operational by January next year and the distillery will supply the rum for Captain Morgan in the United States transforming the economics of the brand for us, with improved COGS and financing higher marketing spend.

Slide 34



- Before we take your questions let me summarise what we have covered this morning.
- In North America, our restructuring programme has enhanced our focus on the key brands and improved margins. Increased investment behind proven marketing campaigns and behind innovation has led to share gains in the year and has positioned us well for F’11.
- Europe delivered a robust performance in a tough environment. We enhanced our customer marketing capabilities and put ruthless focus behind our marketing and the result was share gains and a business capable of outperformance in the coming year.
- International is again the growth engine of our business. Strong brand positions together with our well established routes to market will continue to drive growth in these advantaged markets for the short and long term.
- In Asia Pacific, we have upweighted our focus on scotch, gaining share across the region. We have invested in new markets and strengthened our routes to market.
- Each of the steps we have taken enhances our business and will benefit our F’11 performance. We have controlled our costs, built our brand marketing and customer marketing skills and increased our investment in our brands and the developing markets.
- We therefore finish the year with more confidence and our guidance for F’11 is that we will improve on the growth in organic operating profit which we delivered in F’10.

End of script.

Slide 35

DIAGEO

Outlook statements for the year ending 30 June 2011

Cost of goods sold
Diageo expects to hold cost of goods sold flat in fiscal 2011. Hedging policies in place provide support for this outcome, underpinned by the cost savings which the restructurings will achieve.

Organic operating profit growth
As we demonstrated this year, the global diversity of our business, together with the strength and range of our brands and the agility we have demonstrated gives us confidence that in fiscal 2011 we will be able to improve on the organic operating profit growth we have delivered this year.

Exceptional operating items
The exceptional charge is expected to be £30 million in fiscal 2011, primarily in respect of the restructuring of Global Supply operations, while cash expenditure is expected to be approximately £150 million.

Net finance charges
For fiscal 2011, the effective interest rate, excluding the impact of IAS 21 and IAS 39, is expected to be slightly higher than the 4.8% achieved in fiscal 2010. Floating rates are increasing and it may be appropriate in fiscal 2011 to fix in some of the historically low rates which are currently in the market. This will benefit the interest charge long term but will increase the charge in fiscal 2011 as the proportion of fixed rate debt is increased. Other finance charges are likely to be lower in fiscal 2011 as the charge for post employment obligations under IAS 19 is expected to be about £5 million (2010 - £47 million).

Exchange rate movements
Foreign exchange movements arising from the retranslation of prior year results increased net sales by £267 million, increased operating profit by £170 million, increased profit from associates by £4 million and reduced net finance charges by £2 million. The impact of IAS 21 and 39 was to reduce operating profit by £44 million and reduce net finance charges by £54 million.

For the year ending 30 June 2011, at current exchange rates (US$/£1.56; €/£1.21), foreign exchange movements (excluding the impacts of IAS 21 and 39 and excluding any impact in respect of currency movements of the Venezuelan bolivar fuerte) are estimated to increase operating profit by £80 million and decrease net finance charges by £5 million. The current situation in Venezuela with respect to currency controls and the official exchange rate is uncertain. In the year ended 30 June 2010 the Venezuelan denominated operating profit amounted to VEF 485 million. Under current accounting treatment it was translated at the official exchange rate of VEF/US$: 2.15 in the six months ended 31 December 2009 and at a rate of VEF/US$: 4.3 in the six months ended 30 June 2010. If the translation exchange rate is changed in fiscal 2011 this would most likely give rise to an adverse currency movement.

Taxation
For the year ending 30 June 2011 the underlying tax rate is expected to remain at approximately 22% and the ongoing underlying cash tax rate at approximately 20%.

Free cash flow
This has been an exceptional year for free cash flow. In fiscal 2011 working capital ratios are expected to be maintained and net capital expenditure will be higher largely due to higher spend in developing markets. Fiscal 2011 cash flow is not expected to be as strong as in fiscal 2010, but can move beyond the average delivered in the past.

Dividend
Diageo expects to at least maintain the 6% 2010 final dividend growth in fiscal 2011.

The information on this slide is inherently forward-looking. Please see slide “Cautionary statement concerning forward-looking statements.”

- Supplementary information - Outlook statement – No script.

Slide 36

DIAGEO

Impact of exchange rate movements on PBET for year ended 30 June 2010

F'10, £m

Operating profit translation benefit	37	
Operating profit transaction impact	133	
	170	
Impact of IAS 21 on operating profit	(44)	
Impact on operating profit*		126
Impact on associates		4
Impact on net finance charge	2	
Impact of IAS 39 on interest expense	20	
Impact of IAS 21 & IAS 39 on other finance charges	34	
Impact on net finance charges		56
Impact of forex movements on PBET		**186**

* Pre-exceptionals.

- Supplementary information – Impact of FX – No script.

Slide 37

Cautionary statement concerning forward-looking statements

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, outcome of litigation, general economic conditions and all statements on the slides "Outlook" and "Outlook statements for the year ending 30 June 2011." 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.

These factors include, but are not limited to:

- global and regional economic downturns;
- 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 acquisitions and disposals;
- legal and regulatory developments, including changes in regulations regarding consumption of, or advertising for, beverage alcohol, changes in tax law (including tax rates) or accounting standards, changes in taxation requirements, such as the impact of excise tax increases with respect to the business, and changes in environmental laws, health regulations and the laws governing labour and pensions;
- developments in litigation or any similar proceedings 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;
- developments in the Colombian litigation, Turkish customs litigation, SEC investigation, Korean customs litigation or any similar proceedings;
- changes in consumer preferences and tastes, demographic trends or perception about health related issues, or contamination, counterfeiting or other circumstances which could harm the integrity or sales of Diageo's brands;
- changes in the cost or supply of raw materials, labour and/or energy;
- changes in political or economic conditions in countries and markets in which Diageo operates, including changes in levels of consumer spending, failure of customer, supplier and financial counterparties or imposition of import, investment or currency restrictions;
- levels of marketing spend, promotional and innovation expenditure by Diageo and its competitors;
- renewal of distribution, supply, manufacturing or licence agreements on favourable terms when they expire;
- termination of existing distribution or licence manufacturing rights on agency brands;
- 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, and systems failure that could lead to business disruption;
- technological developments that may affect the distribution of products or impede Diageo's ability to protect its intellectual property rights; and
- 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.

All oral and written forward-looking statements made on or after the date of this presentation and attributable to Diageo are expressly qualified in their entirety by the above factors and the 'risk factors' contained in the preliminary results announcement made on 26 August 2010. 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 any documents which it publishes and/or files with the US Securities and Exchange Commission. All readers, wherever located, should take note of these disclosures.
The information in this presentation 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.

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The contents of the company's website (www.diageo.com) should not be considered to form a part of or be incorporated into this presentation.

- Cautionary statement – No script.