

DIAGEO

INTERIM RESULTS

SIX MONTHS ENDED

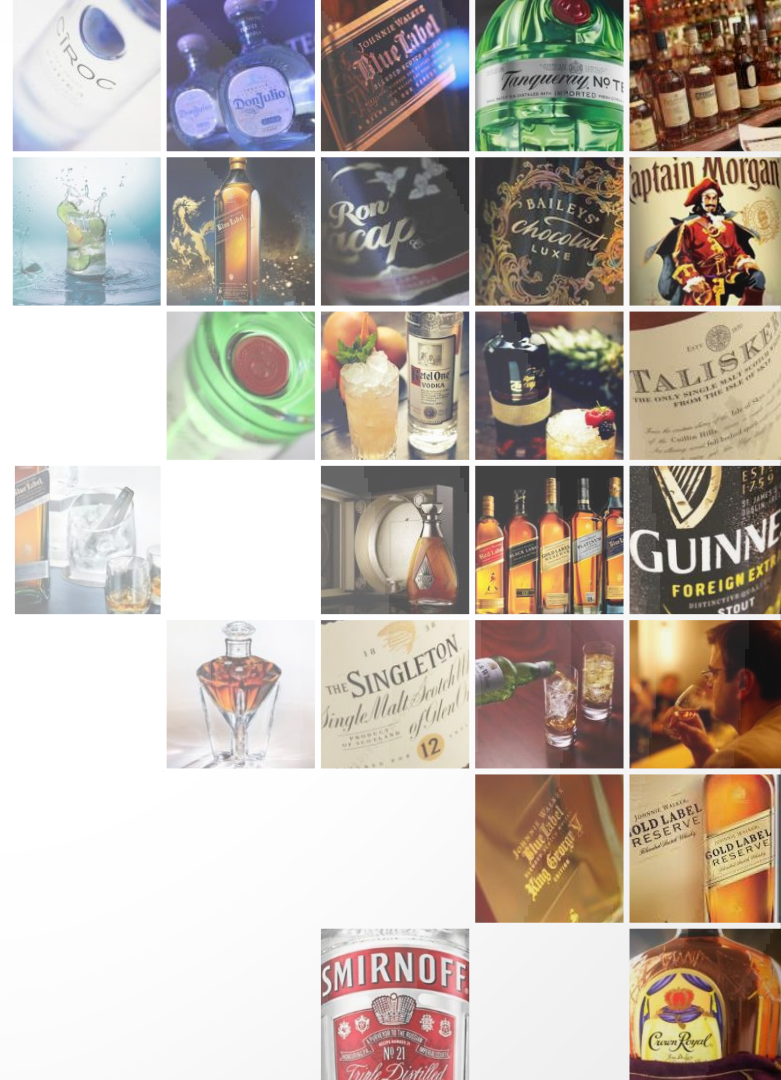
31 DECEMBER 2014



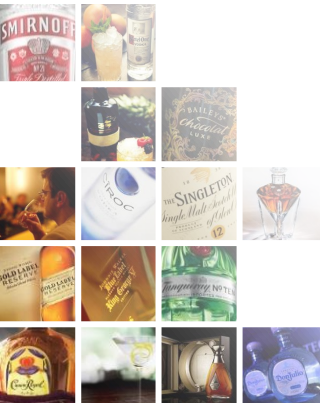
DIAGEO

IVAN MENEZES

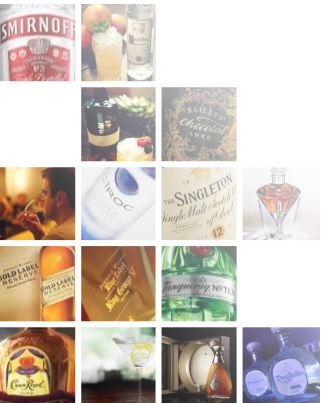
Chief Executive



Strong
business with
compelling
long term
opportunity



Challenging global environment



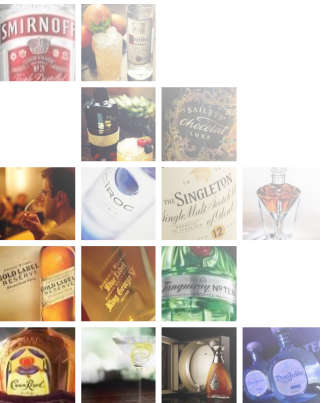
Lack of overarching recovery in the US and Western Europe

Growth slowing in key emerging market economies

Political instability and government intervention affected consumer behaviour in certain markets

Currency volatility distorted trading patterns in some areas

Creating a stronger platform



Completed USL acquisition and now focused on building an iconic business in India

Agreed to acquire the whole of Tequila Don Julio and sold Bushmills

Driving value from our acquisition of Ypióca and Mey İçki

Improved visibility by reducing inventories

Expanded reach and penetration through route to consumer

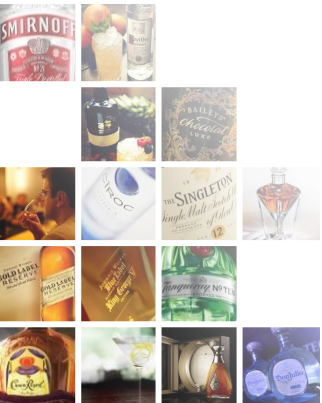
Innovated at scale

Maintained our discipline on costs

Increased focus on cash delivery

New sustainability targets on alcohol in society, communities and environment

Creating a stronger platform



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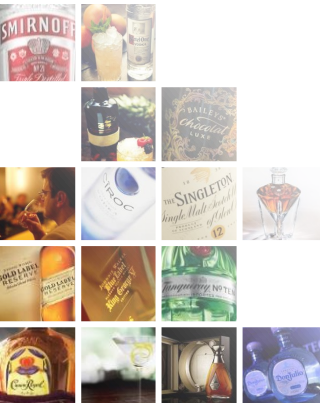
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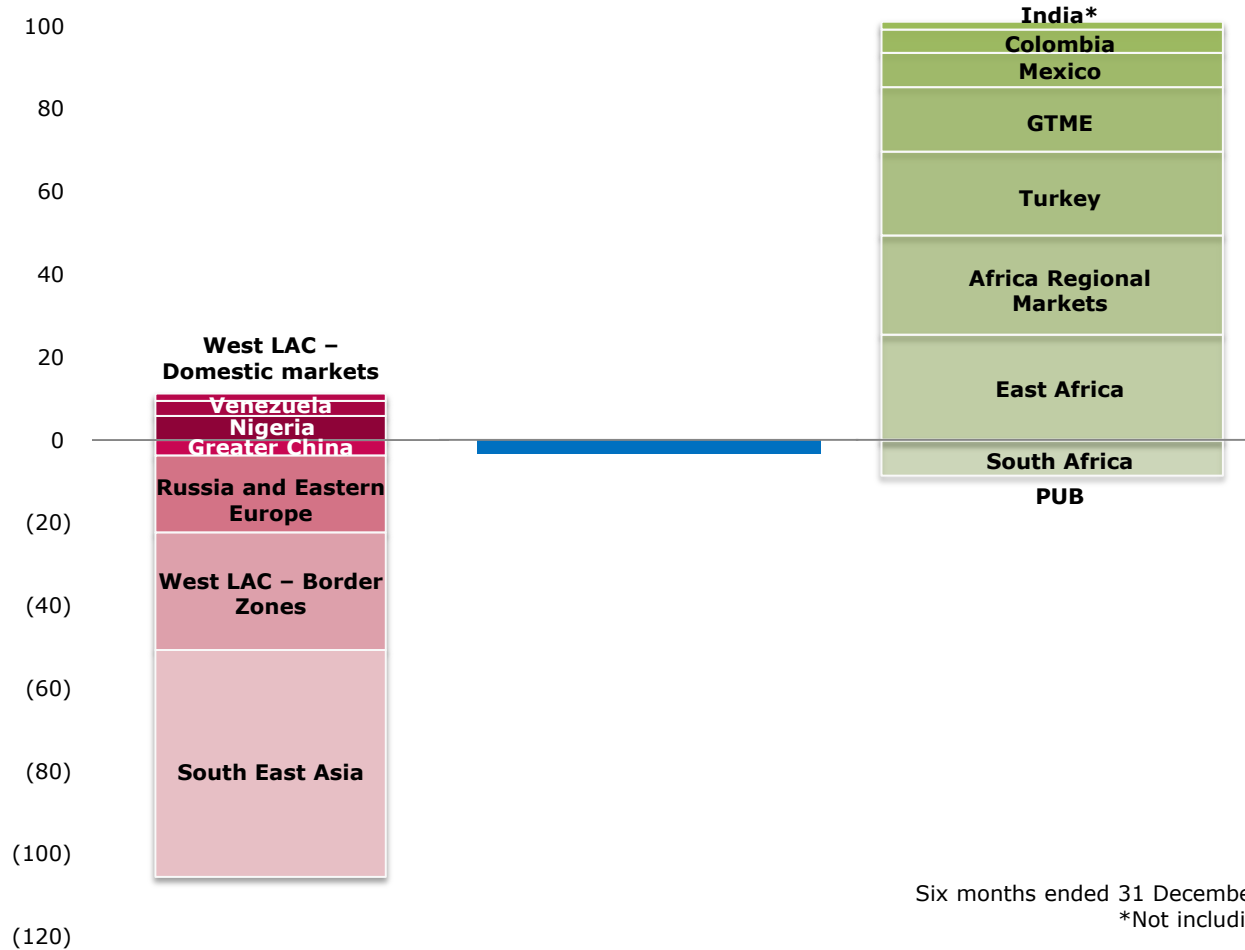
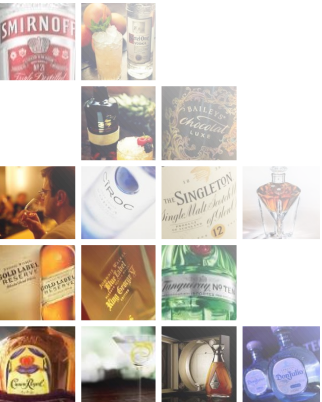
In a global business performance will be mixed across markets



Challenged markets	Developed markets	Growing emerging markets	
South East Asia	US Spirits and Wines	Turkey	
West LAC		PUB	
Venezuela		Mexico	
		Colombia	
Russia and Eastern Europe	Canada	East Africa	
	DGUSA		
China	Western Europe	Africa Regional Markets	
Nigeria			South Africa
			Global Travel Asia and Middle East
	North Asia	India	
	Australia		
16%	61%	23%	

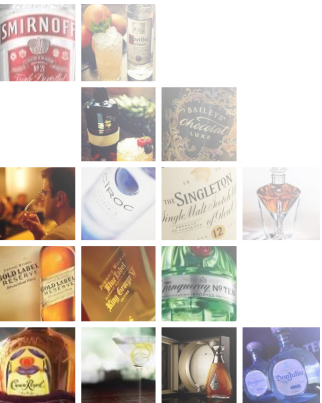
Organic net sales movement (£m)

In a global business performance will be mixed across markets



Six months ended 31 December 2014.
*Not including USL.

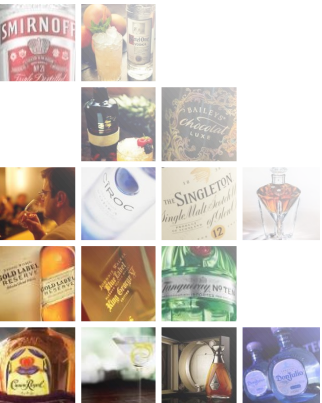
Key markets were impacted by a number of challenges



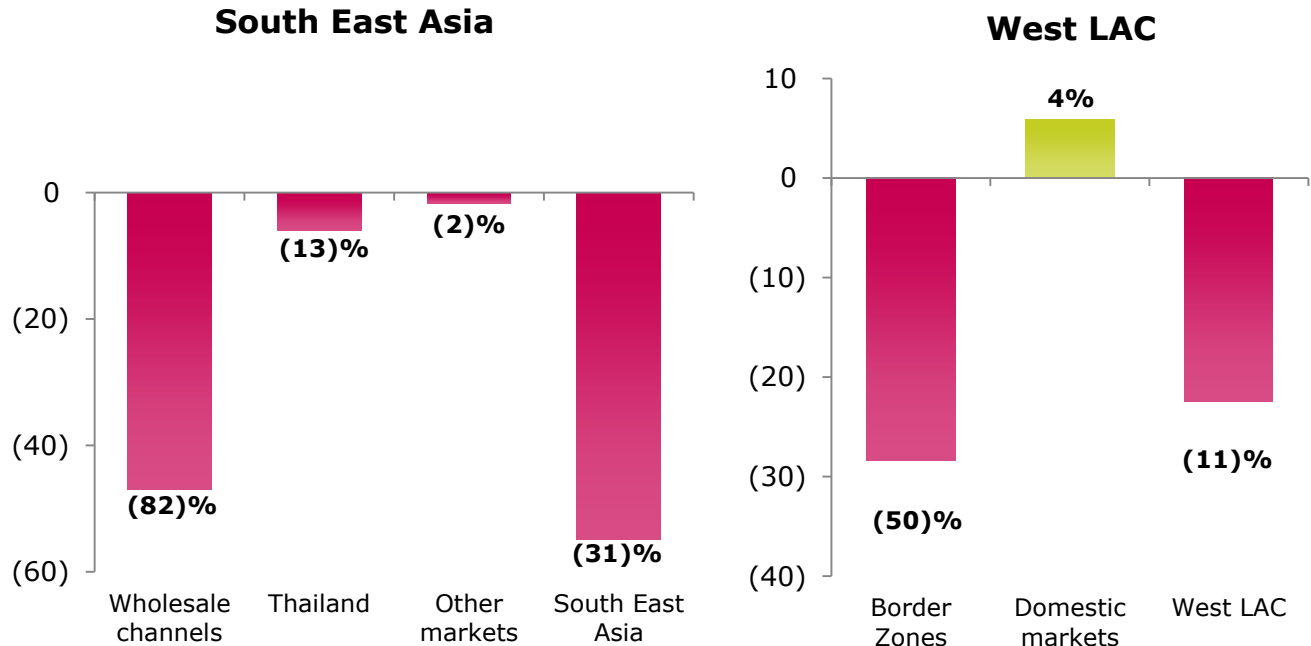
Key markets were impacted by:

- Inventory reductions
- Weak currencies
- Specific challenges in the political environment

Reducing inventories in West LAC and South East Asia will give us greater visibility

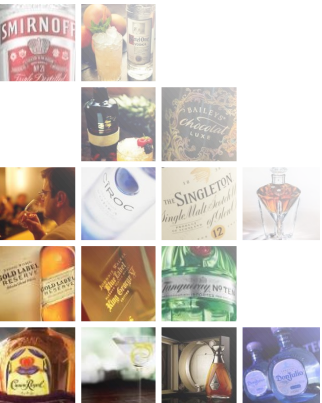


Net sales movements in £m and % growth



Six months ended 31 December 2014. Organic growth.

Strong performance in local brands offset impact of weak currency in Venezuela



PARA BAILAR
SOLO HACEN FALTA GANAS

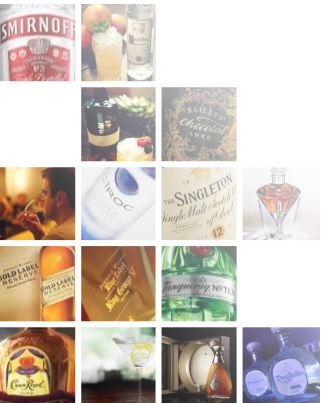
A group of five people (three women and two men) are dancing in a living room. In the foreground, a bottle of Gordon's Vodka is visible. The scene is lit with warm, indoor lighting.

VIVE SIMPLE. VIVE GORDON'S

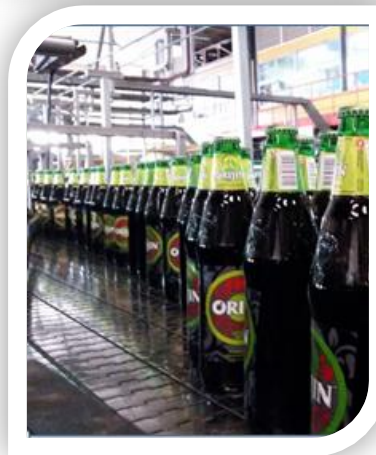
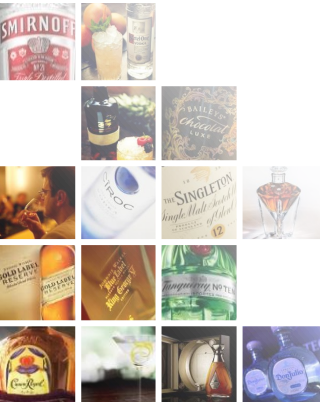
"Cuando tomes, no manejes" DIAGEO. J-30021593-8



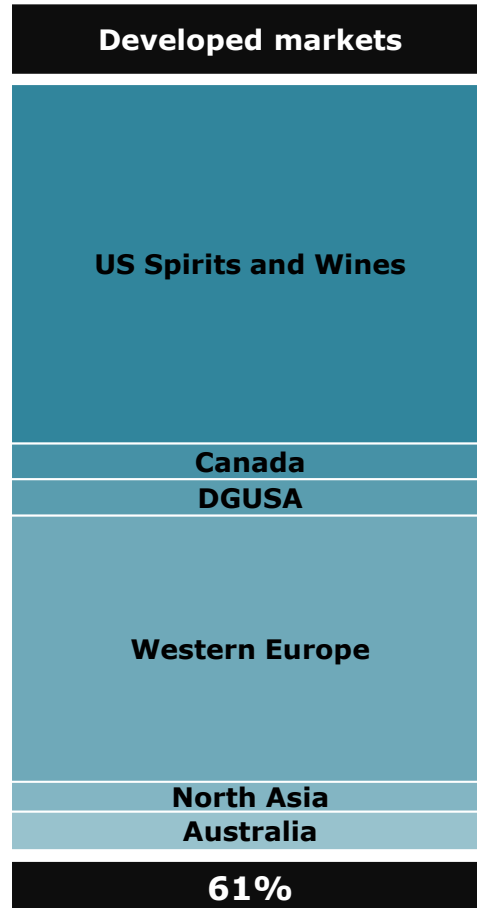
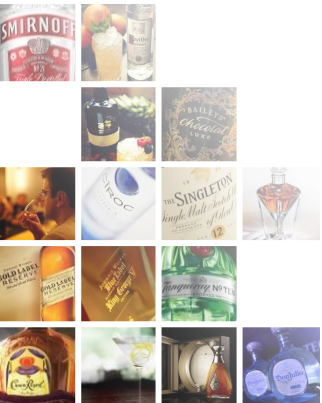
Russia and Eastern Europe and China impacted by the political environment



Improved performance in Nigeria



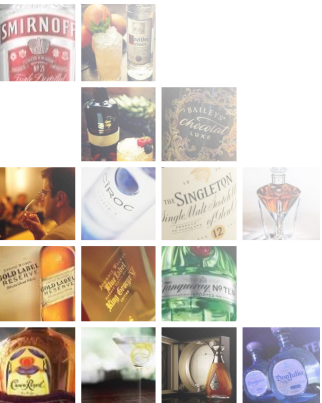
Focus on strategic priorities offsetting weaker macro environments



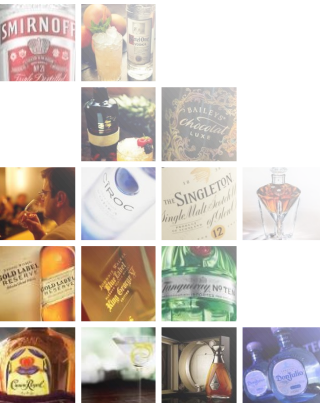
- Building route to consumer
- Innovating at scale
- Winning with reserve

Growth driven by innovation and marketing in the US

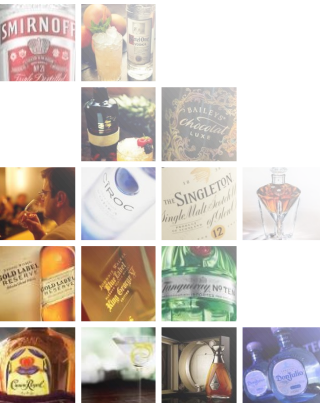
US Spirits & Wines



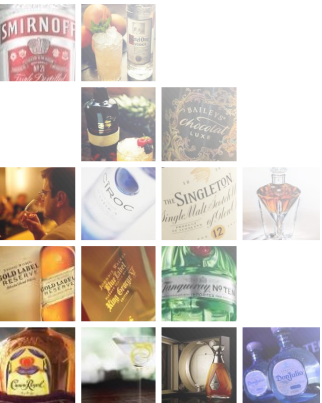
Growth driven
by innovation
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in the US



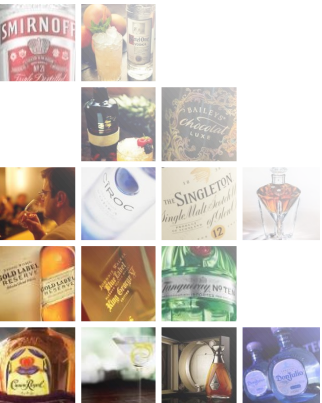
Growth driven
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in the US



Reserve was a key driver for Western Europe



Building on leadership positions in emerging markets

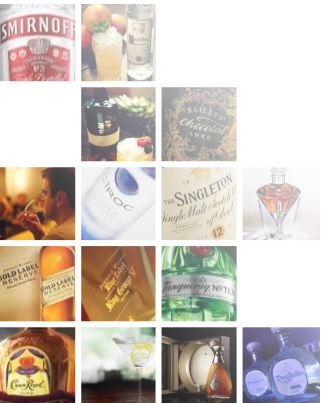


Growing emerging markets

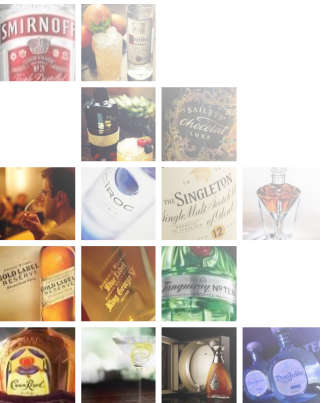
Turkey
PUB
Mexico
Colombia
East Africa
Africa Regional Markets
South Africa
Global Travel Asia and Middle East
India
23%

- Leveraging strength of local distribution and production
- Building strong routes to consumer
- Competitive advantage through breadth of brands and categories
- Innovating to meet consumer needs

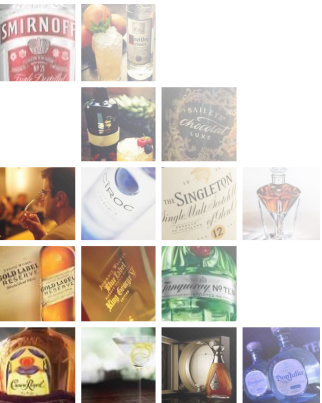
Driving synergy
from Mey İçki
distribution














Establishing a
fit-for-purpose
route to
consumer in
Brazil



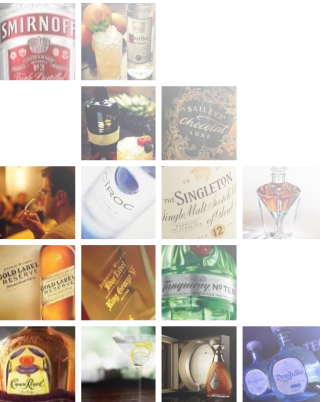
Benefitting from our breadth in scotch in Mexico



Net sales movement
% of total scotch net sales

Value	Standard	Premium	Super Premium	Ultra Premium
	  	  	  	
(47)%	13%	3%	5%	(9)%
>1%	38%	53%	7%	2%

Strength through broad portfolios and local participation strategies



GUINNESS

UP TO
31
DECEMBER

GET BOOKED
& WIN!

GUINNESS
FOREIGN EXTRA
ESTD 1759
WITH GUINNESS

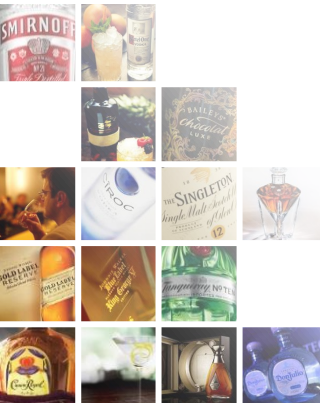
FORWARD TO PERSONS UNDER THE AGE OF 18 YEARS. EXCESSIVE CONSUMPTION IS HARMFUL TO YOUR HEALTH. STRICTLY NOT FOR SALE TO PERSONS UNDER 18. 18+



Enhanced position in tequila and Mexico through Don Julio agreement



- Full management control of Tequila Don Julio in an exciting growth segment of the category
- Enhanced position in Mexico with Smirnoff rights returning
- Realised through sale of Bushmills



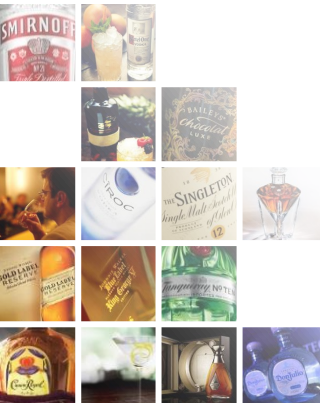
United Spirits – building an iconic Indian company

Indian **consumer fundamentals are strong** – growing population with expanding incomes; western style spirits is the biggest category

Nationwide distribution and **production** – 64,000 outlets; 32 production sites

Strong team in place

Broadest portfolio of IMFL and international brands



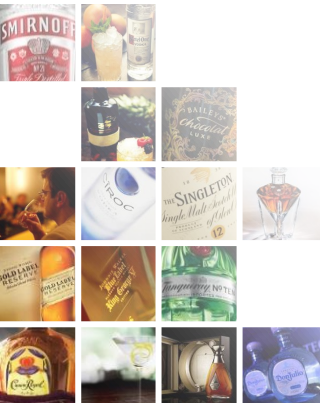
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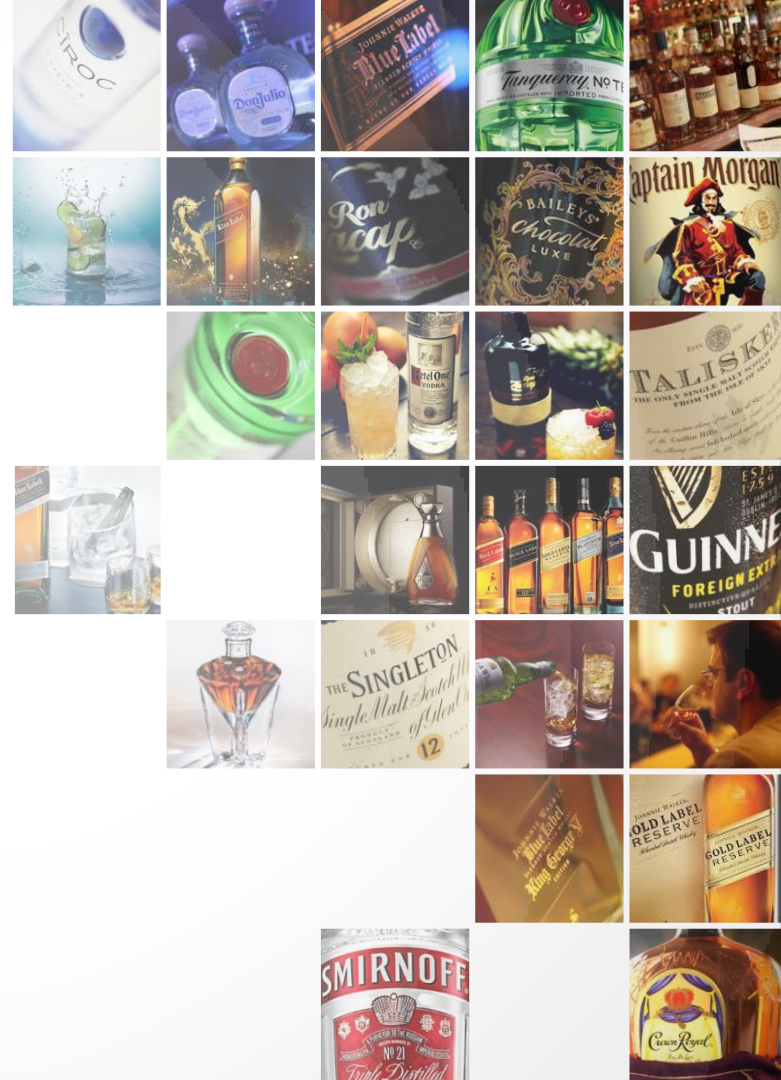
Broadest portfolio of IMFL and international brands



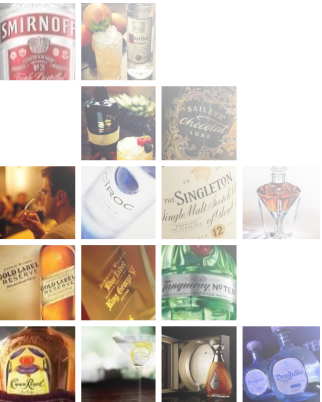
DIAGEO

DEIRDRE MAHLAN

CFO



A strong business managing a challenging environment



Net sales flat

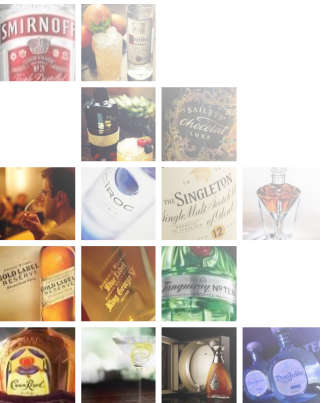
2 pps of **positive price/mix**

Global efficiency programme on track and drove operating margin improvement of 28 bps

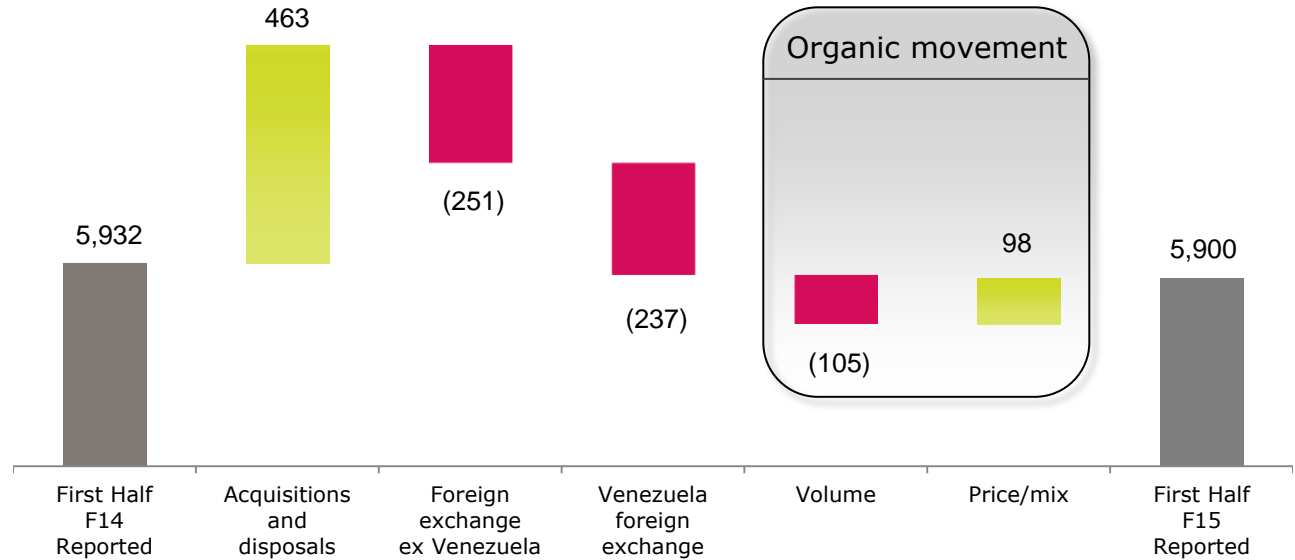
Cost efficiencies reinvested in brand and route to consumer

Cash delivery improved

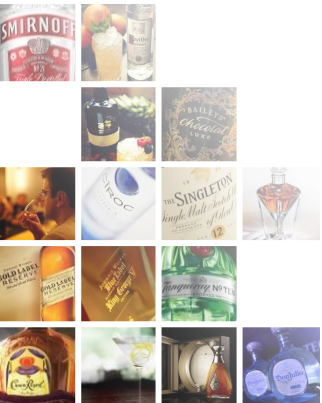
Reported net sales were down 0.5%



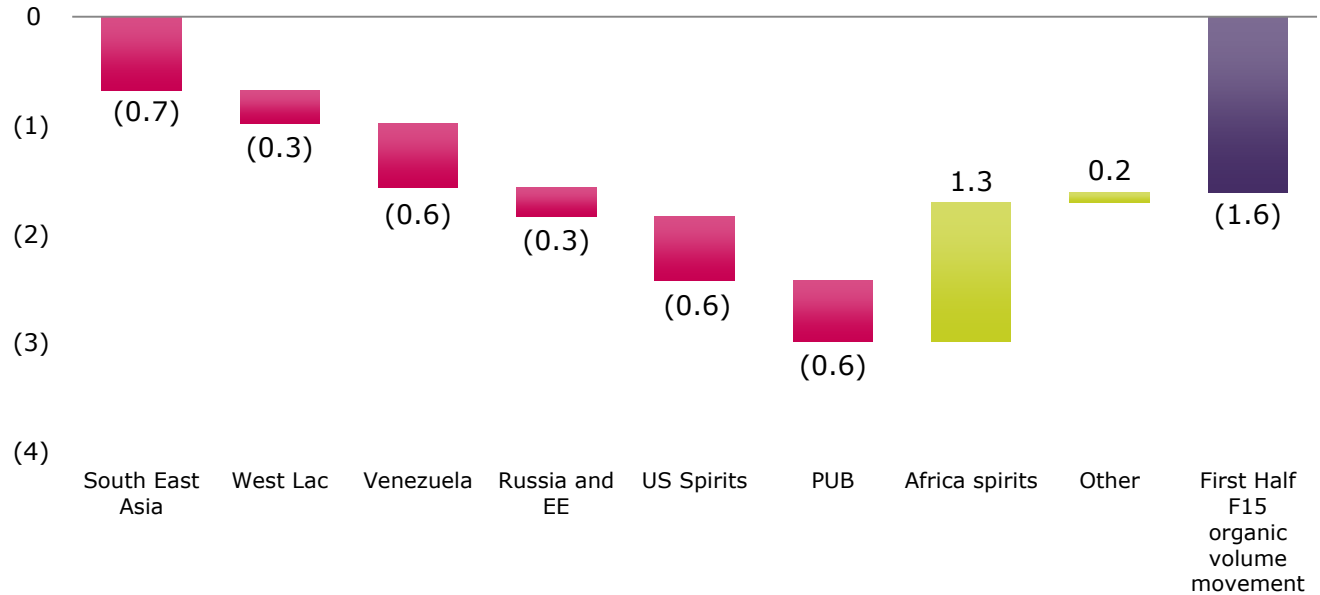
Net sales movement (£m)



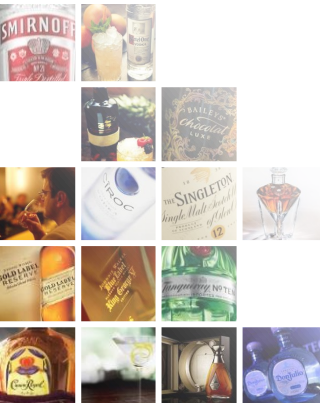
Weakness in challenged markets and on standard priced brands in the US impacted volumes



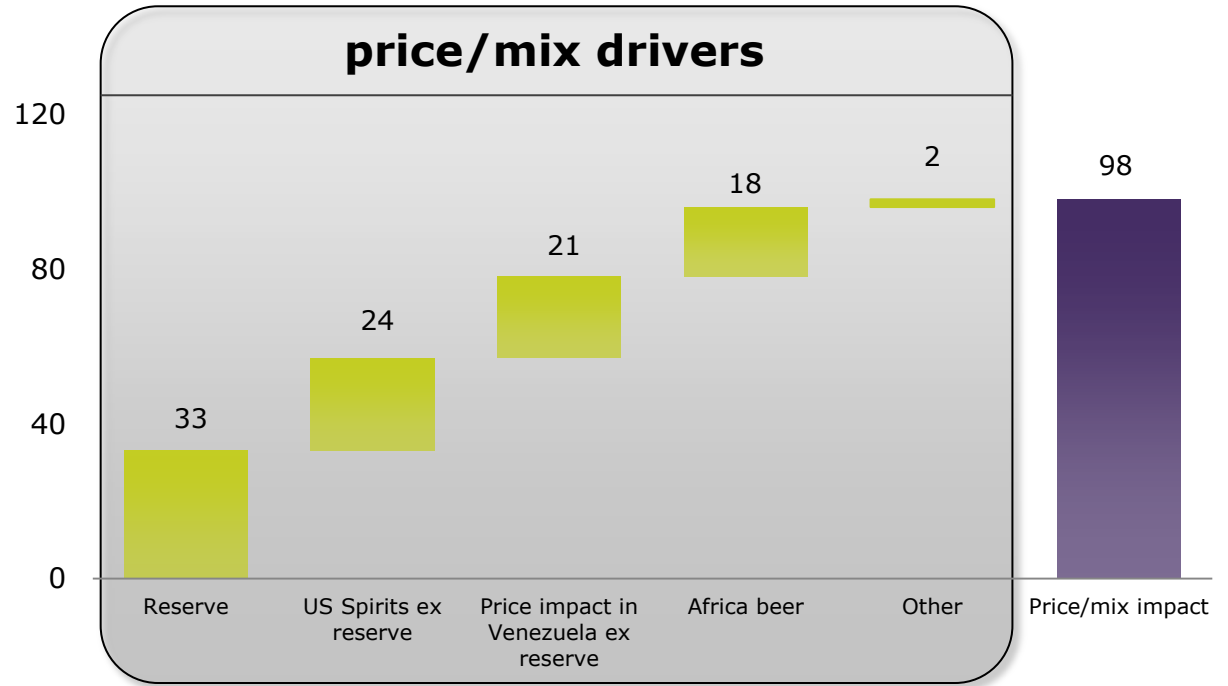
Organic volume movement (mEU)



**Volume decline
offset by 2pps
of positive
price/mix**

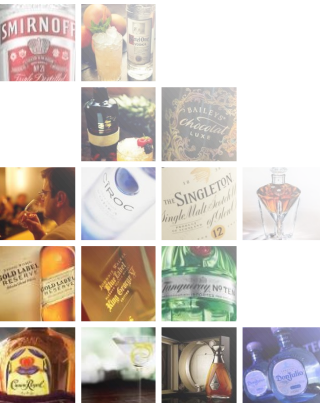


Price/mix impact on net sales (£m)

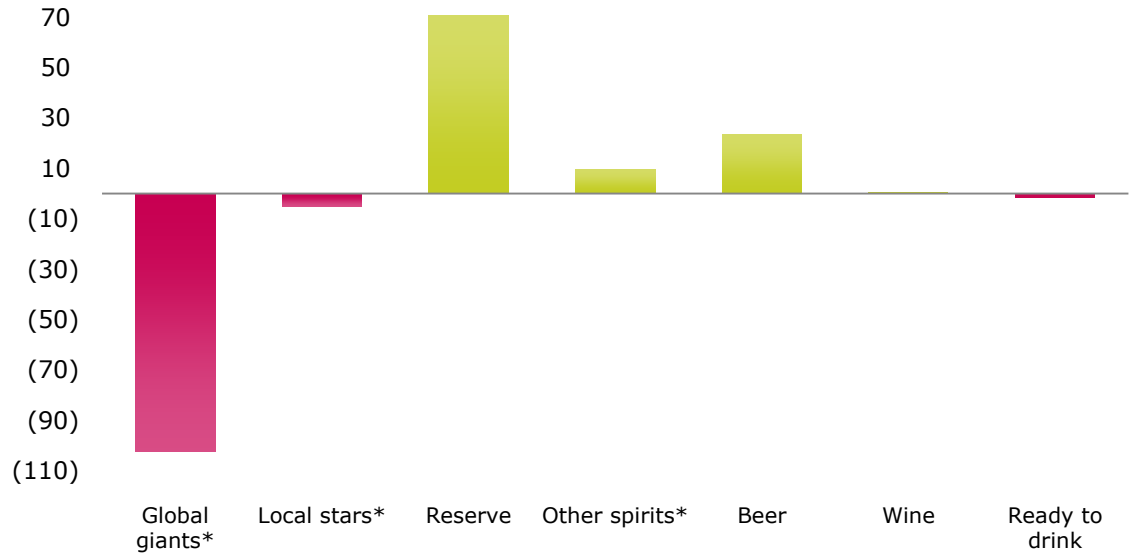


Six months ended 31 December 2014. Organic growth.

Johnnie Walker impacted by inventory reduction in SEA and West LAC, reserve momentum continues



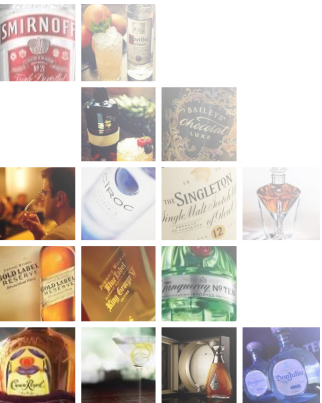
Net sales movements (£m, %)



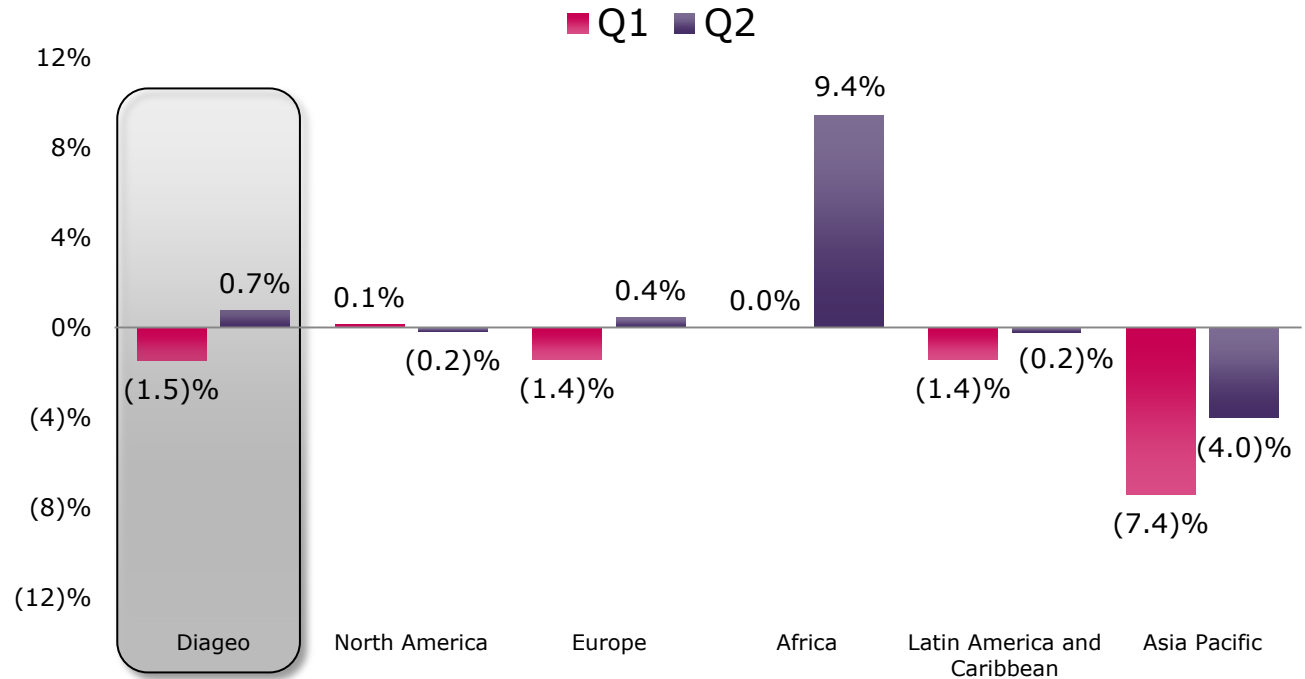
Net sales growth	(6)%	(1)%	10%	2%	2%	0%	(1)%
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Six months ended 31 December 2014. Organic growth.
*Excludes reserve brands which are separately shown.

Improved momentum in the second quarter as two thirds of markets improve performance

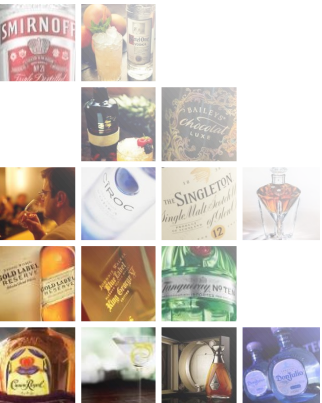


Quarterly net sales growth (%)

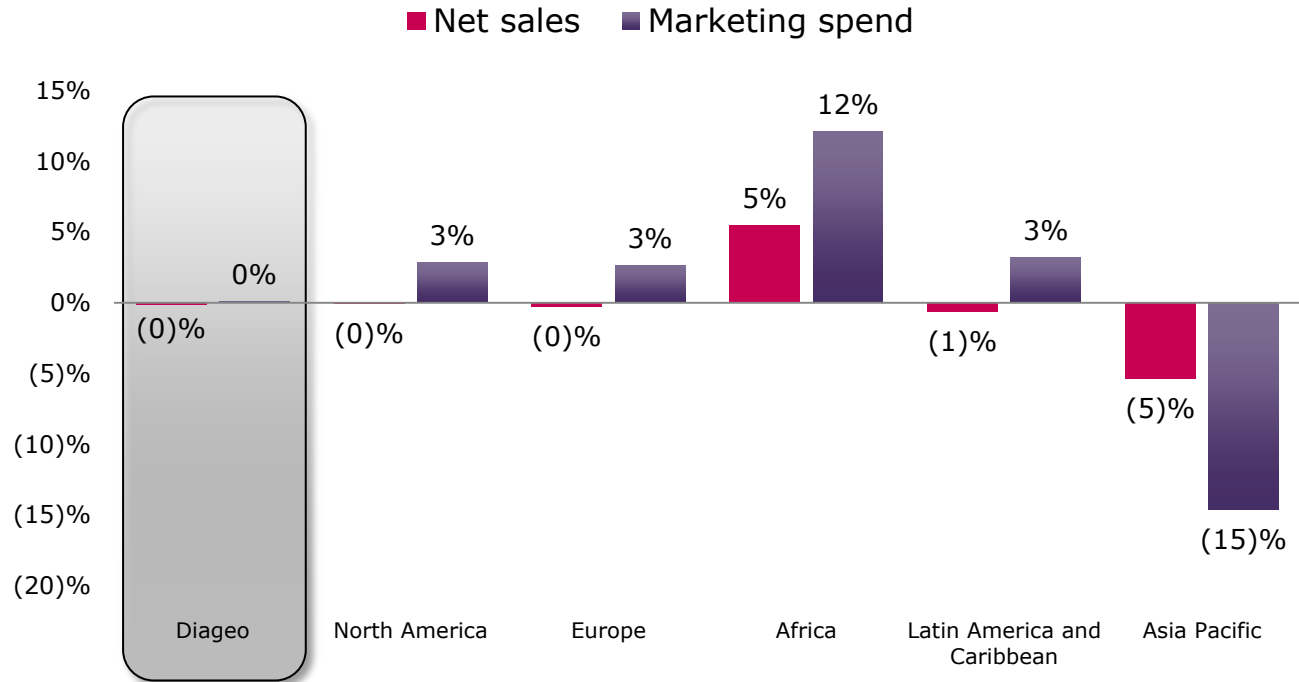


Six months ended 31 December 2014. Organic growth.

Marketing spend was reprioritised in Asia Pacific and increased elsewhere

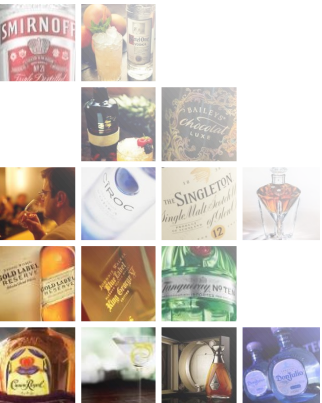


Net sales and marketing spend growth (%)

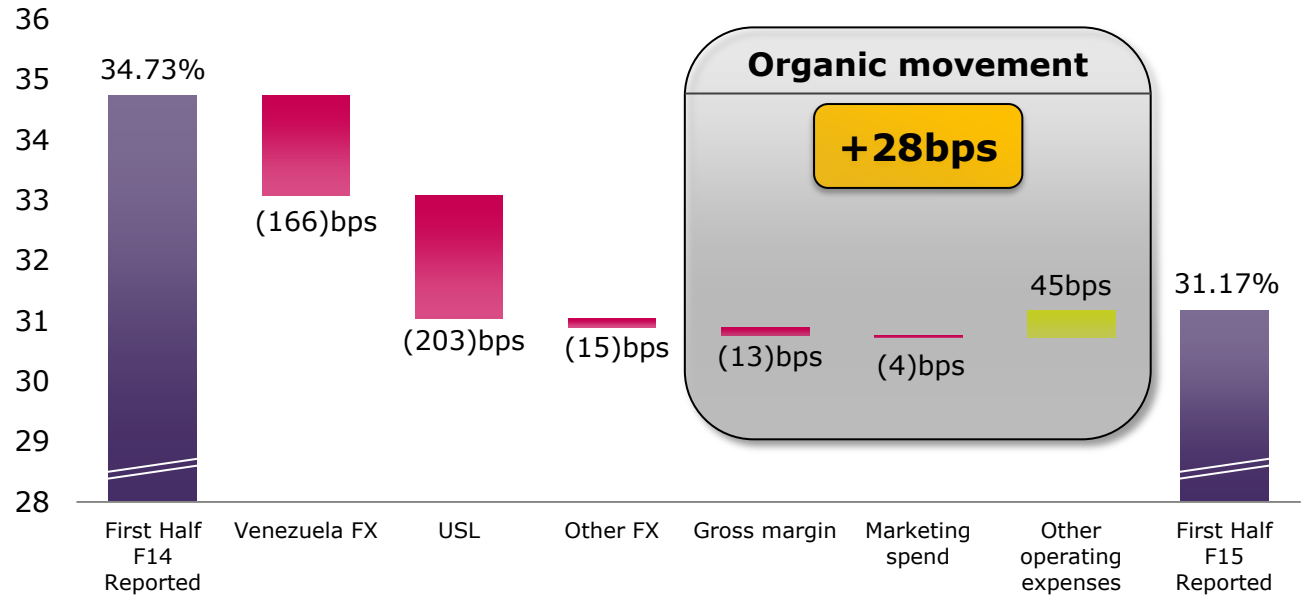


Six months ended 31 December 2014. Organic growth.

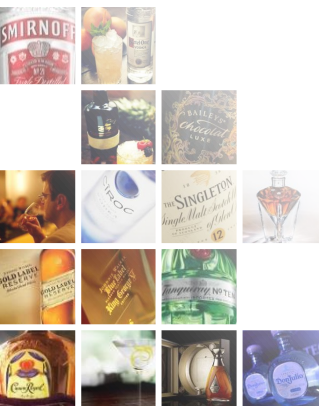
Cost savings on track and driving margin expansion



Operating margin (% and bps)



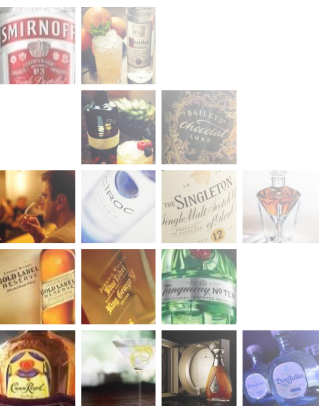
**Adverse FX,
largely related
to Venezuela,
reduced
operating profit**



£m	First Half F14	First Half F15	Movement
Operating profit*	2,060	1,839	(221)
Associate income net of tax	181	113	(68)
Trading profit*	2,241	1,952	(289)

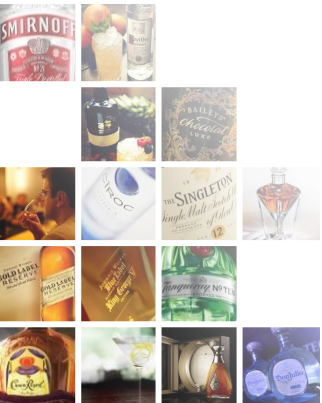
Six months ended 31 December.
*Excluding exceptional items.

Financial strength results in a lower effective interest rate

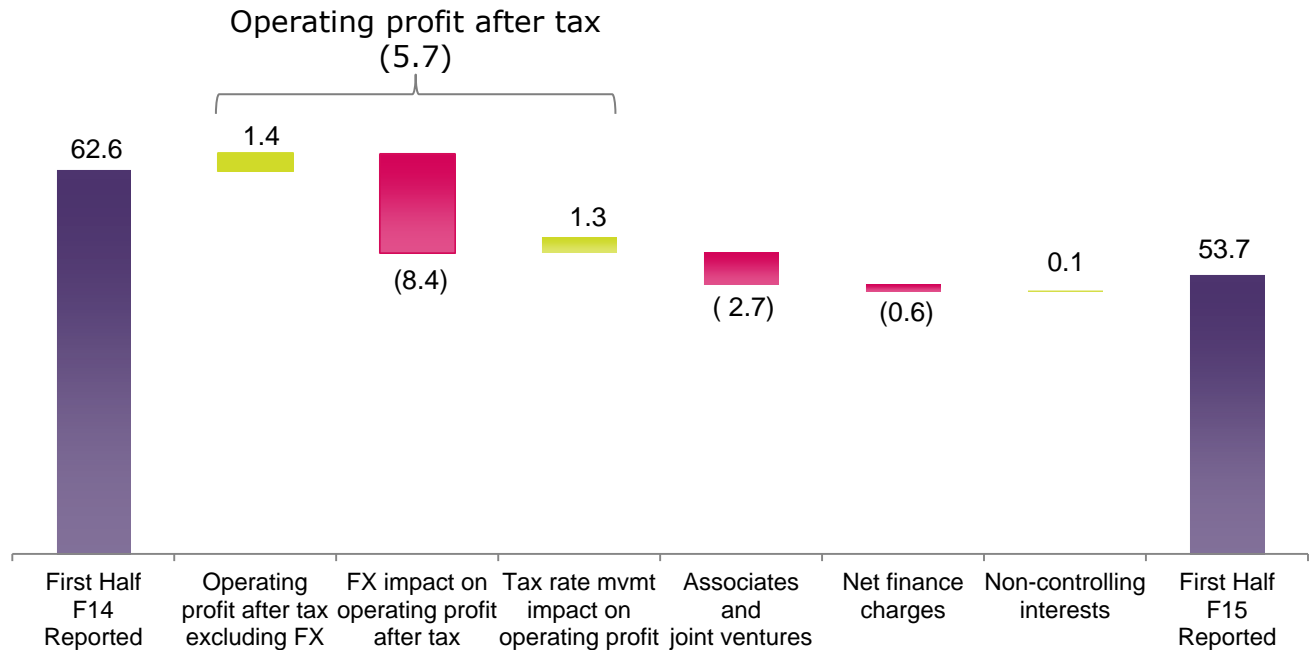


		<i>First Half F14</i>	<i>First Half F15</i>	<i>Movement</i>
Average net debt	£m	(9,160)	(10,698)	(1,538)
Net interest charge	£m	(188)	(194)	(6)
Net other finance charge	£m	(37)	(45)	(8)
Net finance charges	£m	(225)	(239)	(14)
Effective interest rate	%	4.1%	3.7%	

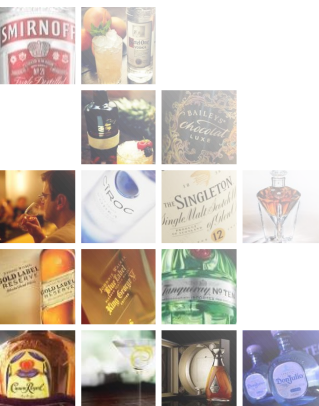
Eps down due to adverse foreign exchange



Earnings per share before exceptional items (pence)



Free cash flow increased to £699m, interim dividend up 9%



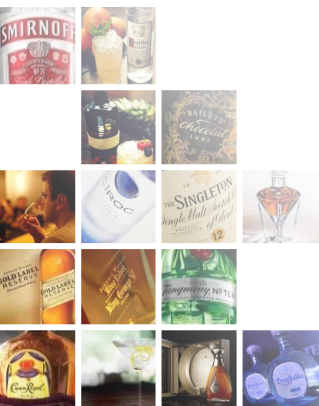
£m	First Half F14	First Half F15	Movement
Operating profit*	2,256	1,904	(352)
Working capital movement	(913)	(459)	454
Net capex	(279)	(228)	51
Net interest	(275)	(186)	89
Tax	(288)	(192)	96
Contribution to pension funds	(182)	(90)	92
Other operating activities**	7	(13)	(20)
USL	-	(37)	(37)
Free cash flow	326	699	373

Six months ended 31 December.

*Operating profit is adjusted with non-cash items and excludes pension related payments.

**Other operating activities include dividends received, movements in loans and Thalidomide one-off payment.

Free cash flow increased to £699m, interim dividend up 9%



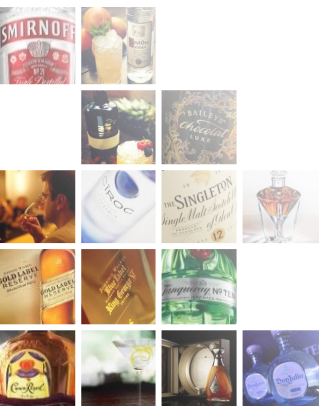
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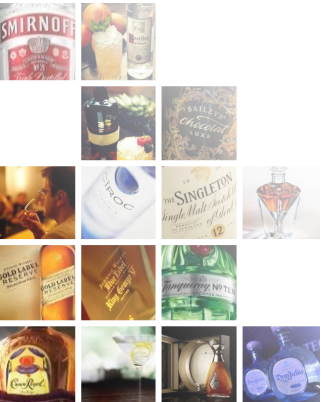
**Other operating activities include dividends received, movements in loans and Thalidomide one-off payment.

Exceptional items incurred in the half



£m	First Half F14	First Half F15	Movement
Business restructuring	(20)	(26)	(6)
Other operating exceptionals	-	(145)	(145)
Operating exceptional items pre tax	(20)	(171)	(151)
Exceptional non operating items	138	98	(40)
Tax on exceptional items	3	38	35
Discontinued operations net of tax	(92)	-	(92)
Net exceptional items post tax	29	(35)	(64)
Cash payments on exceptional restructuring programmes	(41)	(62)	(21)

**A strong
business
managing a
challenging
environment**



Net sales flat

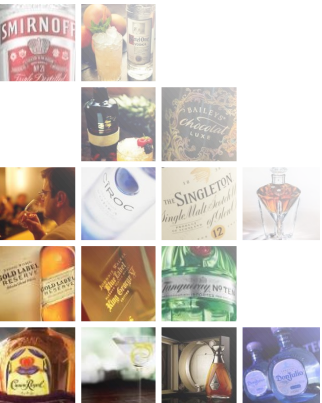
2 pps of **positive price/mix**

Global efficiency programme on track and drove
operating margin improvement of 28 bps

Cost efficiencies reinvested in brand and route to consumer

Improved cash delivery

A strong business we are making stronger



Results demonstrate **strength in a challenged environment**: share gains; growth through innovation, winning in reserve and growth in a number of emerging markets

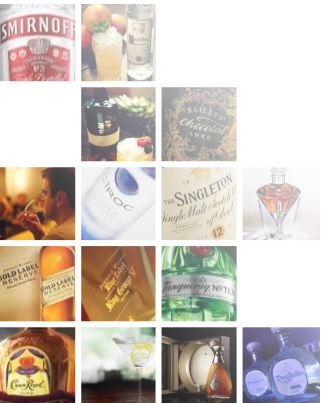
Enhancing our position through organic and inorganic growth

Moving quickly to **improve areas of challenge**

Focus on sell out led to depletions ahead of shipments

Good momentum into H2

Outlook statements



Exchange rate movements

Using current exchange rates (£1 = \$1.50; £1 = €1.34), the exchange rate movements for the year ending 30 June 2015 are estimated to adversely impact net sales and operating profit by approximately £120 million and £85 million respectively, and increase net finance charges by £10 million.

Hyperinflation

It is estimated that the hyperinflation charge for the year ending 30 June 2015 will be approximately £60 million.

Capital expenditure

Capital expenditure is expected to be around £650 to £700 million, somewhat dependent on spend relating to USL.

Exceptional operating items

In the second half of the year we expect to incur an operating charge of £83 million in relation to the global efficiency programme that we announced in January 2014 and the supply excellence programme. Cash payments related to restructuring programs are expected to be approximately £120 million in the second half.

Organisational changes announced in January 2014:

Savings of £200 million a year by year ending 30 June 2017 will fund future change programmes, investment in growth and improved margin. Of the £200 million of total savings about £50 million of this will be reinvested in the business.

Reconciliation of cash flow movements shown on slides 39 and 40

Statement of cash flows (£m)

	First Half F14	First Half F15	First Half 15 USL	First Half F15 ex USL	Movement ex USL
Operating profit after exceptional items	2,040	1,668	30	1,638	(402)
Net increase in working capital	(913)	(477)	(18)	(459)	454
Depreciation, amortisation and impairment	186	190	7	183	(3)
Dividends received	8	10		10	2
Post employment payments less amounts included in operating profit	(122)	(32)	(5)	(27)	95
Other Items	(30)	20		20	50
Net interest	(275)	(224)	(38)	(186)	89
Taxation paid	(288)	(198)	(6)	(192)	96
Net capex	(279)	(234)	(6)	(228)	51
Movement in loans and other investments	(1)	(24)	(1)	(23)	(22)
Free Cash Flow	326	699	(37)	736	410

USL free cash flow for the period ended 31 December 2014 is shown separately.

Movement on operating profit as shown on slides 39 and 40

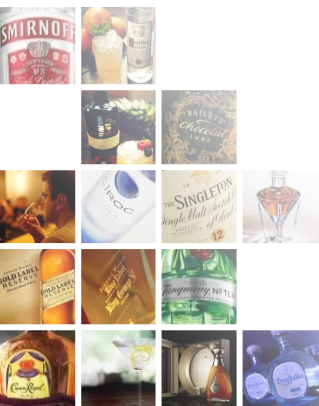
Operating profit after exceptional items	as above	(402)
Depreciation, amortisation and impairment	as above	(3)
Other items	as above	50
Post employment payments		3
Operating profit movement		(352)

Movement on contribution to pension charges as shown on slides 39 and 40

Post employment payments	as above	95
Included in operating profit movement		(3)
Contribution to pension funds movement		92

Movement on other operating activities as shown on slides 39 and 40

Movement in loans and other investments	as above	(22)
Dividends received		2
Other operating activities		(20)



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, 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.

These factors include, but are not limited to:

- 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;
- 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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