

DIAGEO

Delivering *sustainable* *long-term* growth

CAGNY 2023

Ivan Menezes, Chief Executive Officer

Lavanya Chandrashekar, Chief Financial Officer

23 February 2023

Celebrating **25** *years*

Cautionary statements concerning forward-looking statements and non-GAAP financial measures

This presentation contains ‘forward-looking’ statements. These 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, objectives and projections with respect to future matters, including the statements related to Diageo’s fiscal 23 outlook, Diageo’s medium-term guidance for fiscal 23 to fiscal 25 and any other statements with respect to trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to Diageo, anticipated cost savings or synergies, expected investments, the completion of any strategic transactions or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation or regulatory enquiries, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control.

These factors include, but are not limited to: (i) economic, political, social or other developments in countries and markets in which Diageo operates, including macroeconomic events that may affect Diageo’s customers, suppliers and/or financial counterparties; (ii) the impact of the Covid-19 pandemic, or any other global or regional public health threats, on Diageo’s business, financial condition, cash flows and results of operation; (iii) the elevated geopolitical instability as a result of Russia’s invasion of Ukraine; (iv) the effects of climate change, or legal, regulatory or market measures intended to address climate change; (v) changes in consumer preferences and tastes, including as a result of disruptive market forces, changes in demographics and evolving social trends (including any shifts in consumer tastes towards at-home occasions, premiumisation, small-batch craft alcohol, or lower or no alcohol products and/or developments in e-commerce); (vi) changes in the domestic and international tax environment that could lead to uncertainty around the application of existing and new tax laws and unexpected tax exposures; (vii) changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy due to inflation and/or supply chain disruptions; (viii) any litigation or other similar proceedings (including with tax, customs, competition, environmental, anti-corruption or other regulatory authorities); (ix) legal and regulatory developments, including changes in regulations relating to environmental issues and/or e-commerce; (x) the consequences of any failure of internal controls; (xi) the consequences of any failure by Diageo or its associates to comply with anti-corruption, sanctions, trade restrictions or similar laws and regulations, or any failure of Diageo’s related internal policies and procedures to comply with applicable law or regulation; (xii) cyber-attacks or any other disruptions to core business operations; (xiii) contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo’s brands and adversely impact its sales; (xiv) Diageo’s ability to maintain its brand image and corporate reputation or to adapt to a changing media environment; (xv) increased competitive product and pricing pressures, including as a result of introductions of new products or categories that are competitive with Diageo’s products and consolidations by competitors and retailers; (xvi) increased costs for, or shortages of, talent, as well as labour strikes or disputes; (xvii) Diageo’s ability to derive the expected benefits from its business strategies, including Diageo’s investments in e-commerce and its luxury portfolio; (xviii) fluctuations in exchange rates and/or interest rates; (xix) a tightening of global financial conditions, including an extended period of constraint in the capital markets which Diageo may access; (xx) movements in the value of the assets and liabilities related to Diageo’s pension plans; (xxi) Diageo’s ability to renew supply, distribution, manufacturing or licence agreements (or related rights) and licences on favourable terms, or at all, when they expire; or (xxii) any failure by Diageo to protect its intellectual property rights.

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 cautionary factors and by the ‘Risk Factors’ included in Diageo’s Annual Report on Form 20-F for the year ended 30 June 2022 filed with the US Securities and Exchange Commission (SEC). 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 with regard thereto or any changes in events, conditions or circumstances on which any such statement is based.

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This presentation includes financial measures which are not presented in Diageo’s financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and are considered “non-GAAP financial measures” under SEC rules. Please refer to the section “Definitions and reconciliations of non-GAAP measures to GAAP measures” set out at the end of this presentation.

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

OUR BUSINESS IS

36%

*bigger on a
constant basis
than 2019¹*

Key Metrics F23 H1

Organic net sales
value growth

↑ +9.4%

NSV CAGR
F19 H1 -F23 H1 ↑ +8%

Organic operating
profit growth

↑ +9.7%

Free cash flow

£0.8_{bn}

↓ -£0.8_{bn}

Interim dividend per share

30.83_p

↑ +5%

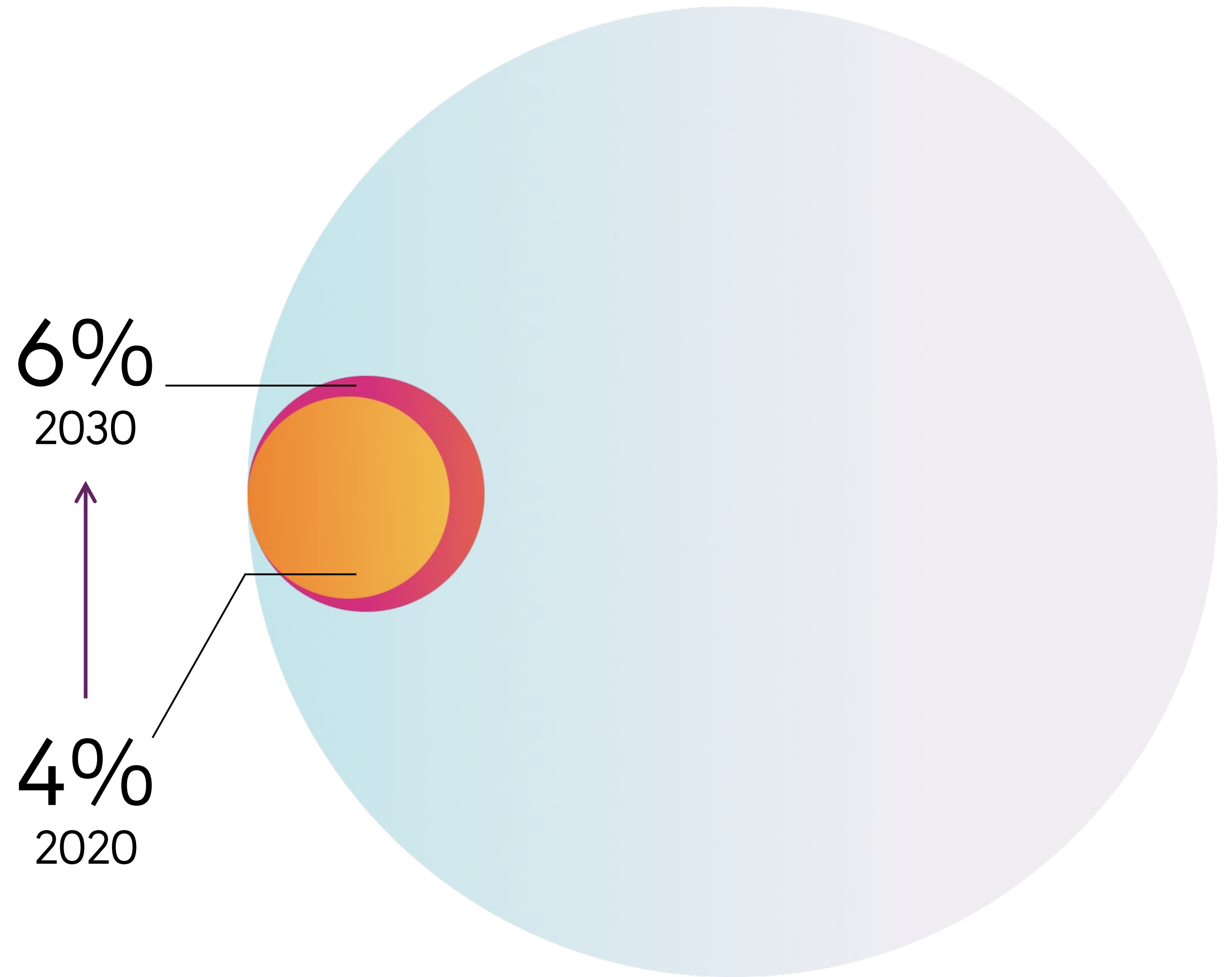
Confident in our
strategy and ability
to deliver
*sustainable long-
term growth*

- ✓ TBA opportunity is large, growing and resilient¹
- ✓ Our portfolio is well-positioned in fast-growing categories and premium+ price segments
- ✓ Our advantaged footprint accelerates growth and drives resilience
- ✓ Our growth algorithm and disciplined approach to capital allocation are working, and we have outperformed the CPG sector consistently
- ✓ Our core capabilities and culture are a competitive advantage
- ✓ Our operating excellence enables us to deliver reliable, consistent results

Diageo has
significant
growth opportunity

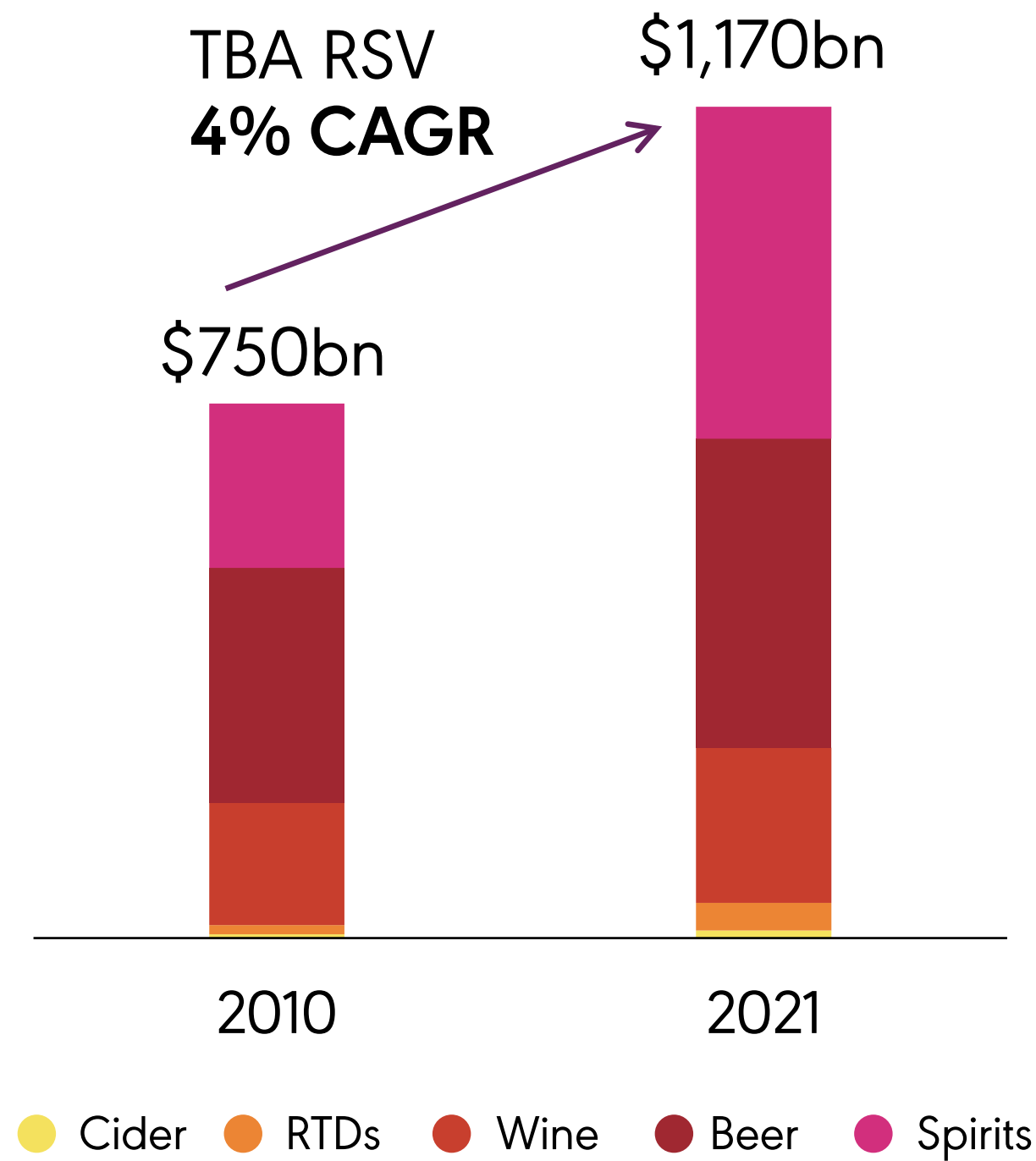
~50%

Our 2030 ambition is to increase
Diageo's TBA market share to
6% from 4% in 2020^{1,2}

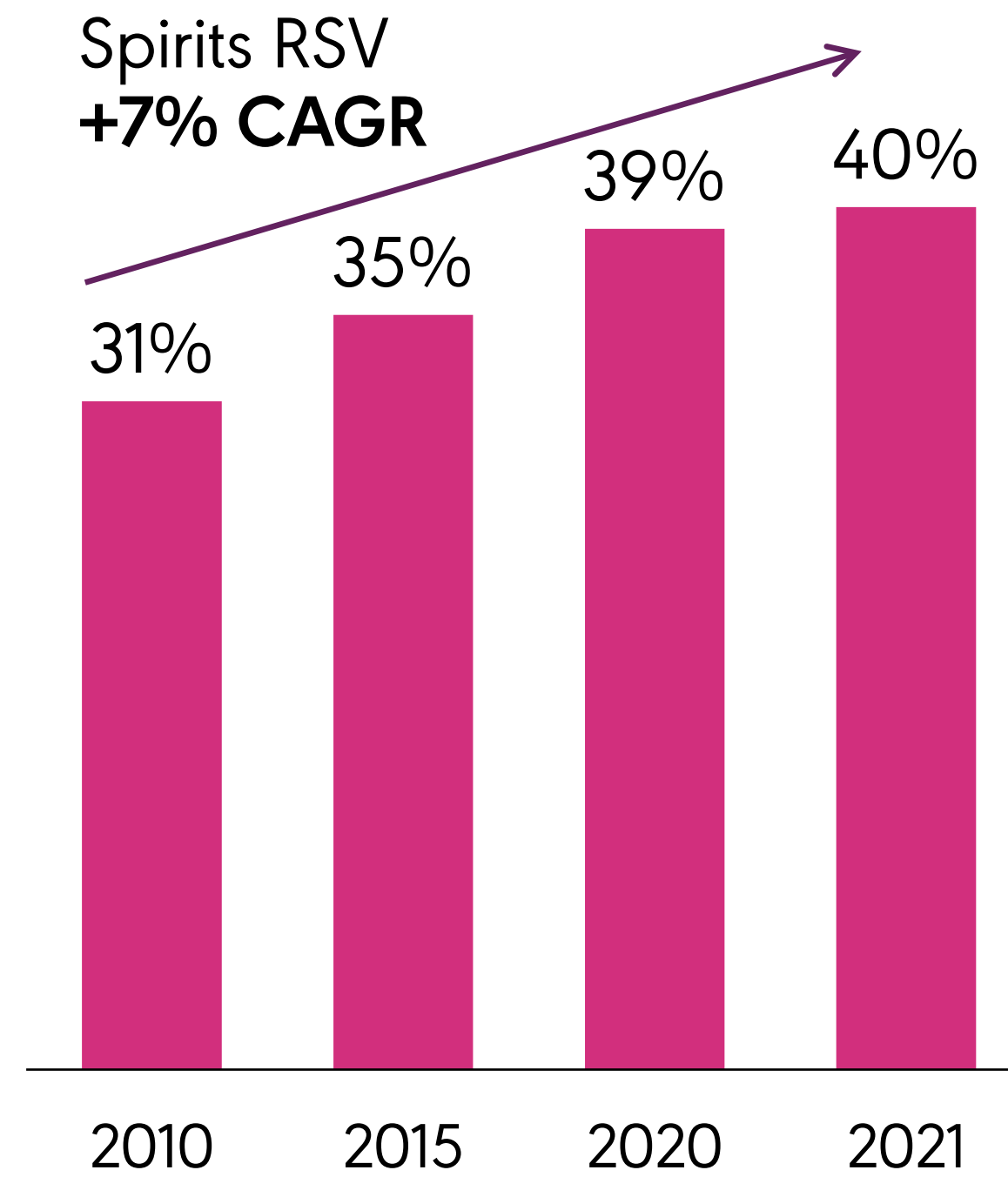


Healthy TBA growth with *spirits growing faster* driven by *premiumisation*

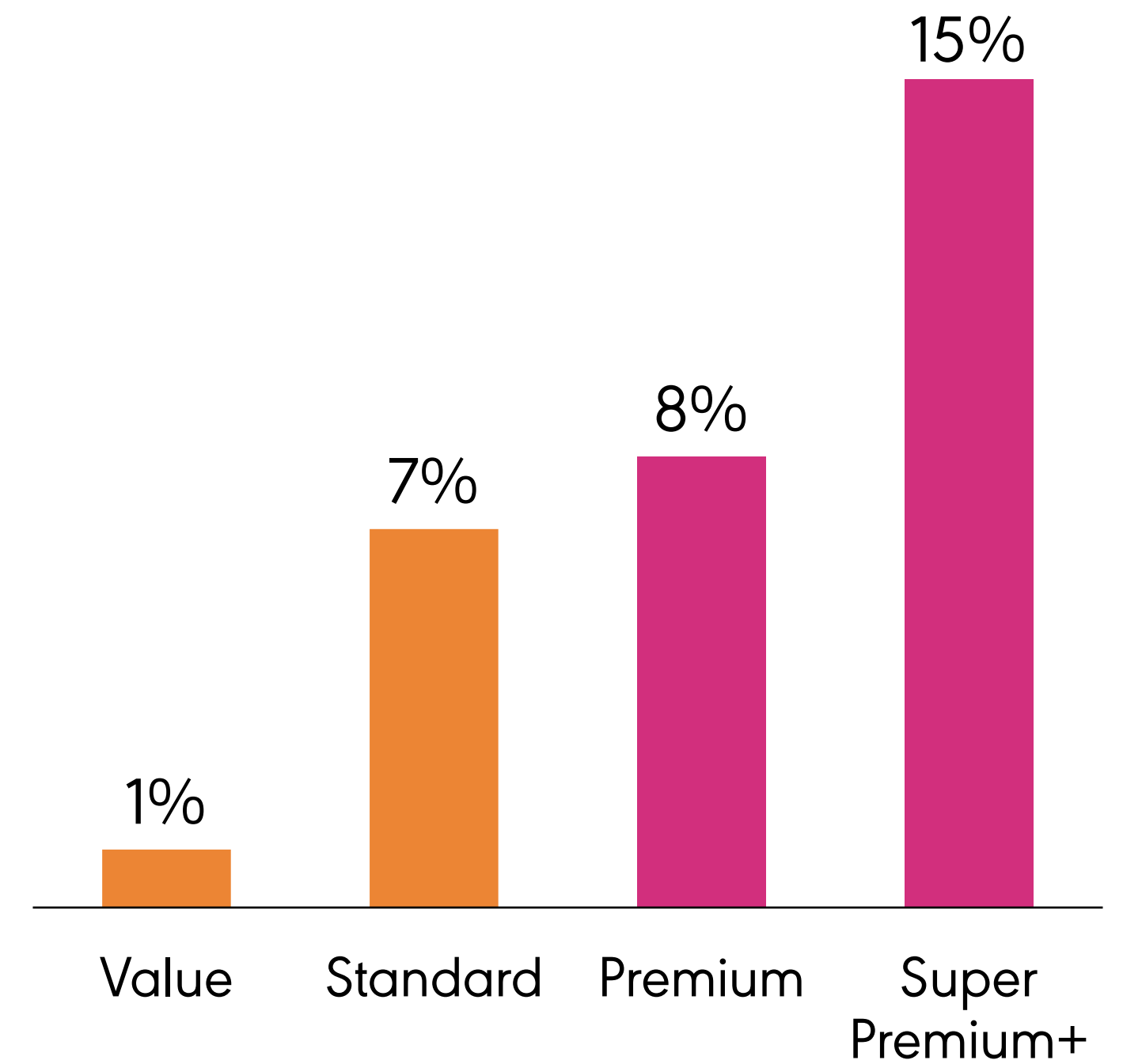
TBA RSV¹ by category



Spirits share of TBA

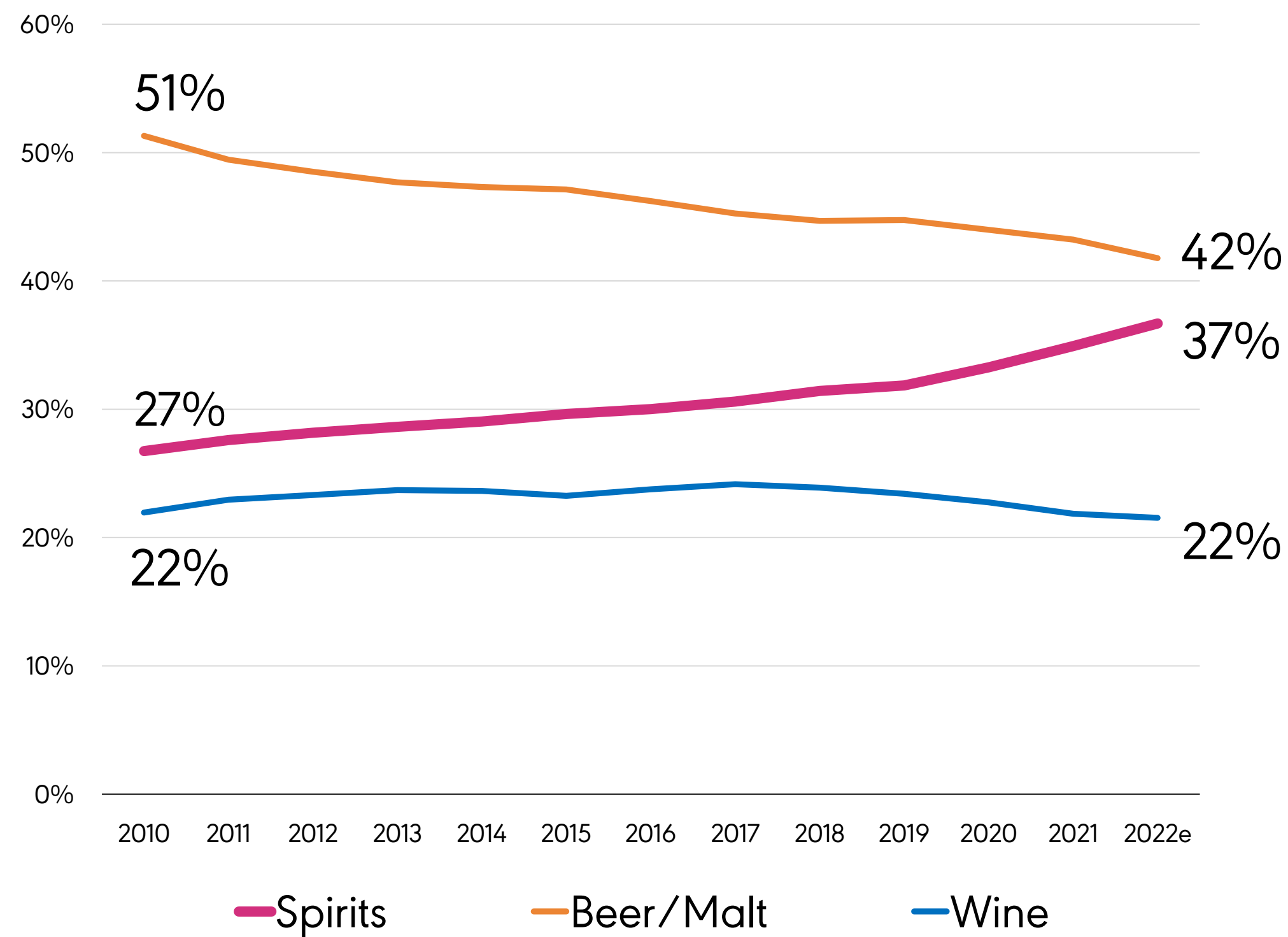


Spirits RSV growth by price point
CAGR 2010-2021

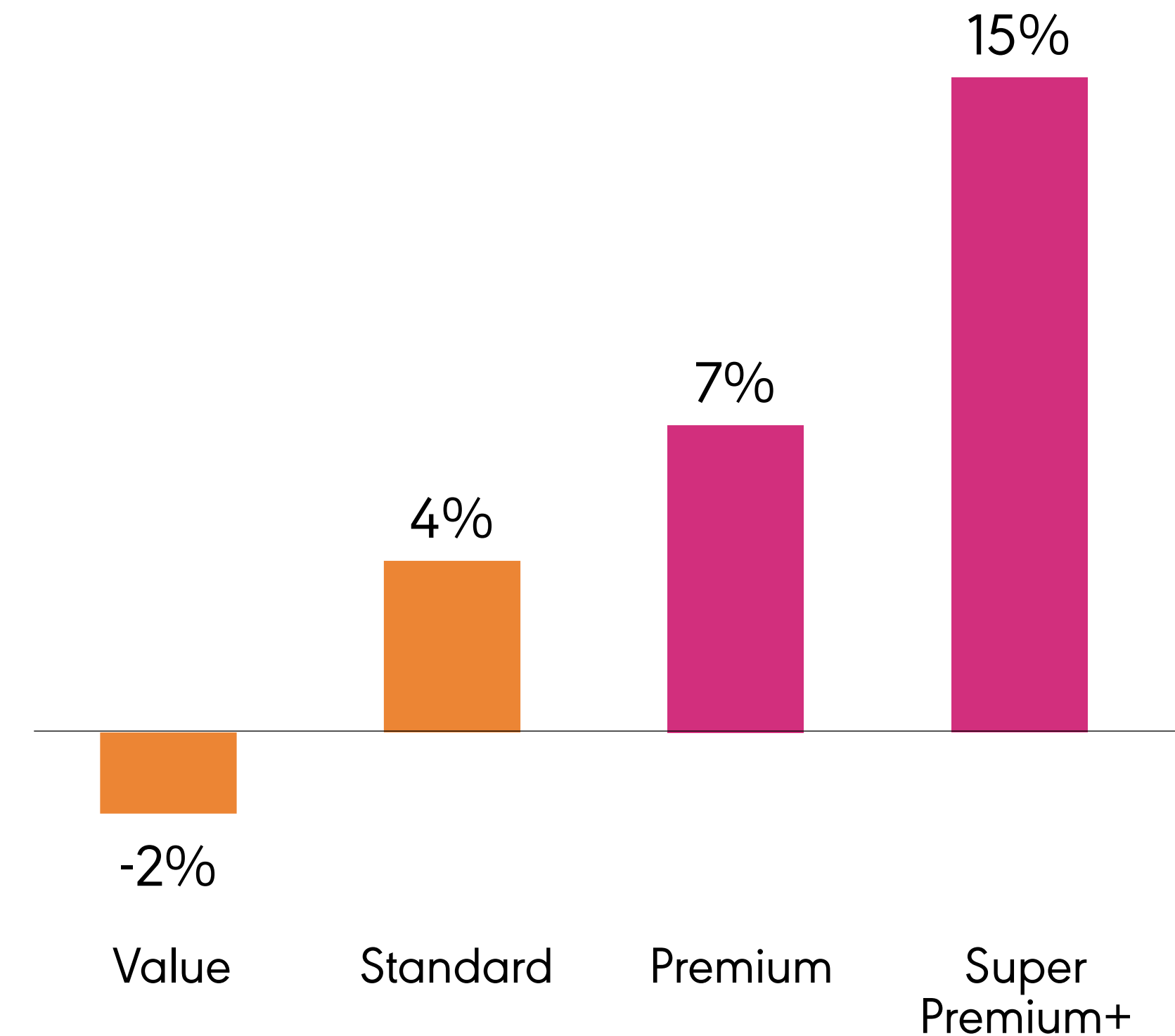


US spirits consistently gaining share of TBA and *premiumising*

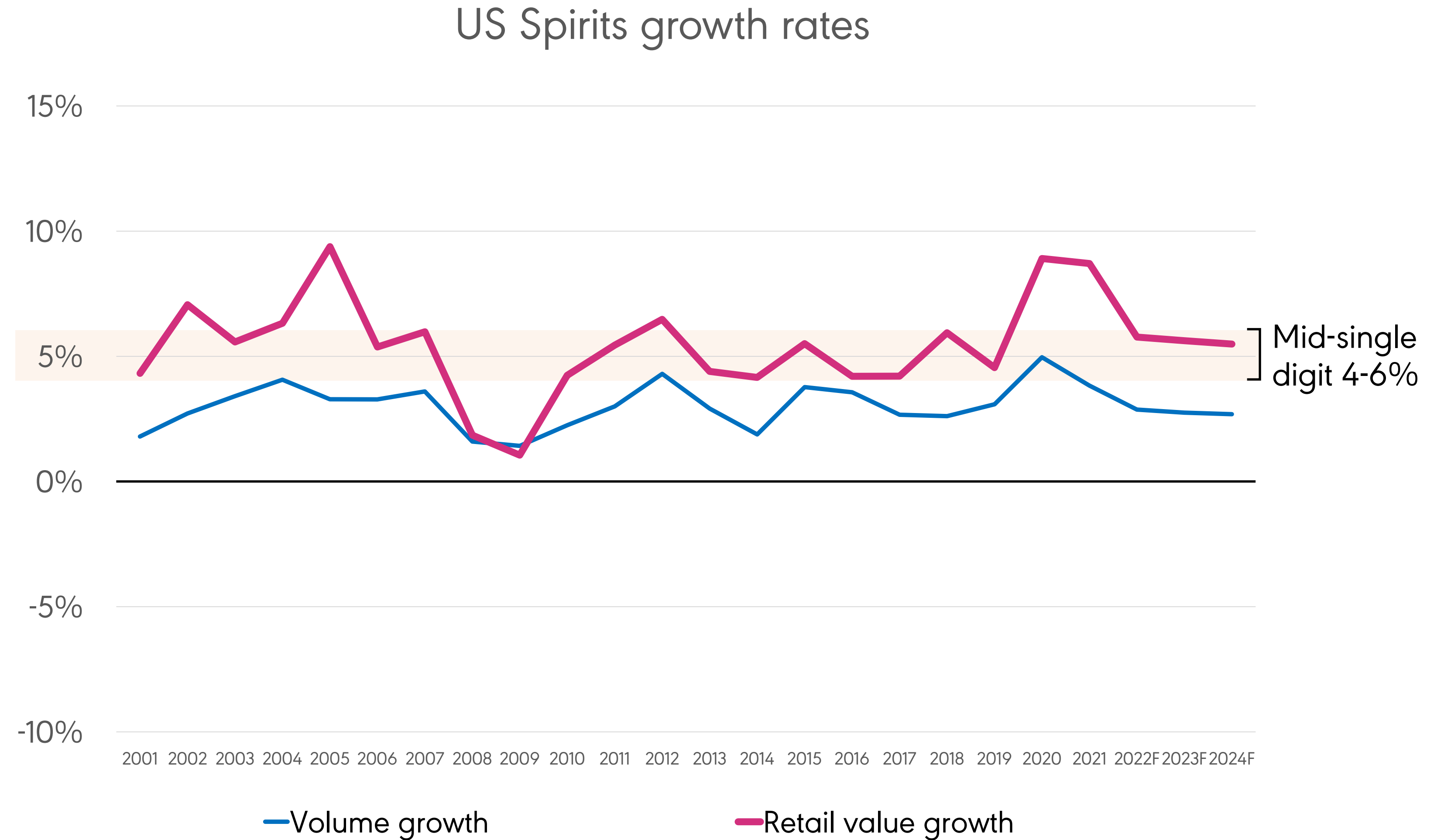
Category share of TBA¹



Spirits growth by price point²
12yr CAGR 2010-2022e

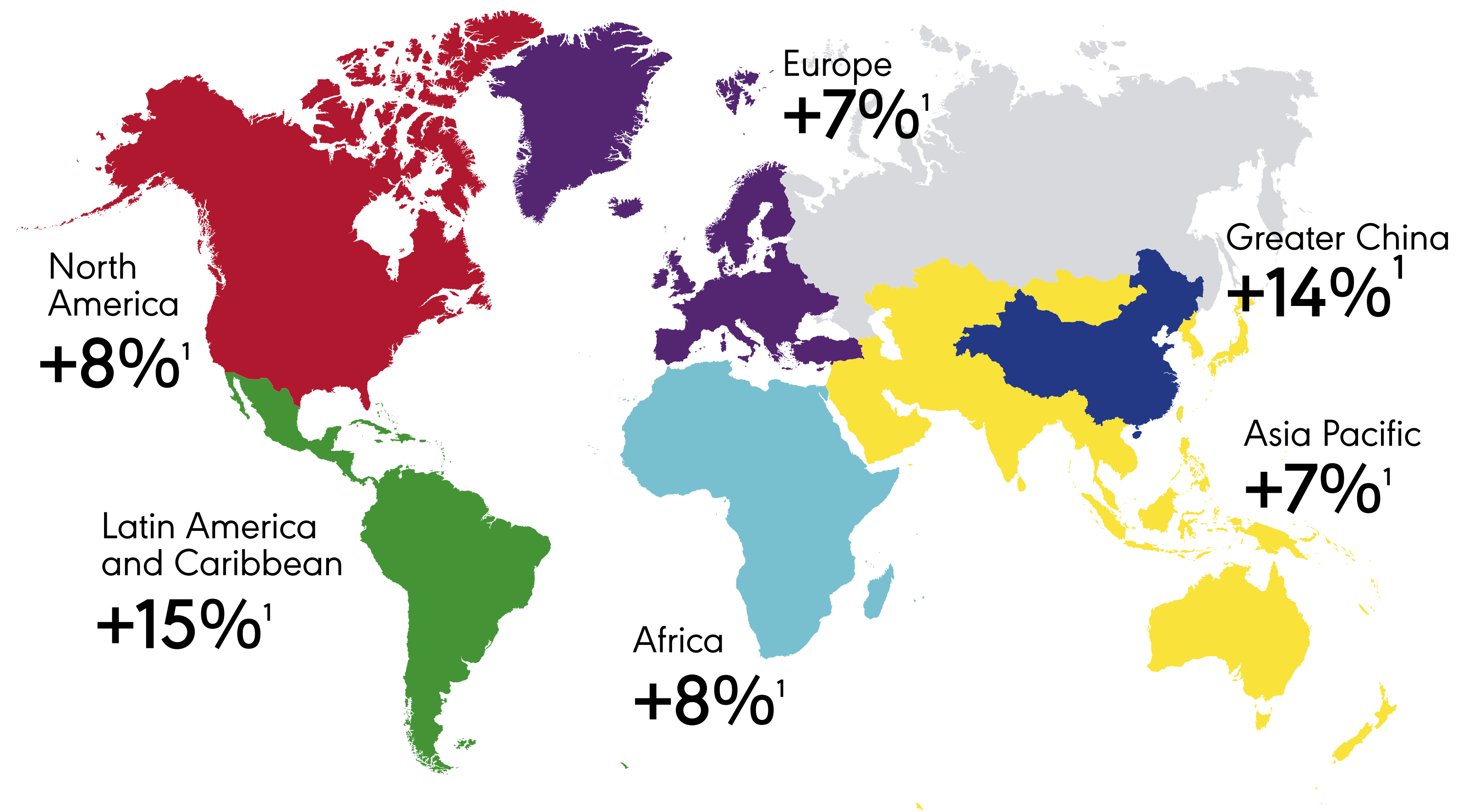


US spirits category has consistently grown volume and value every year for the *last 2 decades*



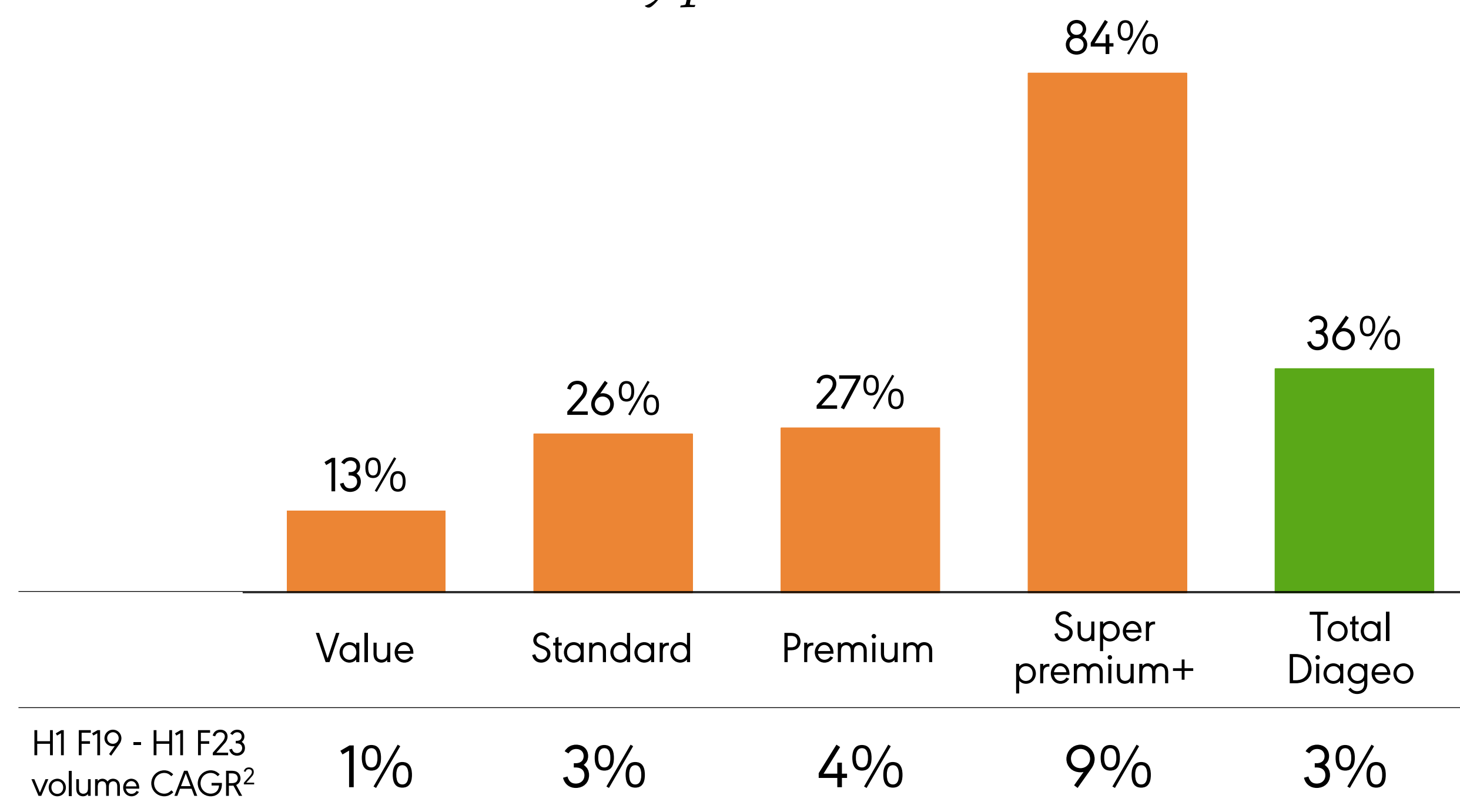
Our advantaged
geographic
footprint
*accelerates top-
line growth and
drives resilience*

F19 H1 to F23 H1 organic net sales value CAGR¹

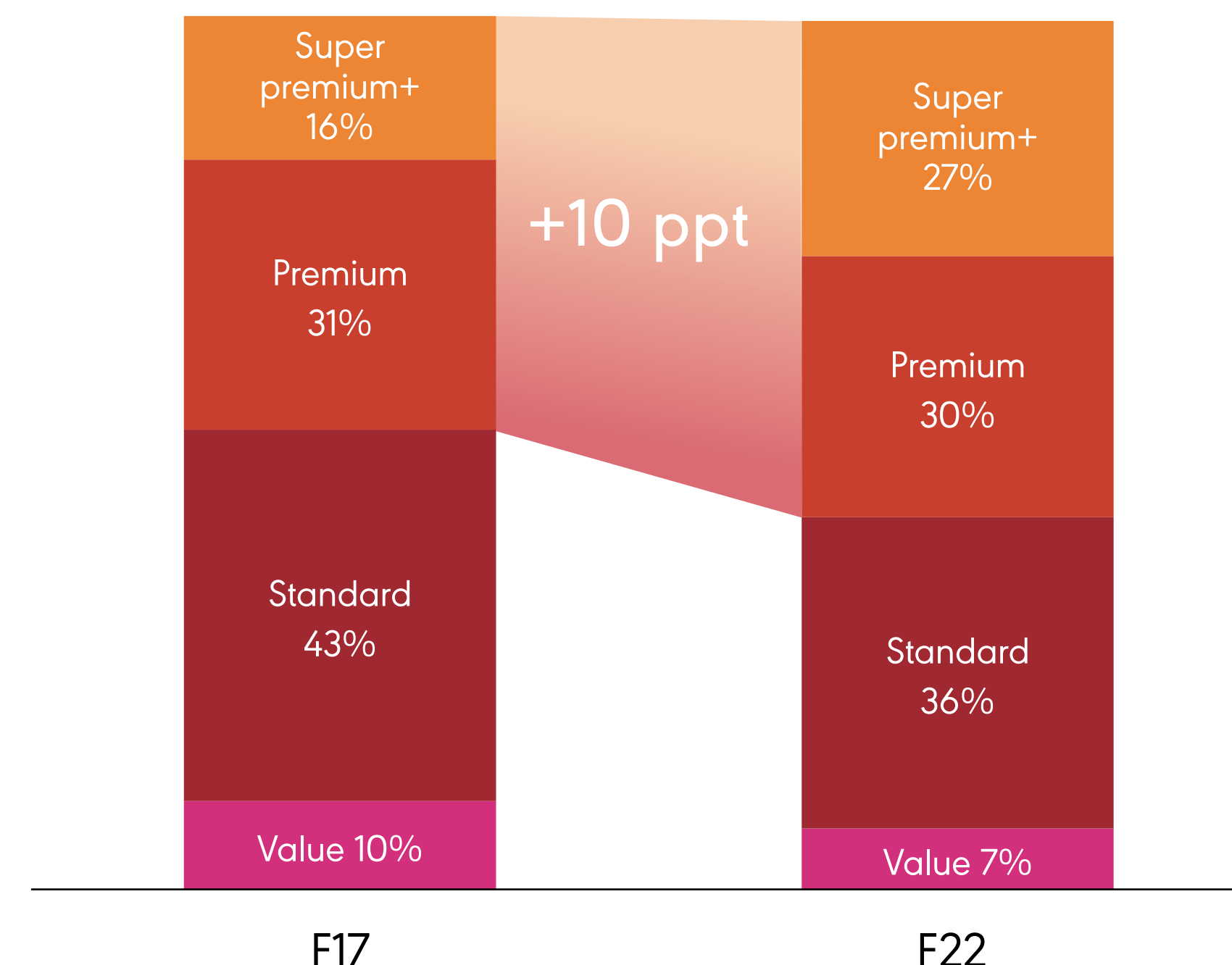


We have grown our portfolio in *fast growing premium+* price segments
65% of net sales growth from *premium-plus* price tiers in F23 H1

F19 H1 – F23 H1 net sales growth on a constant basis¹
by price tier

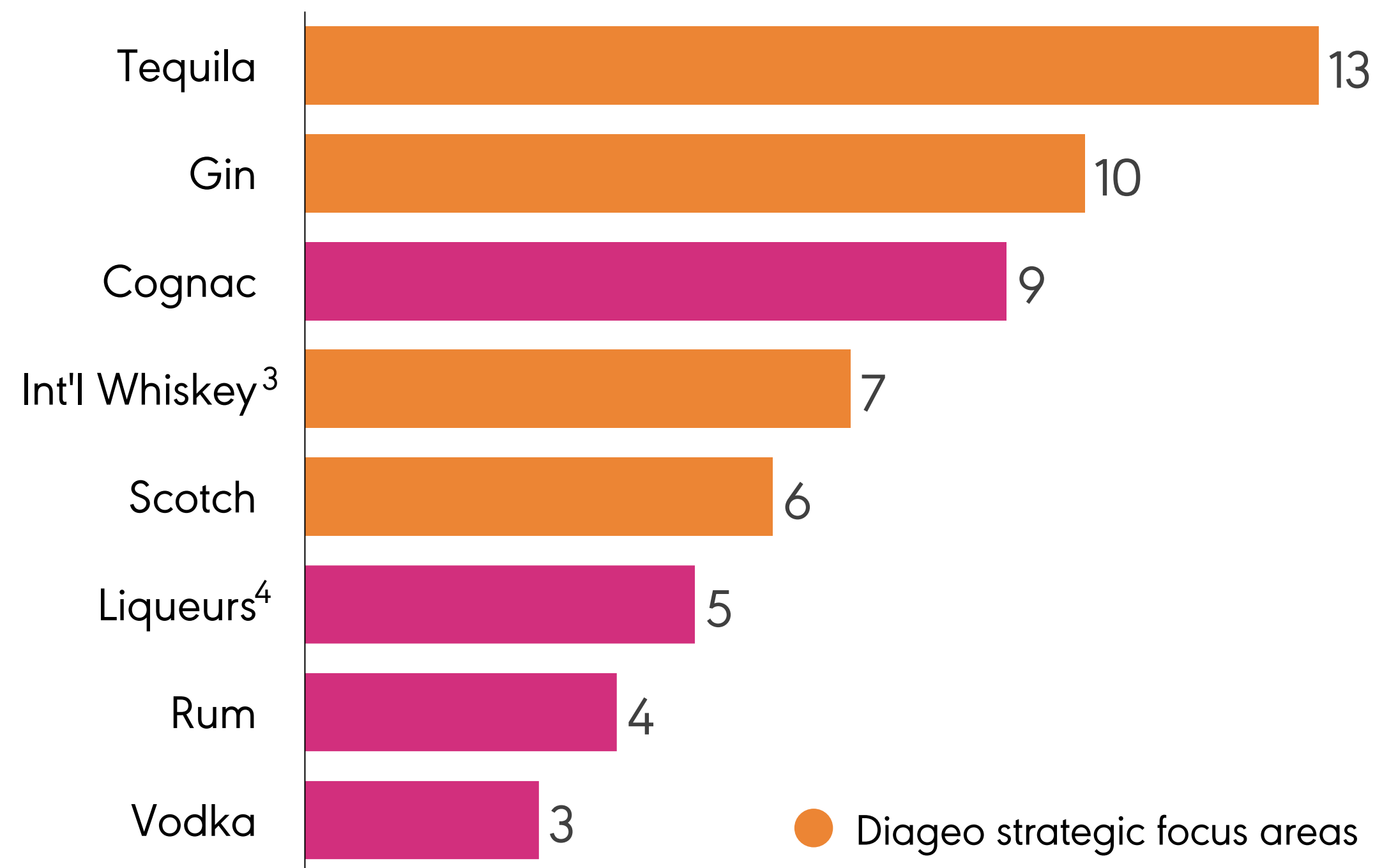


Reported net sales
by price segment, F17-F22

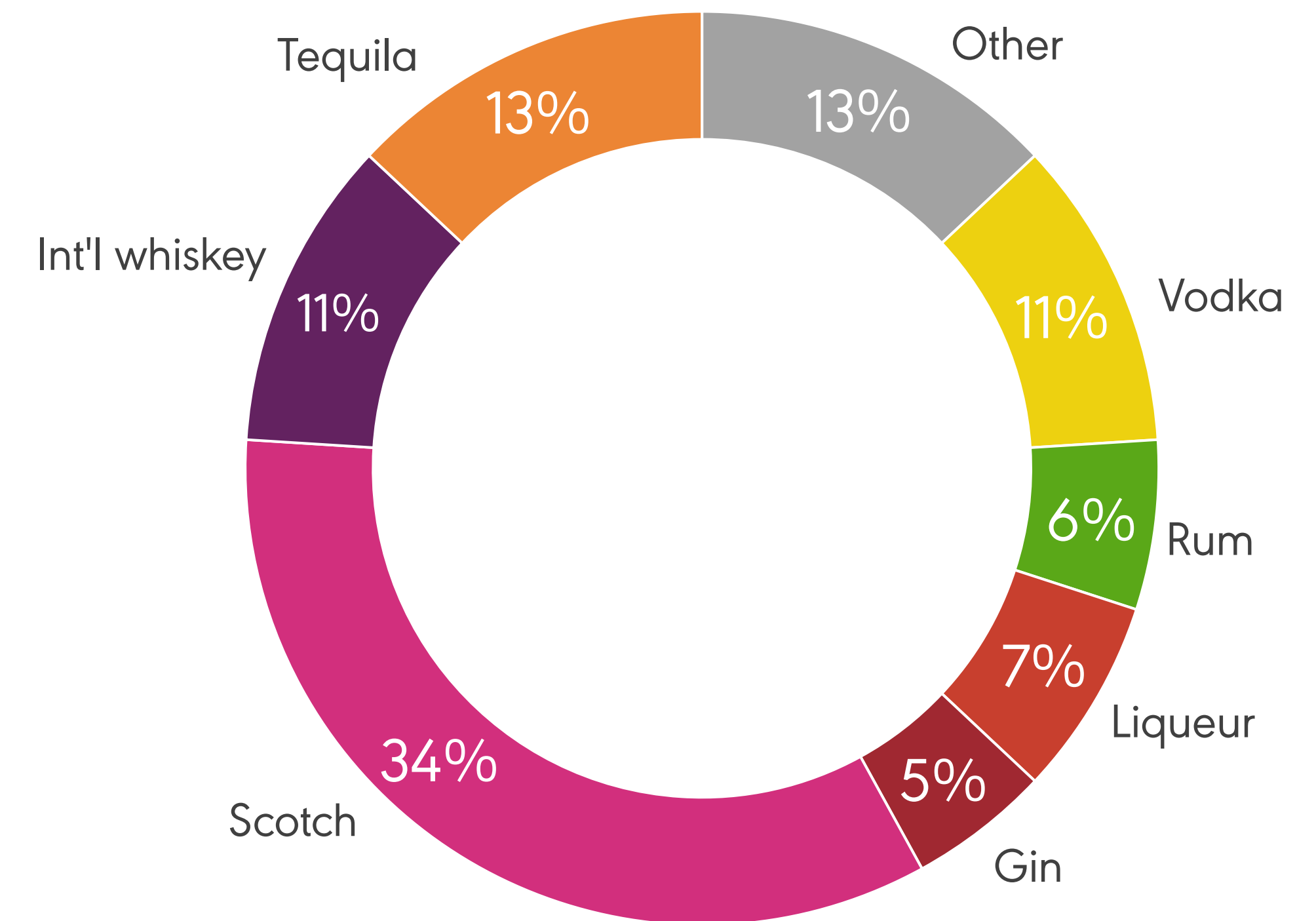


Our portfolio has been *positioned* towards *fast-growing* categories

5YR RSV CAGR¹
(2021-2026 Forecast, %)



Diageo reported net sales of Spirits by category²
F23 H1



¹ Source: Diageo forecast 2021-2026;

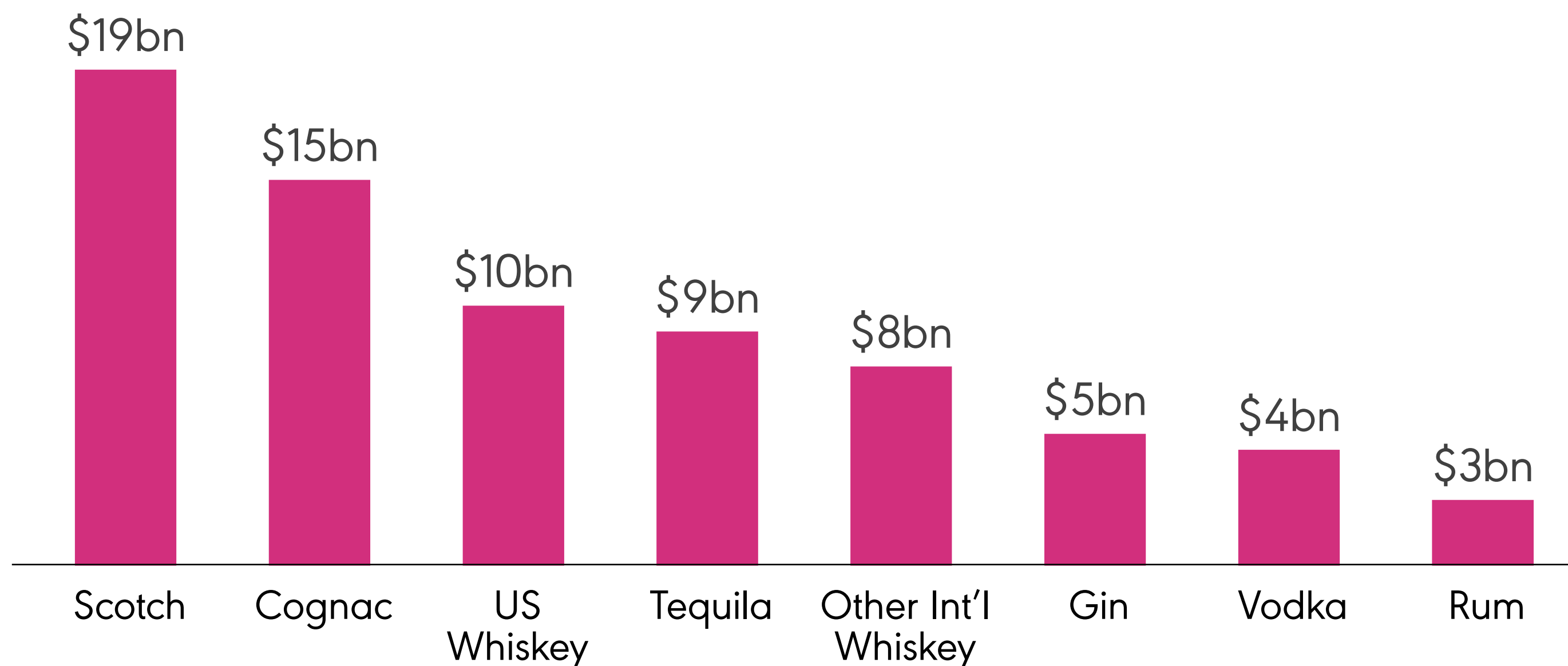
² Excludes beer, RTD and wine;

³ International Whiskey includes US, Canadian, Irish and Japanese whisk(e)y;

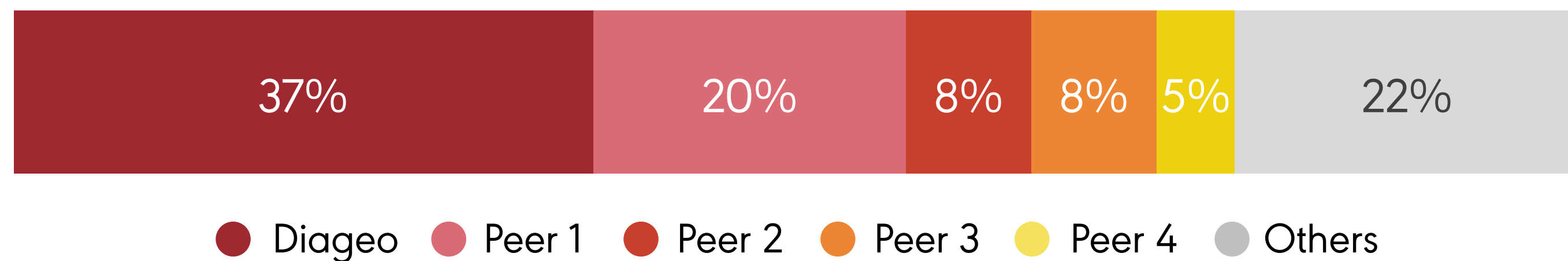
⁴ Liqueurs includes Bitters and Aperitifs

Scotch is *the most premium international spirits category*, and *we lead it*

Premium+ price points RSV by category

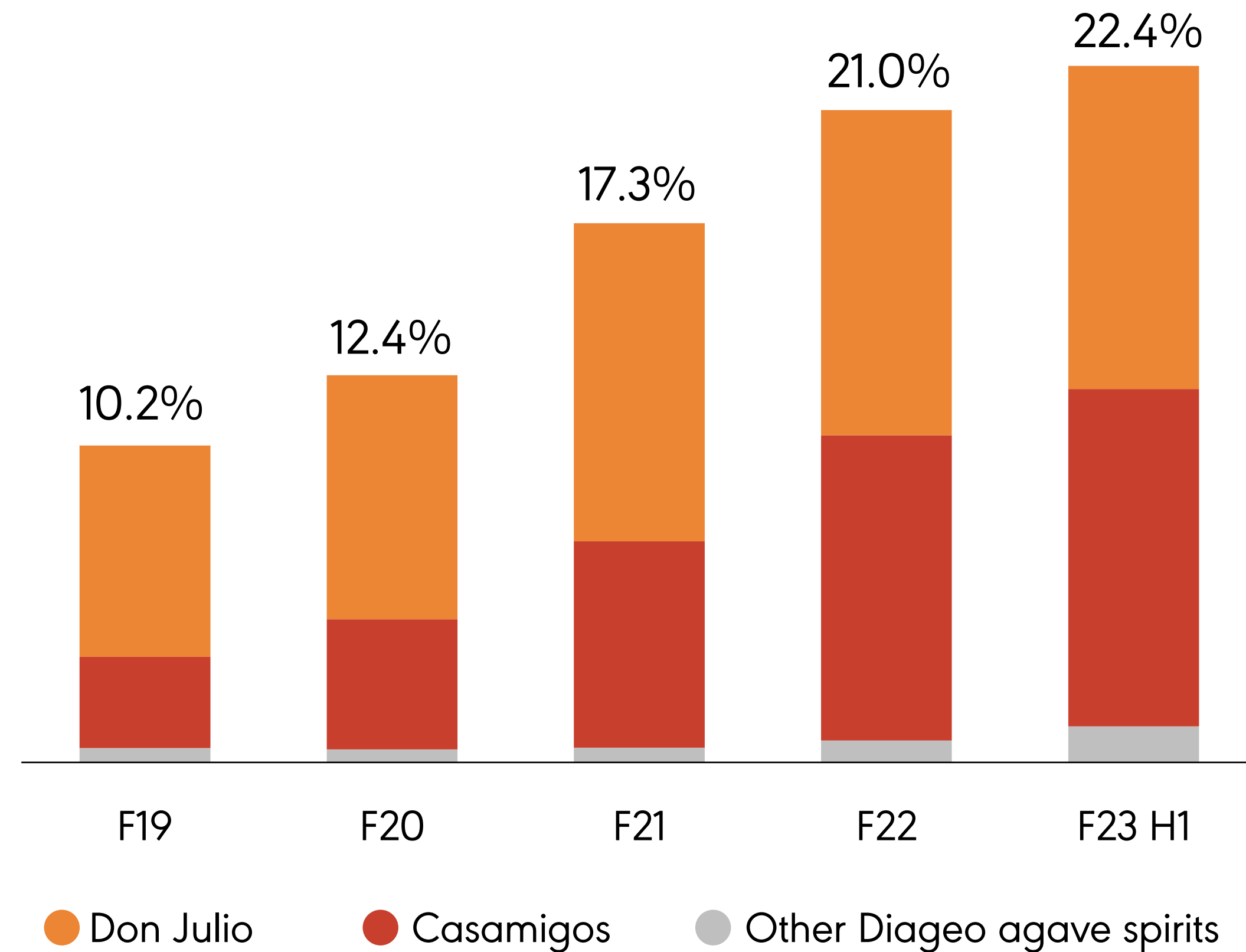


Scotch whisky global share



We are the *biggest tequila company* in the world and we have more than *doubled US market share* since F19

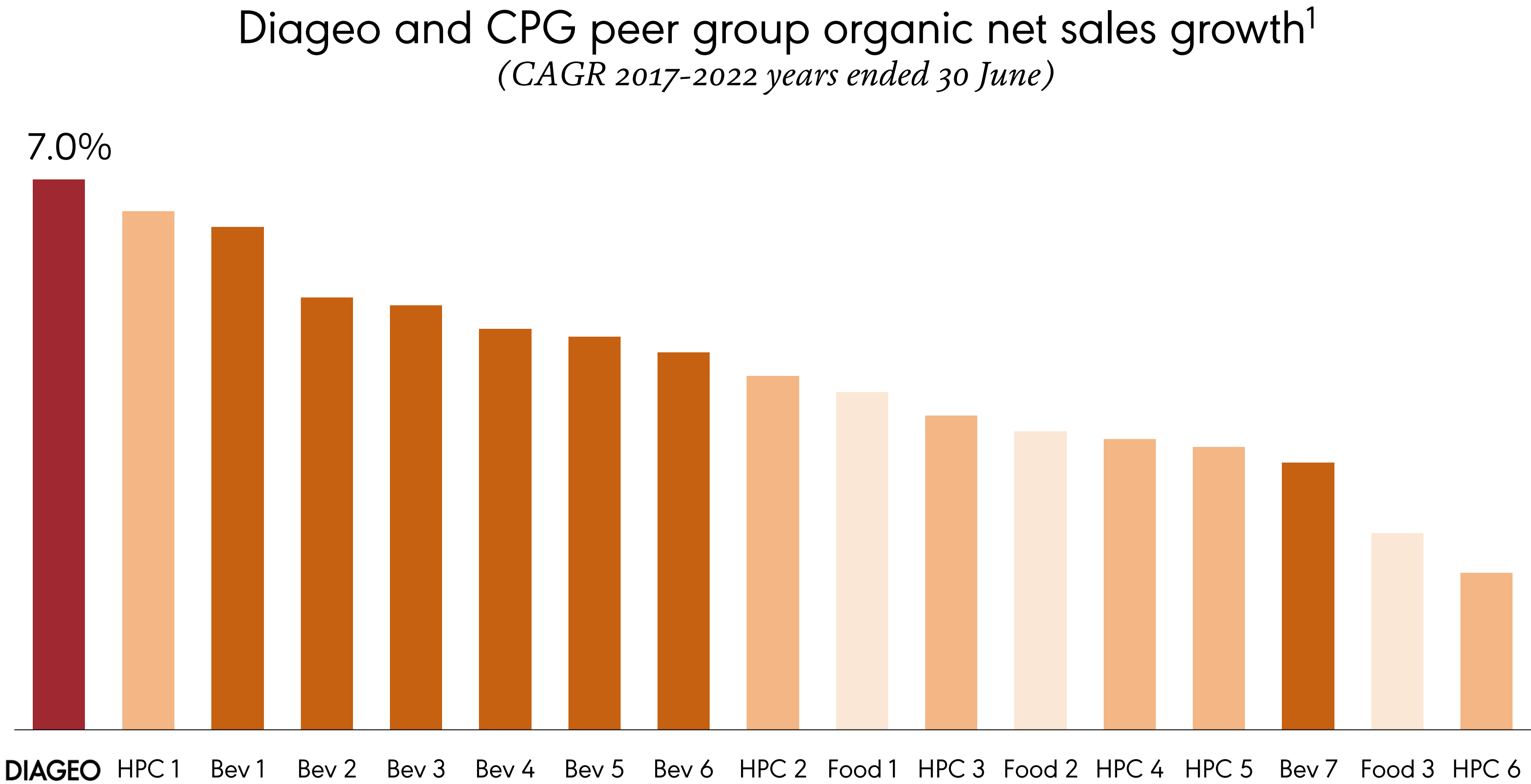
Diageo US Tequila Category Share
F19 to F23 H1



Taking
Tequila
around
the world



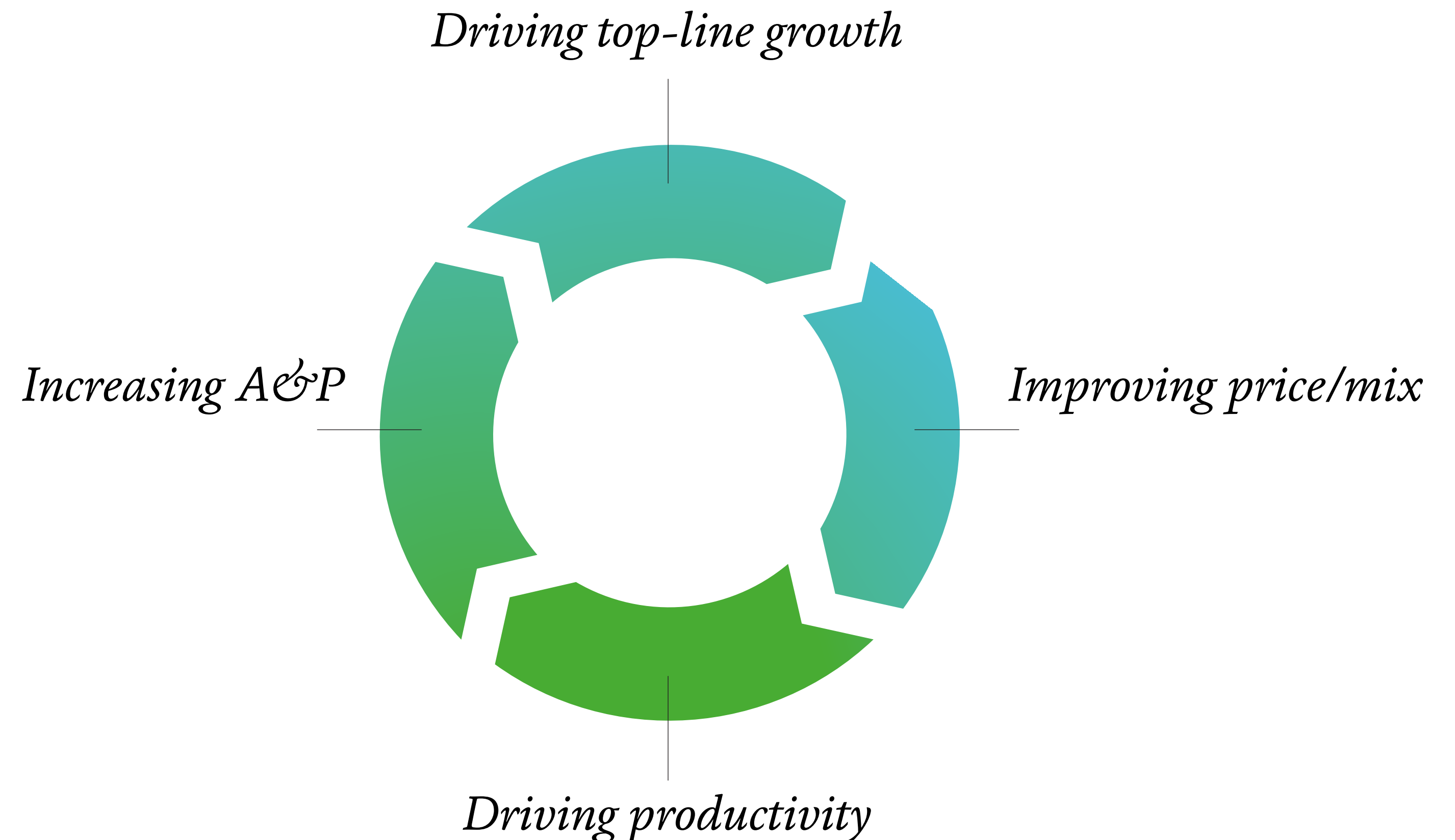
Diageo is
consistently
outperforming
its CPG peer
group

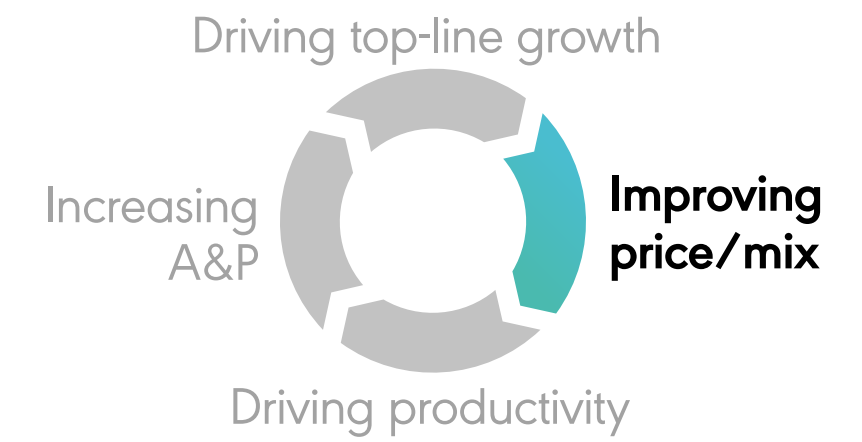


¹ Source: FactSet as of 16 February 2023. Where FactSet data not available Company filings used. CPG peer group represents Diageo’s TSR peers (AB Inbev, Brown-Forman, Carlsberg, The Coca-Cola Company, Colgate-Palmolive, Groupe Danone, Heineken, Kimberly-Clark, L’Oréal, Mondelez International, Nestlé, PepsiCo, Pernod Ricard, Procter & Gamble, Reckitt, Unilever). Note: Organic sales growth figures calendarised to June year end using simple weighted averages of relevant years’ growth. 2016 – 2022 CAGR is then calculated based on these calendarised organic sales growth figures. 2022 based on FactSet estimates for CPG peers that have not reported FY22/23 results.

Our profitable growth algorithm delivers *quality long-term growth*

1. Driving top-line growth
2. Improving price/mix
3. Driving productivity
4. Increasing A&P

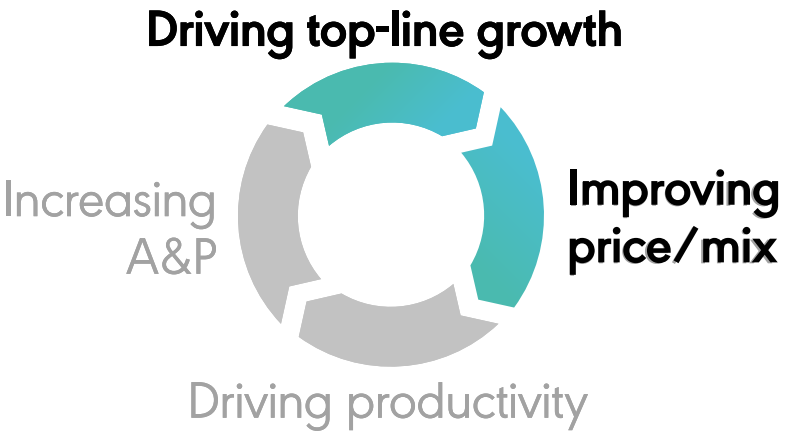




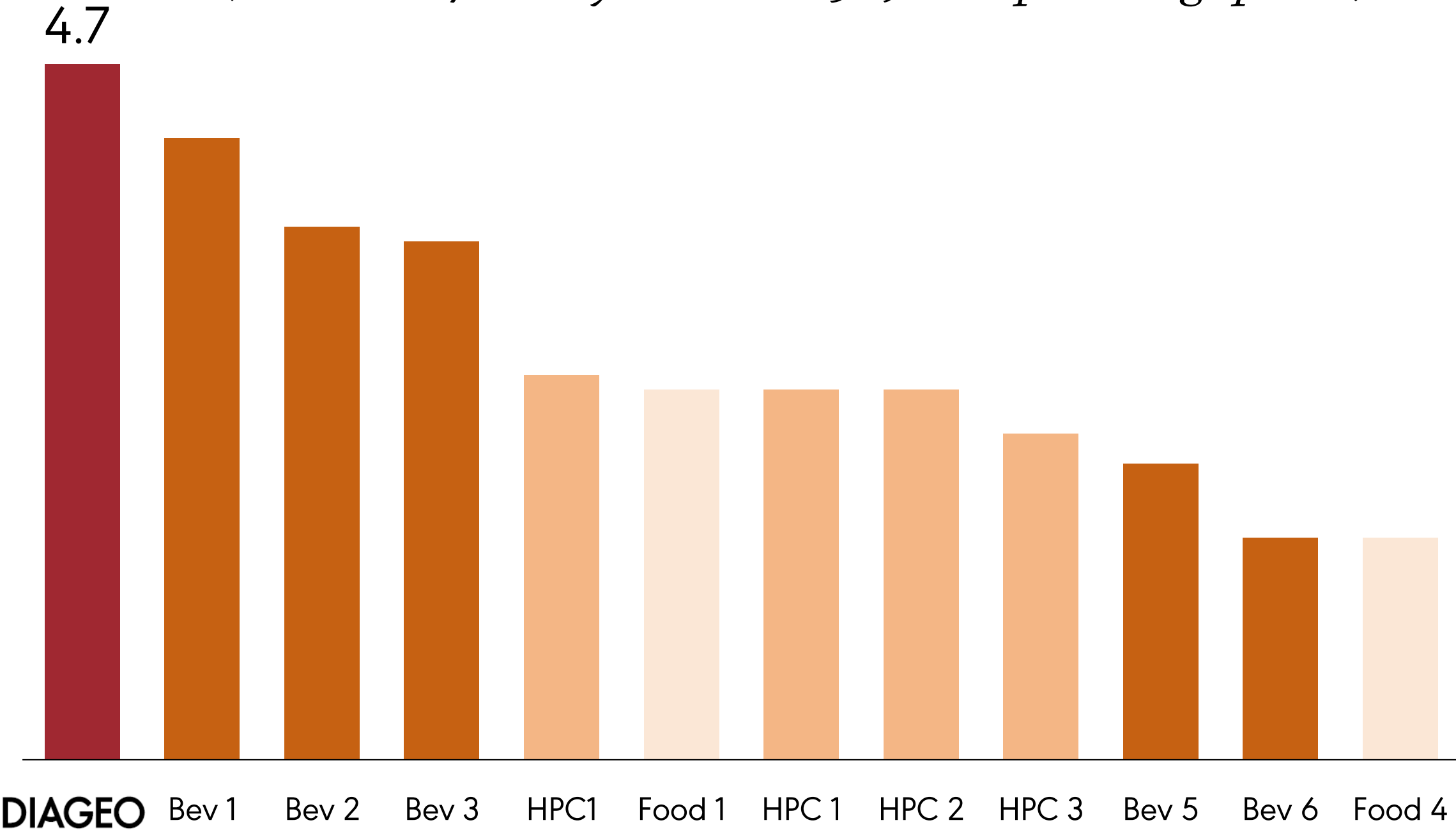
Our world-class innovation has driven sustainable top line growth, premiumisation and recruits consumers at scale



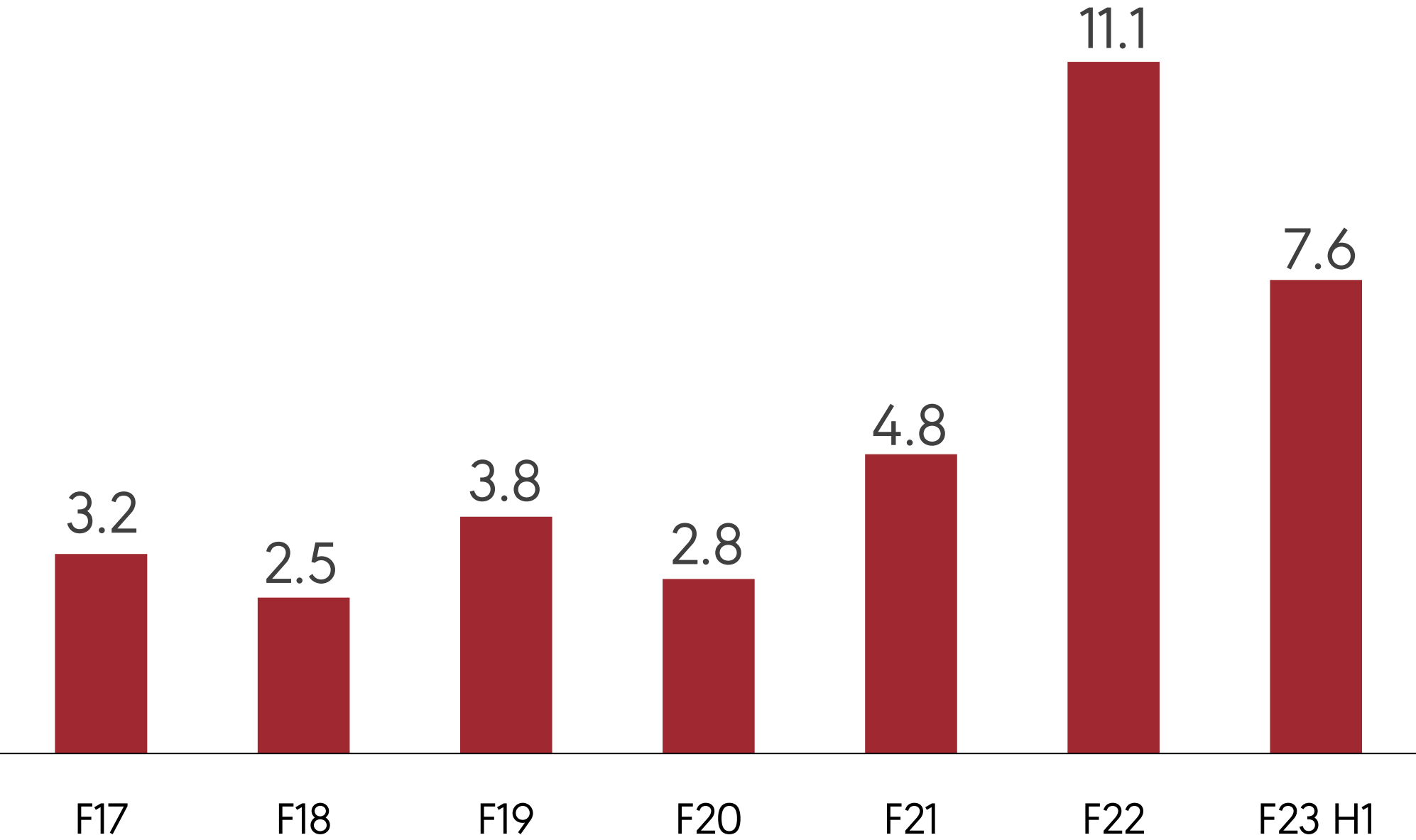
We deliver consistent best in class price/mix improvement



Diageo and CPG peer group price/mix contribution to net sales growth¹
(CAGR 2017-2022 years ended 30 June - percentage points)



Diageo price/mix contribution to organic net sales growth²
(percentage points)



¹ Source: Company filings. Companies represented make up TSR peer group (AB Inbev, Brown-Forman, Carlsberg, The Coca-Cola Company, Colgate-Palmolive, Groupe Danone, Heineken, Kimberly-Clark, L'Oréal, Mondelez International, Nestlé, PepsiCo, Pernod Ricard, Procter & Gamble, Reckitt, Unilever) excluding those that do not disclose price / mix (or price) growth across the full time period including reporting for 2022. Pernod is represented by its International Brands Division. Price / mix growth presented where available, if price / mix is not disclosed pricing growth is used as a proxy. Price / mix growth calendarised to June year end using simple weighted averages of relevant years' price / mix growth. The 2017 - 2022 (June YE) average data points are based on the average of these calendarised price / mix growth rates with the exception of Brown-Forman where equivalent financial years to April used as a proxy. ² Diageo



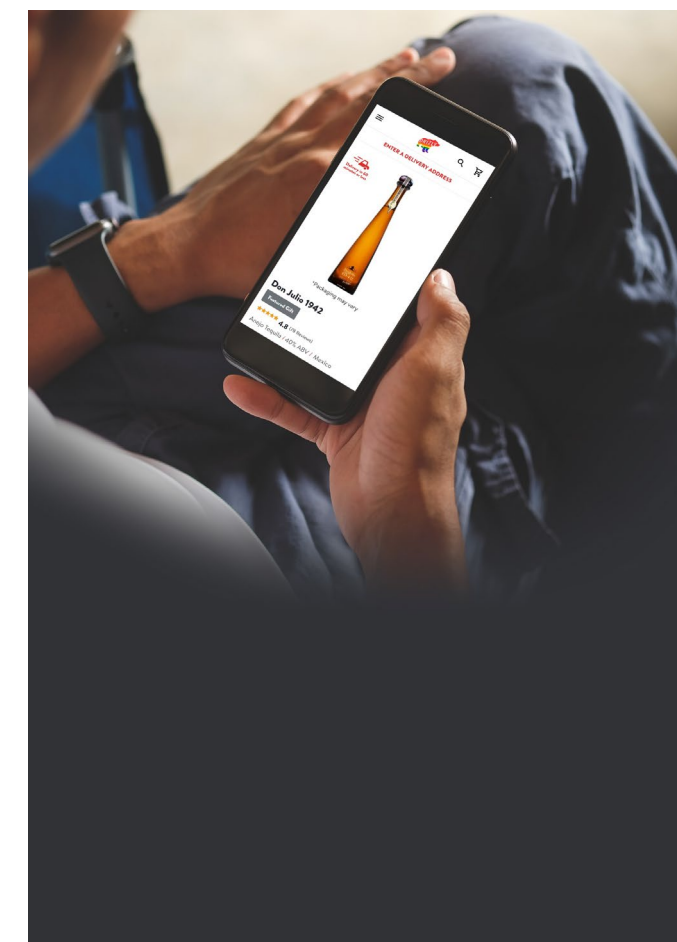
Our *productivity savings, efficiencies and disciplined cost control* fuel our investments

F19 – F22



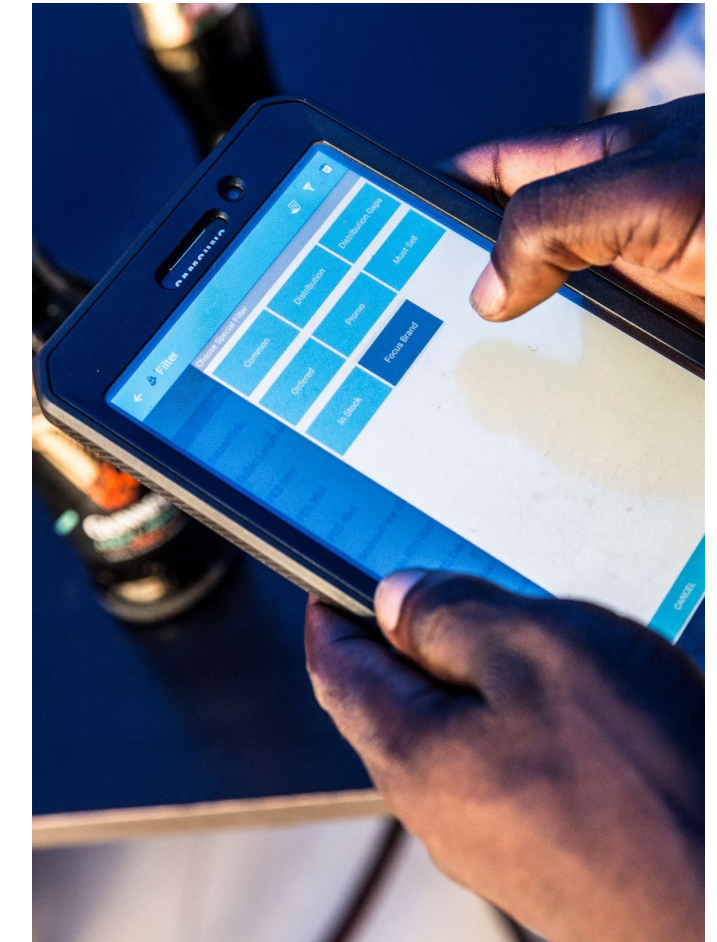
Total
productivity

*£1.6bn
savings¹*



Marketing
efficiencies

*£460m
benefit*



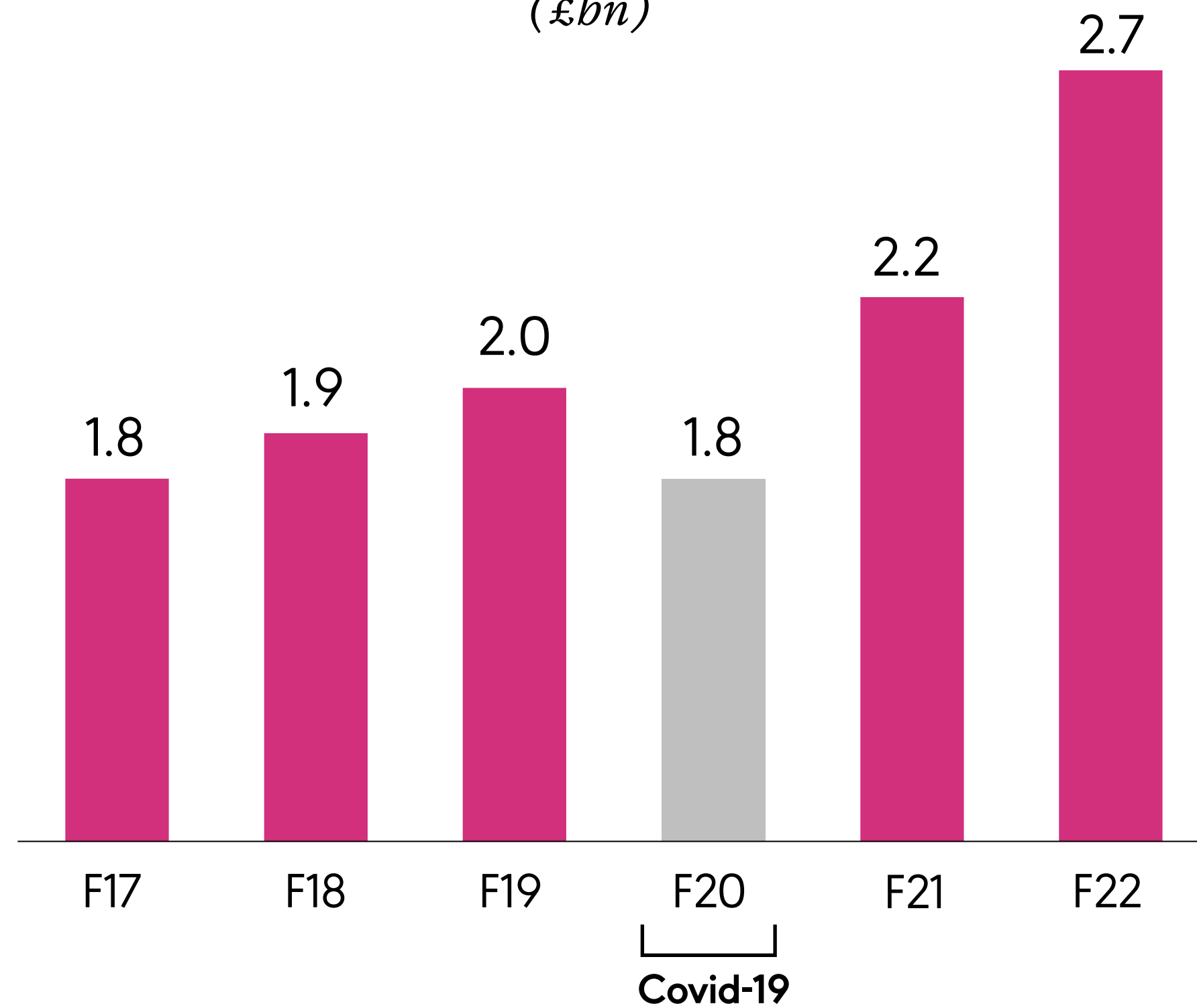
Overhead
efficiencies

*1.5%
headcount
reduction*

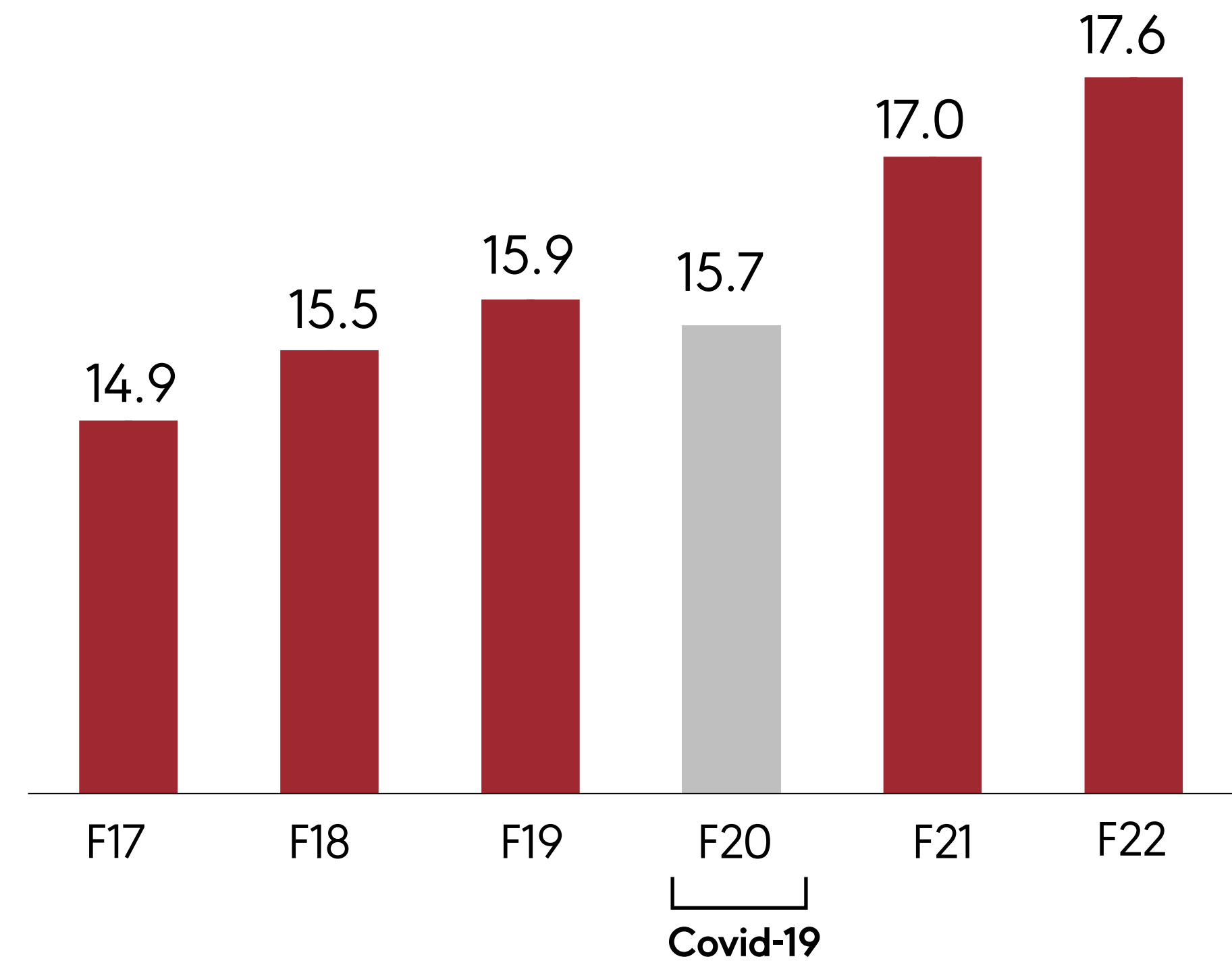
We invest strongly in brand building



Sustained A&P investment
(£bn)

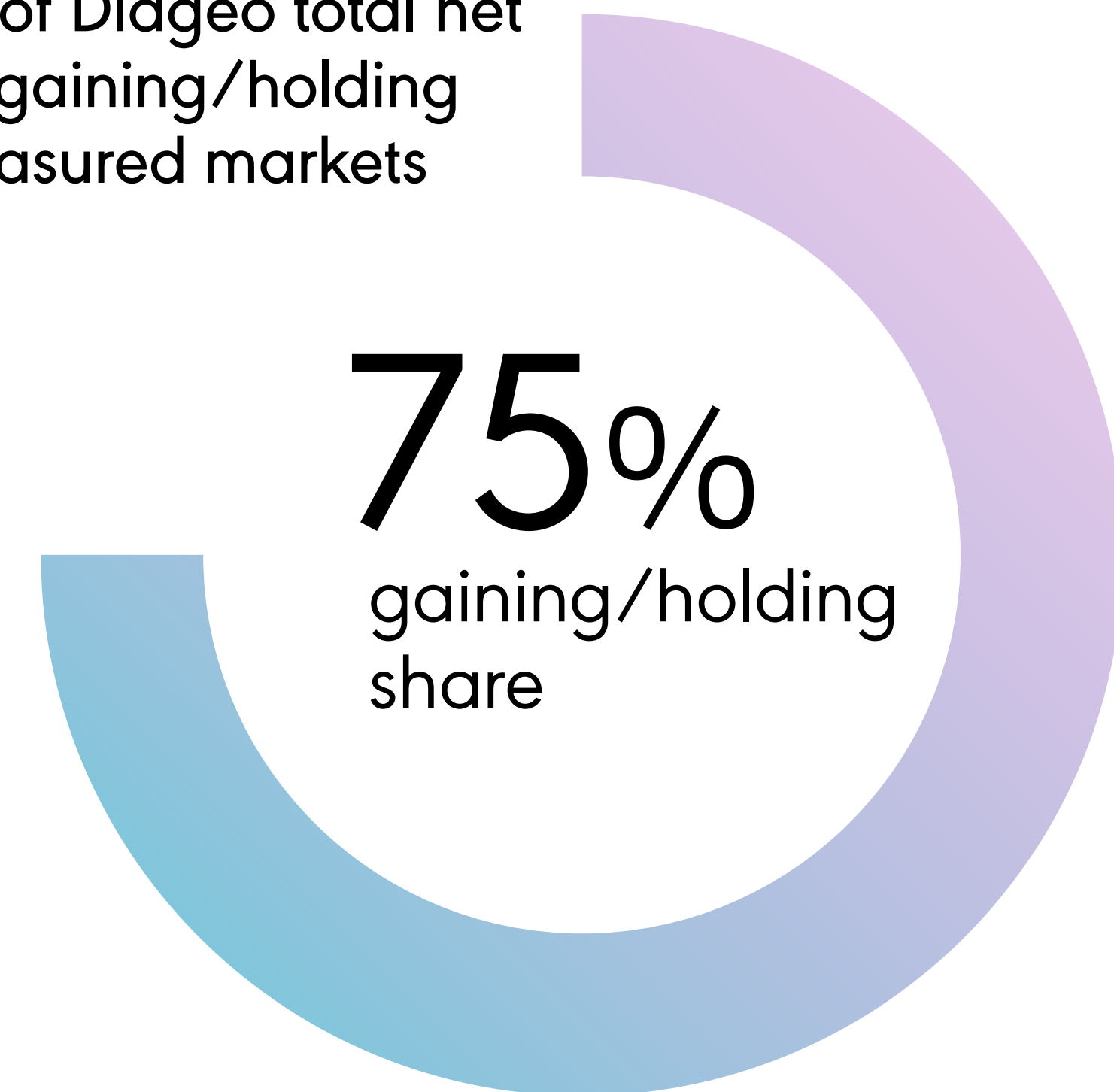


A&P Reinvestment Rate
(%)



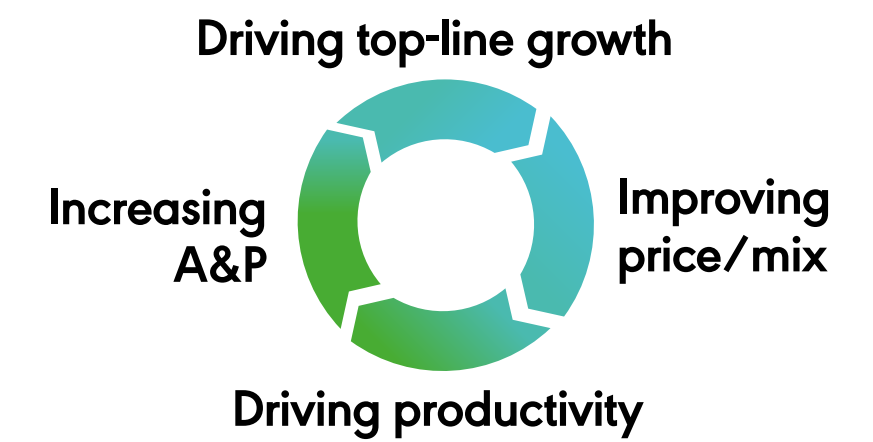
Upweighted
investment and
marketing
effectiveness are
driving *growth*
and *share gains*

Percentage of Diageo total net
sales value gaining/holding
share in measured markets

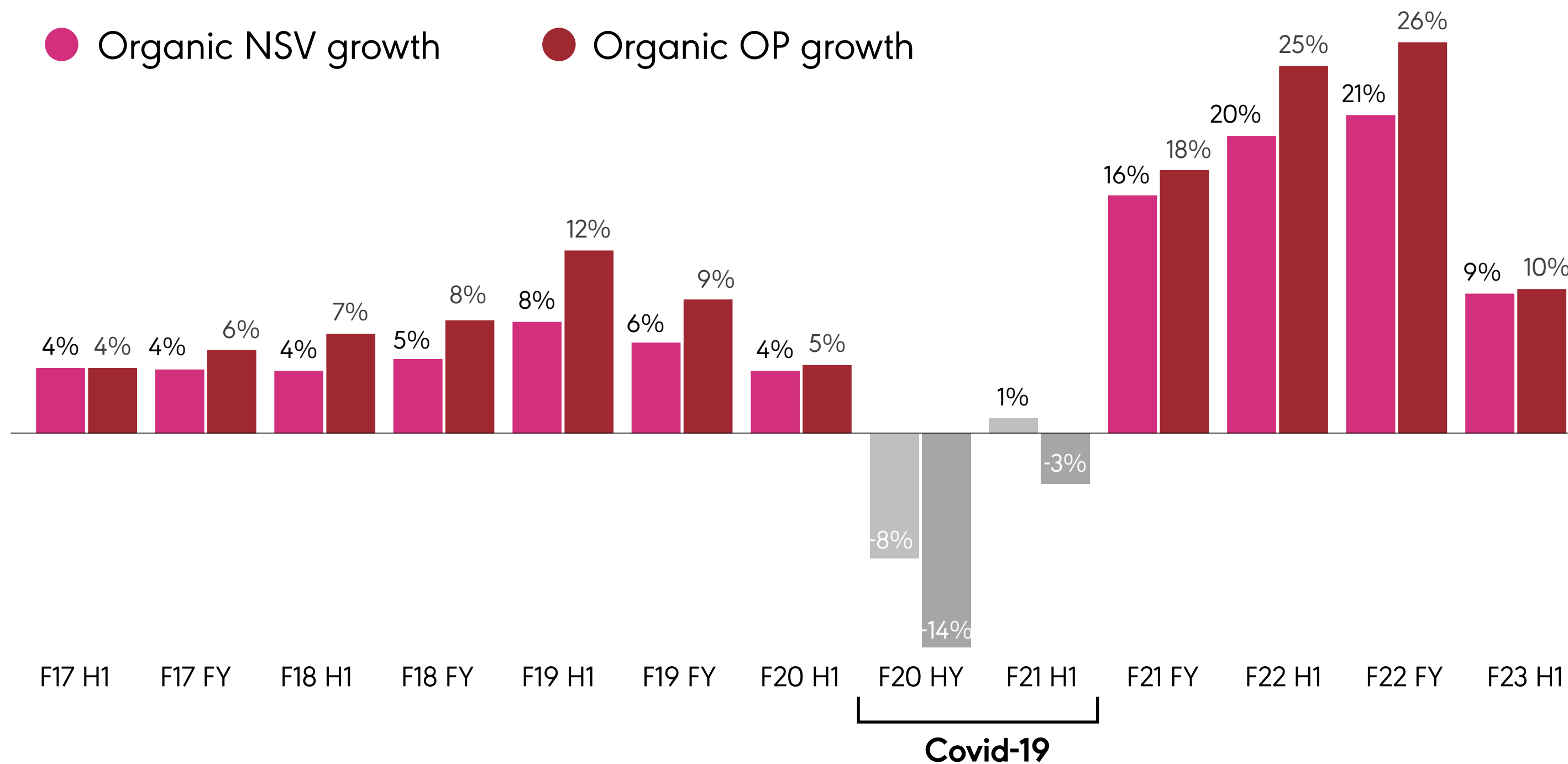


Source: Diageo estimates incorporating AC Nielsen, Association of Canadian Distillers, Dichter & Neira, Frontline, Intage, IRI, ISCAM, NABCA, Scentia, State Monopolies, TRAC, IPSOS and other third-party providers
For additional information, please see financial/legal appendix
Guinness GCA 4wk Value Sales to WE December 2022

We have a track record of *consistently growing operating profit ahead of net sales value*



Diageo Organic NSV and OP growth rates



Strategic Levers

1. RGM capabilities ✓
2. Continued premiumisation ✓
3. Volume leverage ✓
4. Productivity initiatives ✓
5. Natural aged liquid hedge ✓

Consistent and disciplined approach to capital allocation

Leverage ratio policy

Adjusted net debt¹ to adjusted EBITDA: **2.5x – 3.0x**

Organic
growth

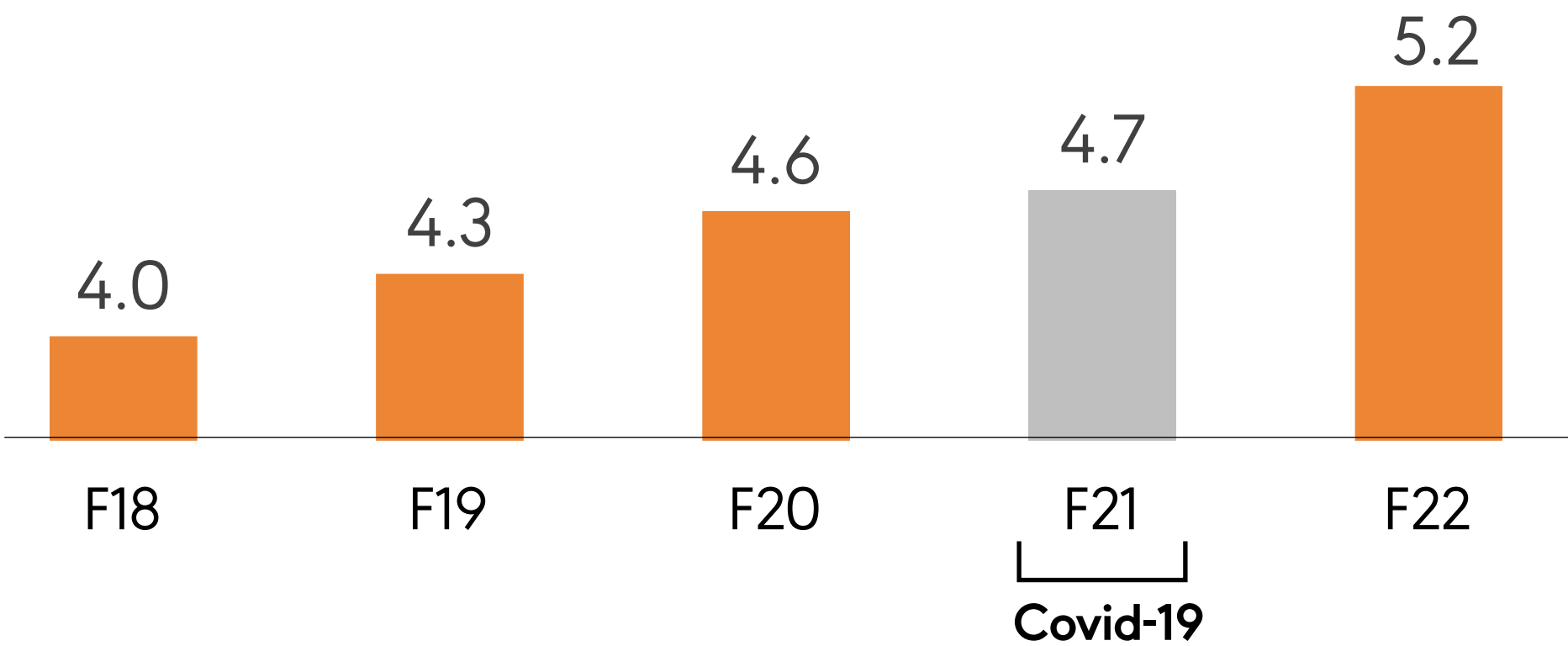
M&A and
portfolio
management

Dividends
1.8x to 2.2x
dividend cover

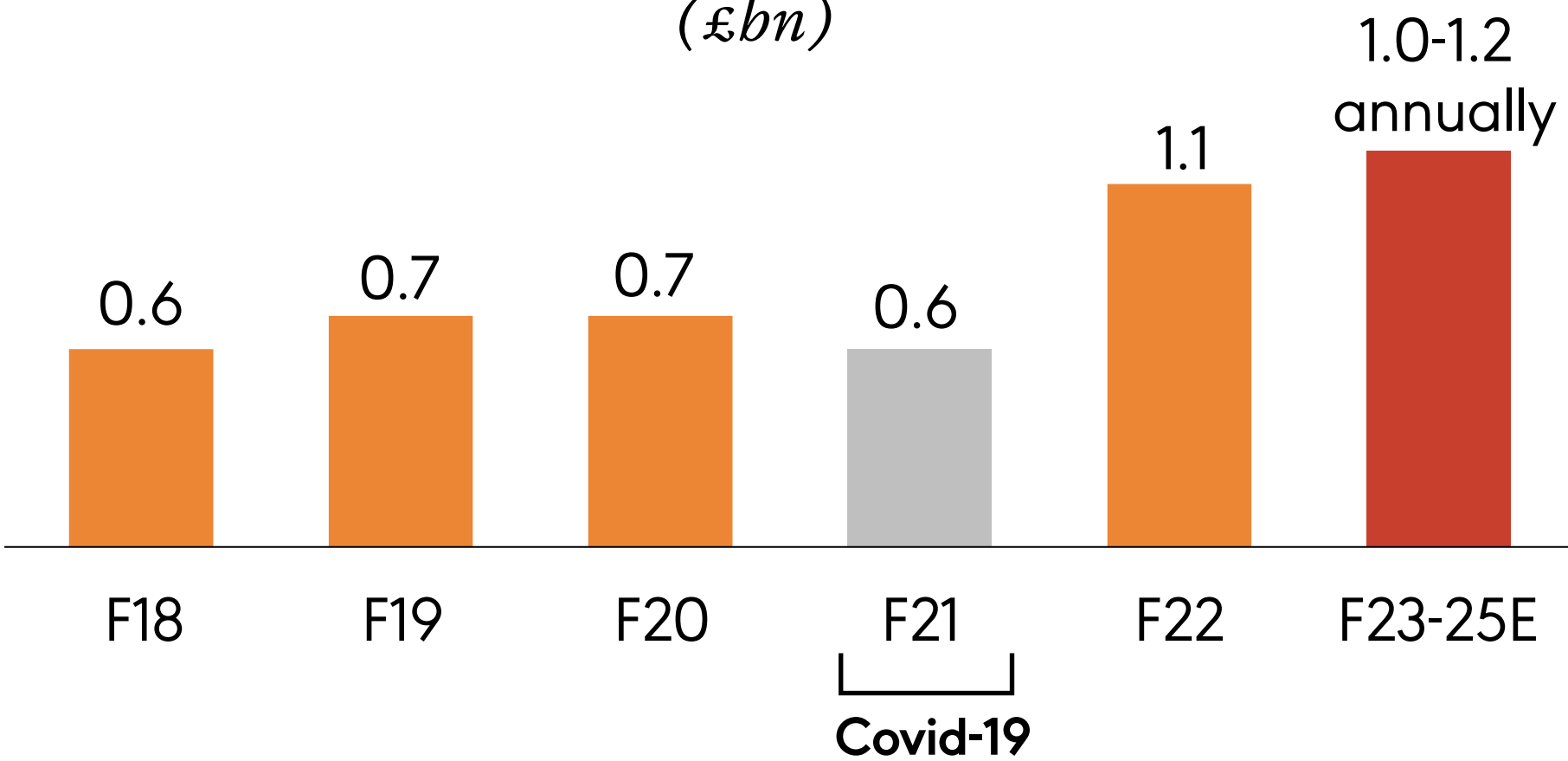
Return excess cash to shareholders

We are *enabling long-term growth* through maturing stock and capex investments

Strategic maturing stock
(£bn)



Sustained CAPEX investment
(£bn)



Capacity



Consumer experiences



Core capabilities/
digital tools



Supply chain
excellence



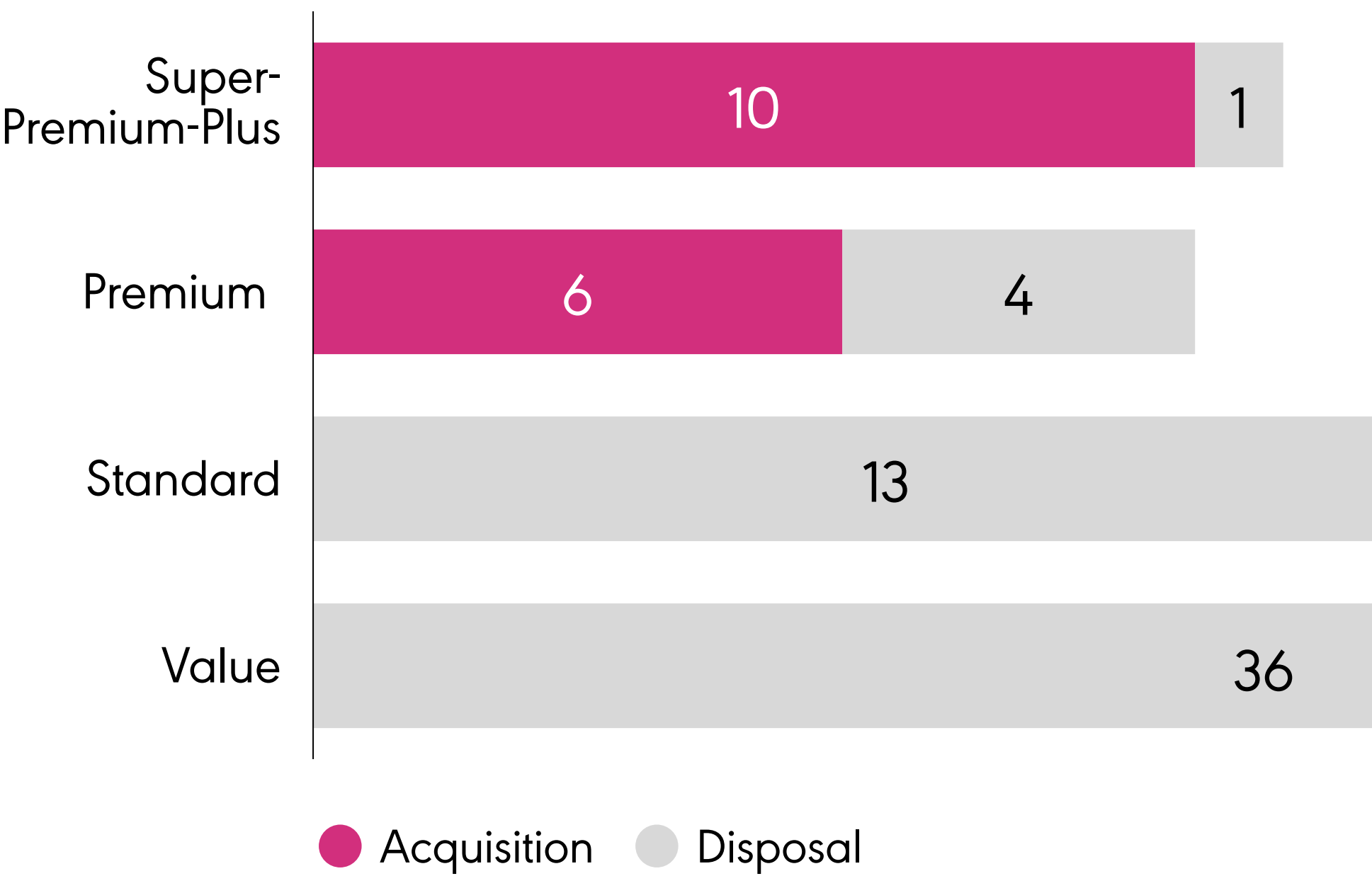
Grain to Glass
Sustainability



Maturing stock

Disciplined M&A has increased our exposure to *fast growing categories*

Diageo spirit acquisitions and disposals¹⁻³
since F17 by price tier



Acquisitions £2.2bn

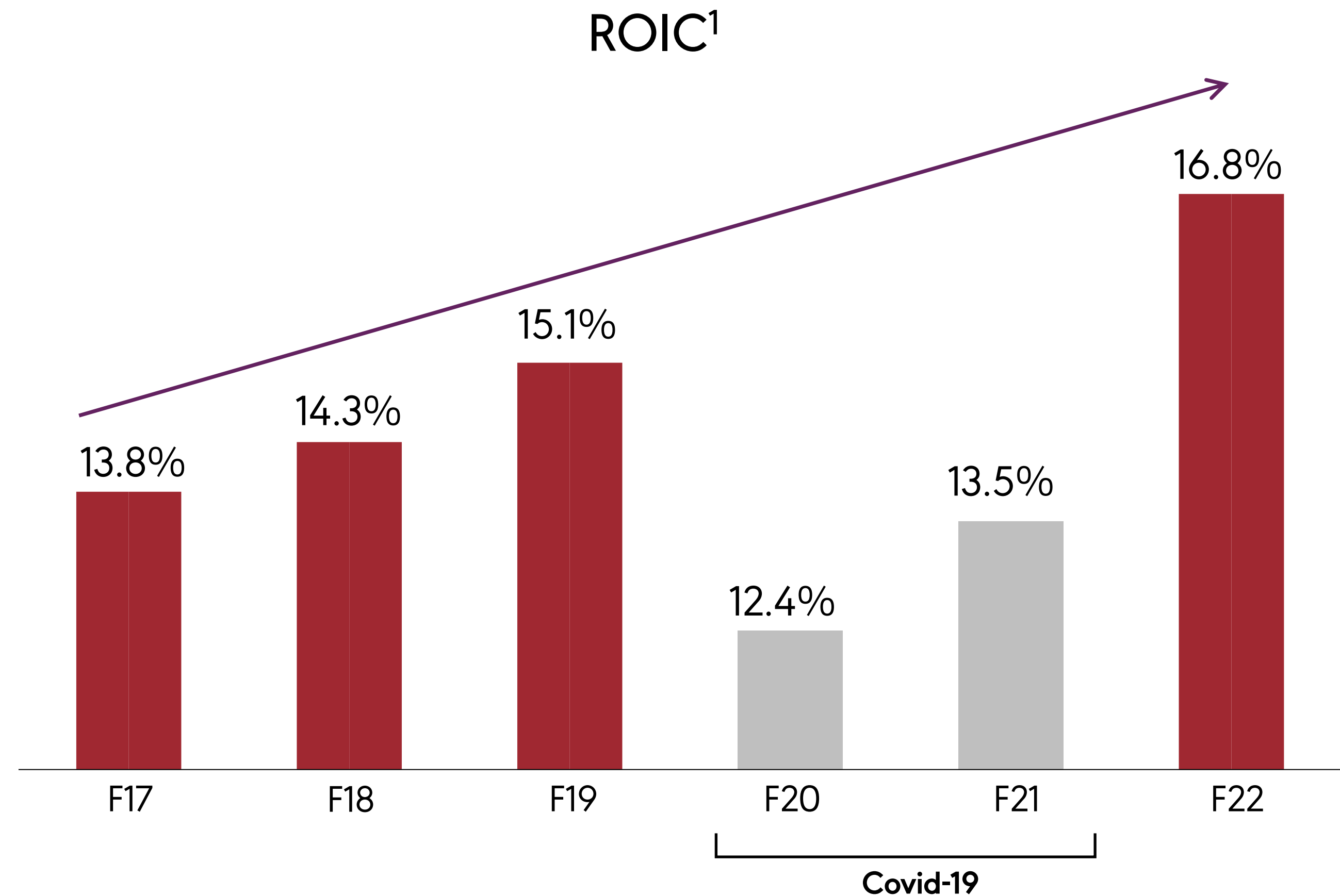


Disposals £1.2bn



¹ Acquisitions and Disposals exclude RTD, and investments made through Distill Venture
² Announced
³ Pending completion

Our disciplined approach to capital allocation is driving *steady improvement in ROIC* while we significantly invest in long-term growth



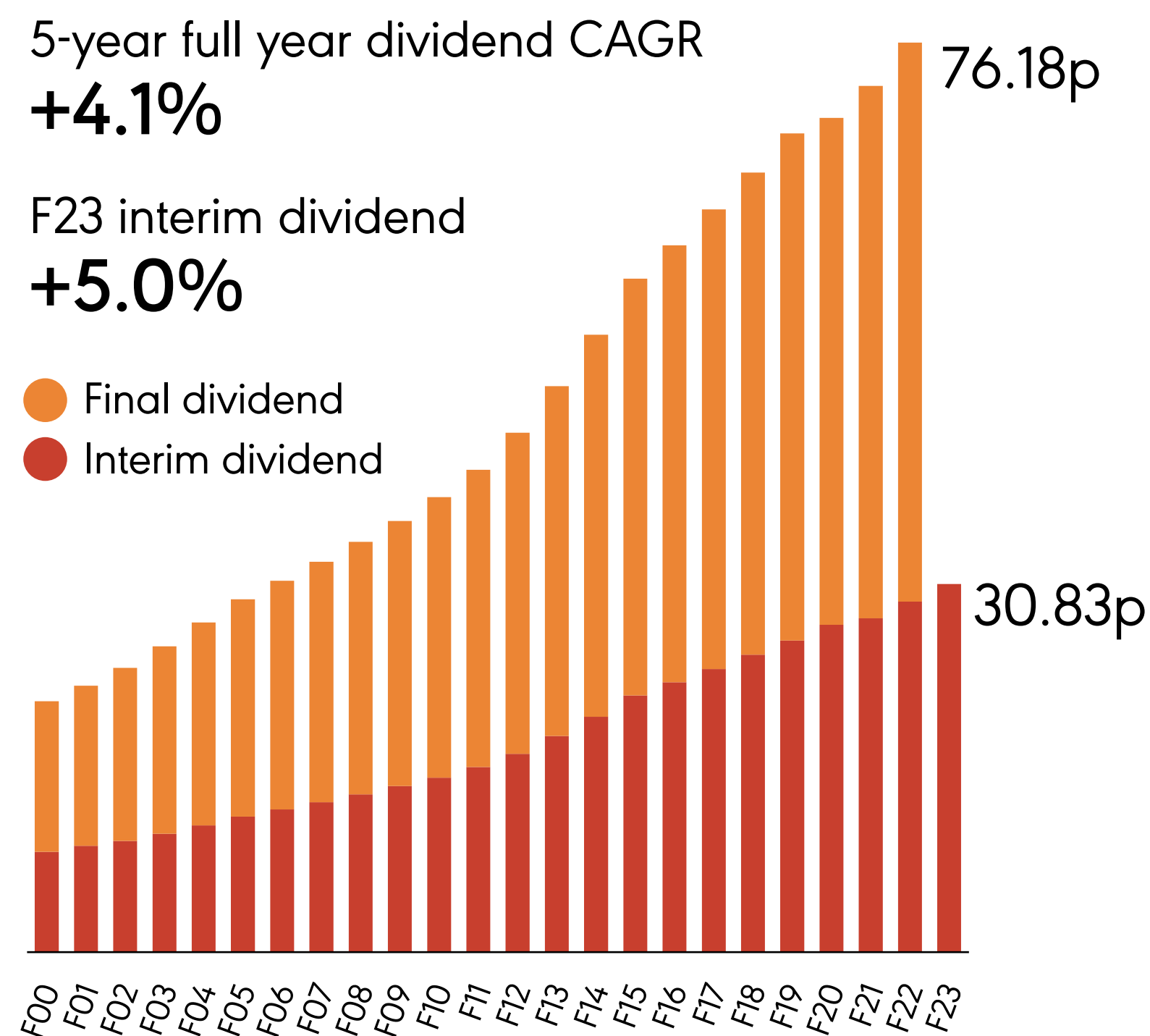
We have a strong track record of *creating shareholder value*

Dividend per share *pence*

5-year full year dividend CAGR
+4.1%

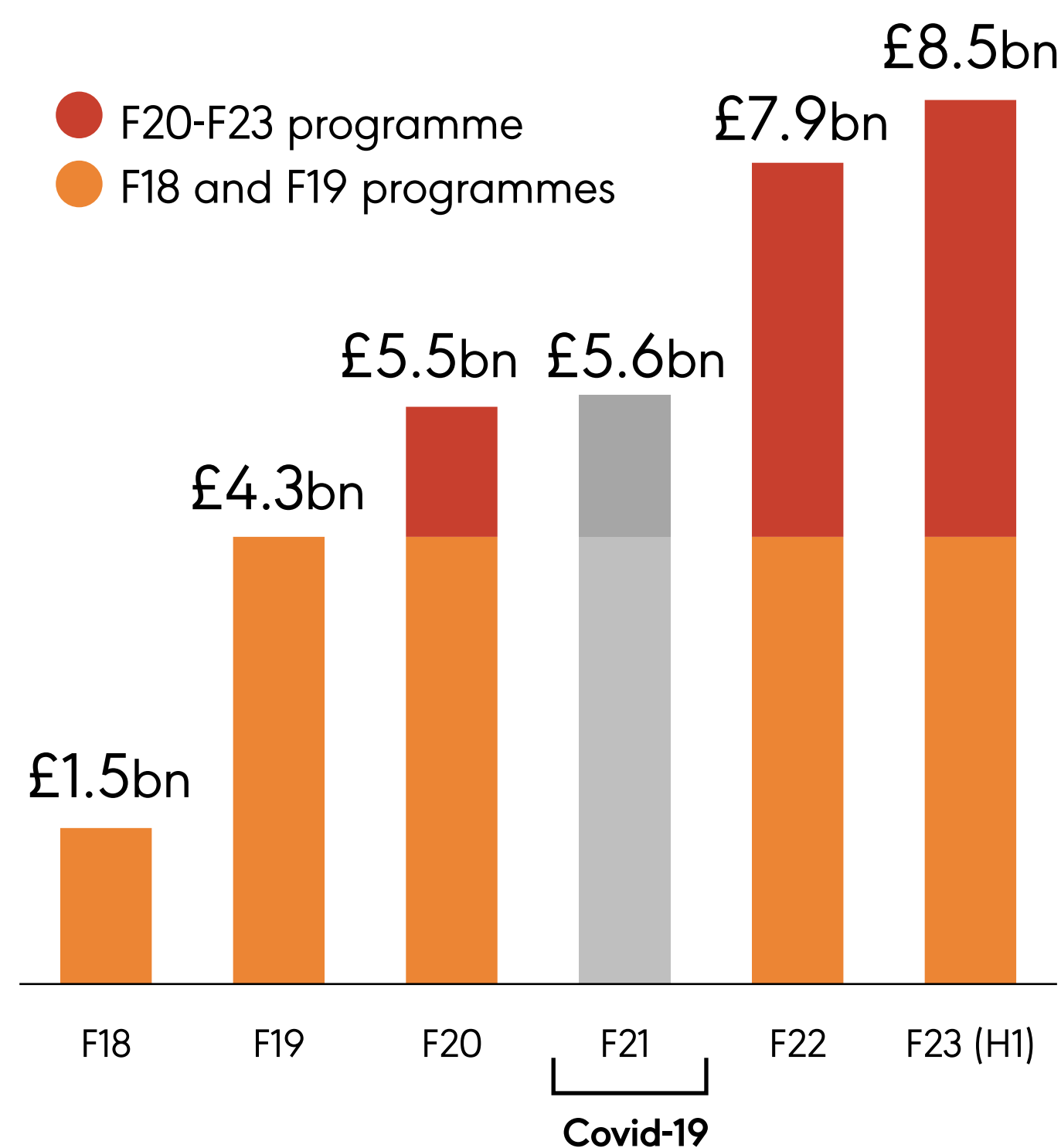
F23 interim dividend
+5.0%

● Final dividend
● Interim dividend



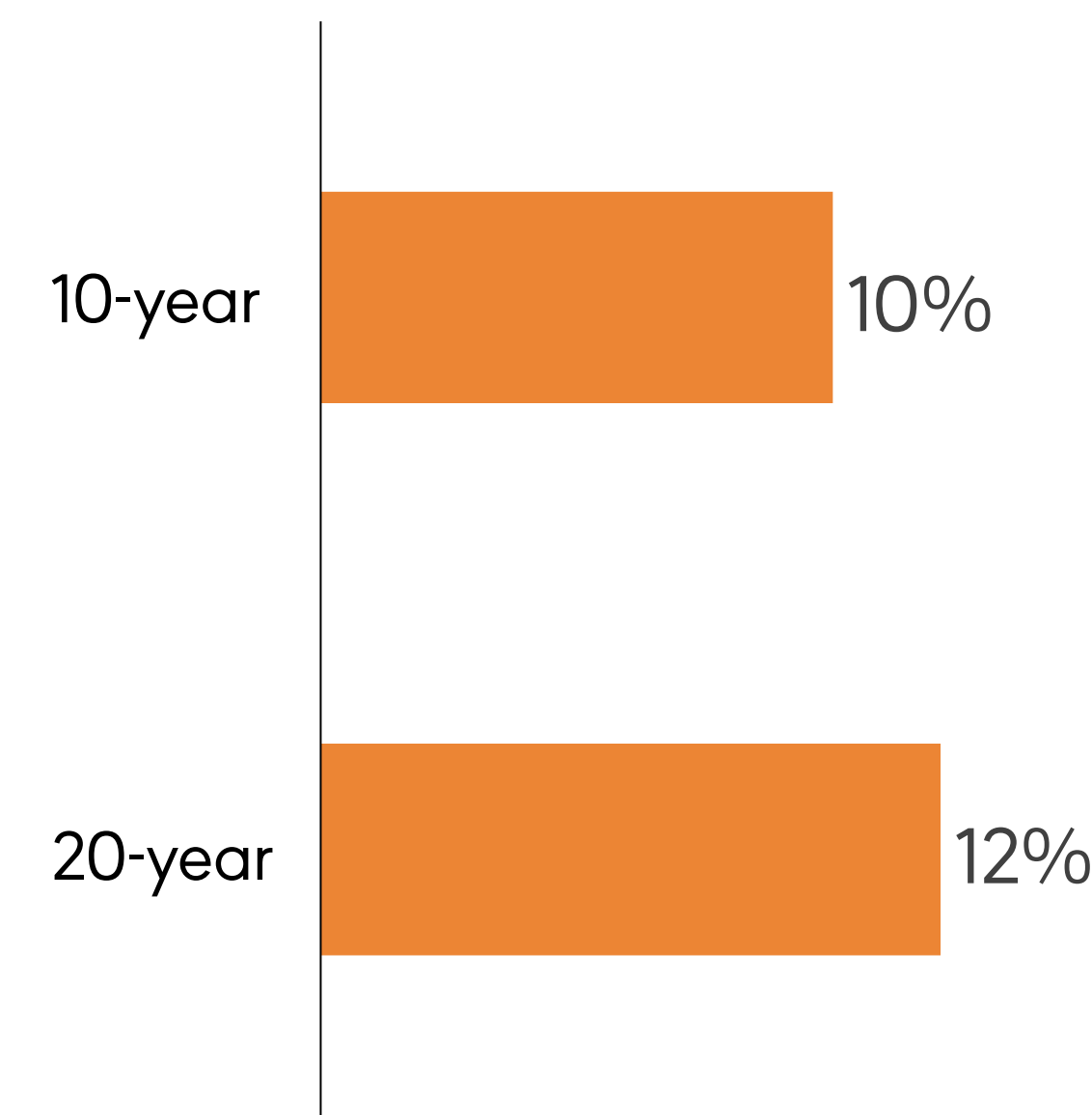
Return of capital - cumulative share buybacks *£bn*

● F20-F23 programme
● F18 and F19 programmes



Annualised TSR¹ *%*

20-year Annualised TSR
+12%



*Our advantaged
culture drives
our performance*



Society 2030: Our 10-year action plan to help *create a more inclusive and sustainable world*



Responsible drinking

- *1 billion* people reach
- *5 million* drink driving awareness



Inclusion and Diversity

- *50% women leaders*
- *45% ethnically diverse backgrounds*



Carbon Zero

- *Net zero carbon in direct operations (scope 1 & 2)*
- *50% reduction in scope 3 carbon emissions*



Preserve Water

- *Use 30% less water*
- *Replenish more water than we use in water stressed areas*

Medium-term guidance *ahead of historical growth rates*

F23-F25

Consistent

5% *to* 7%

Organic net sales growth

6% *to* 9%

Sustainably grow organic operating profit

Confident in our
strategy and
ability to deliver
*sustainable long-
term growth*

1. Leading premium drinks company
2. Advantaged brand, category and market exposure
3. Portfolio shaping/market firepower
4. Winning in the marketplace
5. Investing in people, planet and long-term sustainable growth
6. Compelling long-term value creation



DIAGEO

Q&A

Celebrating **25** *years*

Financial/legal appendix:

Definitions and reconciliation of non-GAAP measures to GAAP measures

Diageo's strategic planning process is based on certain non-GAAP measures, including organic movements. These non-GAAP measures are chosen for planning and reporting, and some of them are used for incentive purposes. The group's management believes these measures provide valuable additional information for users of the financial statements in understanding the group's performance. These non-GAAP measures should be viewed as complementary to, and not replacements for, the comparable GAAP measures and reported movements therein.

It is not possible to reconcile the forecast tax rate before exceptional items to the most comparable GAAP measure as it is not possible to predict, without unreasonable effort, with reasonable certainty, the future impact of changes in exchange rates, acquisitions and disposals and potential exceptional items.

Volume

Volume is a performance indicator that is measured on an equivalent units basis to nine-litre cases of spirits. An equivalent unit represents one nine-litre case of spirits, which is approximately 272 servings. A serving comprises 33ml of spirits, 165ml of wine, or 330ml of ready to drink or beer. Therefore, to convert volume of products other than spirits to equivalent units, the following guide has been used: beer in hectolitres, divide by 0.9; wine in nine-litre cases, divide by five; ready to drink and certain pre-mixed products that are classified as ready to drink in nine-litre cases, divide by ten.

Organic movements

Organic information is presented using pounds sterling amounts on a constant currency basis excluding the impact of exceptional items, certain fair value remeasurement and acquisitions and disposals. Organic measures enable users to focus on the performance of the business which is common to both years and which represents those measures that local managers are most directly able to influence.

Calculation of organic movements

An explanation of non-GAAP measures, including organic movements, is set out on page 76 of Diageo's Annual Report for the year ended 30 June 2022.

Continued on the following page

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(a) Exchange rates

'Exchange' in the organic movement calculation reflects the adjustment to recalculate the reported results as if they had been generated at the prior period weighted average exchange rates.

Exchange impacts in respect of the external hedging of intergroup sales by the markets in a currency other than their functional currency and the intergroup recharging of services are also translated at prior period weighted average exchange rates and are allocated to the geographical segment to which they relate. Residual exchange impacts are reported as part of the Corporate segment. Results from hyperinflationary economies are translated at respective years' actual rates.

(b) Acquisitions and disposals

For acquisitions in the current period, the post acquisition results are excluded from the organic movement calculations. For acquisitions in the prior period, post acquisition results are included in full in the prior period but are included in the organic movement calculation from the anniversary of the acquisition date in the current period. The acquisition row also eliminates the impact of transaction costs that have been charged to operating profit in the current or prior period in respect of acquisitions that, in management's judgement, are expected to be completed.

Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the reporting period, the group, in the organic movement calculations, excludes the results for that business from the current and prior period. In the calculation of operating profit, the overheads included in disposals are only those directly attributable to the businesses disposed of, and do not result from subjective judgements of management.

(c) Exceptional items

Exceptional items are those that in management's judgement need to be disclosed separately. Such items are included within the income statement caption to which they relate and are excluded from the organic movement calculations. Management believes that separate disclosure of exceptional items and the classification between operating and non-operating items further helps investors to understand the performance of the group. Changes in estimates and reversals in relation to items previously recognised as exceptional are presented consistently as exceptional in the current year.

Exceptional operating items are those that are considered to be material and unusual or non-recurring in nature and are part of the operating activities of the group, such as one-off global restructuring programmes which can be multi-year, impairment of intangible assets and fixed assets, indirect tax settlements, property disposals and changes in post-employment plans.

Continued on the following page

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Gains and losses on the sale or directly attributable to a prospective sale of businesses, brands or distribution rights, step up gains and losses that arise when an investment becomes an associate or an associate becomes a subsidiary and other material, unusual non-recurring items, that are not in respect of the production, marketing and distribution of premium drinks, are disclosed as exceptional non-operating items below operating profit in the income statement.

Exceptional current and deferred tax items comprise material unusual non-recurring items that impact taxation. Examples include direct tax provisions and settlements in respect of prior years and the remeasurement of deferred tax assets and liabilities following tax rate changes.

(d) Fair value remeasurement

Fair value remeasurement in the organic movement calculation reflects an adjustment to eliminate the impact of fair value changes in biological assets, earn-out arrangements that are accounted for as remuneration and fair value changes relating to contingent consideration liabilities and equity options that arose on acquisitions recognised in the income statement.

Growth on a constant basis

Growth on a constant basis is a measure used by the group to understand the trends of the business and its recovery towards pre-Covid-19 performance.

H1 F19 (i.e. six months ended 31 December 2018) to H1 F23 (i.e. six months ended 31 December 2022) growth on a constant basis for volume, sales, net sales and operating profit before exceptional items is calculated by adding up the respective periods' organic movement, expressed as a percentage of the relevant absolute amount.

Continued on the following page

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Shareholder value metrics

- Dividends: Diageo internal information.
- Return of Capital (RoC): Diageo internal information.
- TSR: FactSet as of 31st December 2022. TSR based on time periods of 6 months, 1 year, 5 years and 10 years up to 31st December 2022. TSR for 6 months calculated as the cumulative TSR performance of the stocks up to 31st of December 2022. TSR for 1 year, 5 years and 10 years calculated as the annualised TSR performance of the stocks up to 31st of December 2022. TSR based on trading currency.

Market share approach

- All analysis of data has been applied with a tolerance of +/- 3 bps
- Percentages represent % of markets by total Diageo net sales contribution who have held or gained total trade share.
- Measured markets indicate a market where we have purchased any market share data.
- Market share data may include beer, wine, spirits or other elements.
- Measured market net sales value sums to 86% of total Diageo net sales value in the first half of fiscal 23.