



DIAGEO

DIAGEO US SPIRITS
DEIRDRE MAHLAN
PRESIDENT NORTH AMERICA
MAY 2019

- No script

Cautionary Statement Regarding Forward-Looking Statements

This document contains forward-looking statements that involve risk and uncertainty. 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 beyond Diageo's control. For more details, please refer to the cautionary statement concerning forward-looking statements at the end of this document and to pages 48 to 49 of Diageo's Annual Report on Form 20-F for the fiscal year ended June 30, 2018, filed with the US Securities and Exchange Commission (SEC) on August 6, 2018 (the "2018 Form 20-F"). The 2018 Form 20-F is available from the website maintained by the SEC at www.sec.gov and on the Investors section of the website maintained by Diageo at www.diageo.com.

All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the factors described and by the principal risks set out at the end of this document and in the 'Risk factors' section on pages 39 to 47 of the 2018 Form 20-F. 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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Non-GAAP Financial Measures

This document includes the following financial measures which are not presented in our financial statements prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and are considered "non-GAAP financial measures" under SEC rules: Volume, Organic growth financials, Free Cash Flow, Earnings per share pre-exceptionals and Return on capital employed (ROIC).

These non-GAAP financial measures supplement our IFRS-IASB disclosures and should not be considered as alternatives to any IFRS-IASB financial measures. The reasons we use these non-GAAP financial measures and the reconciliations to their most directly comparable IFRS-IASB financial measures are included in the section entitled "Definitions and reconciliation of non-GAAP measures to GAAP measures" in the 2018 Form 20-F.

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- Good afternoon everyone
- I am pleased to be here with you today to share the progress US Spirits has made to improve our growth trajectory toward our goal of delivering quality net sales growth on a sustainable basis
- We have made good progress and expect this to continue, particularly given the strong team we've put in place
- Our North America Executive Team has changed quite a bit since the last time we met and I'm very excited about the talented individuals we've put in place. You heard from Ed Pilkington earlier on Marketing, he has joined the NA Exec as our CMO and has been instrumental in the evolution and advancement of our portfolio strategy
- Additionally, Claudia Schubert has joined us as President of US Spirits and Canada, and has brought a lot of energy and experience to the business, driving the successful development and implementation of next generation Route to Market
- Lastly, we've also been joined by Lavanya Chandrashekar as our CFO. She brings significant finance experience from leading CPG companies and has been advancing our everyday efficiency agenda, allowing us to reinvest in the business for sustainable growth
- With this talented team, I am even more confident in the potential of the North American business, as well as the US spirits business which is the focus of my remarks today

- Let me update you on what we have been up to since we last met...



KEY US SPIRITS PRIORITIES



Delivering strong and sustainable performance

Driving growth through data driven insights

Building sustainable leadership in innovation

Ensuring executional excellence in our route-to-market

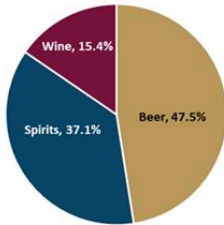
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- These are the key priorities for the US Spirits business
- Our first priority is to deliver strong and sustainable performance
- We will use a targeted approach, leveraging data to ensure that we are investing in the right brands and categories for each consumer occasion
- Additionally, as competition to win at the moment of choice remains tough in our industry, we are working to ensure we are innovating to win with consumers over the long-term
- Last, we are constantly improving our commercial execution and route to market, continuing to lead the industry in the development of key capabilities in this area
- I'll speak about each of these priorities this afternoon, starting with some key data about the industry and our position within it

THE US IS DIAGEO'S LARGEST MARKET

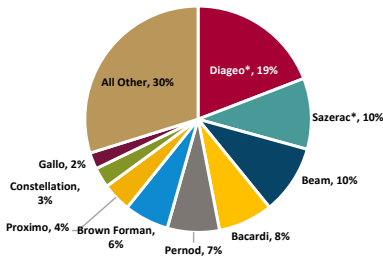
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TBA Value Share by Subcategory



US Consumers spend over \$220 billion on total beverage alcohol

Spirits Value Share by Supplier



Over \$85 billion is spent on Spirits

Diageo is the market leader in the Spirits industry

Source: Diageo Estimates based on IWSR, CY 2017; Nielsen xAOC+C & NABCA Combined; L12M Nielsen thru 3/23/19, NABCA thru 3/31/19

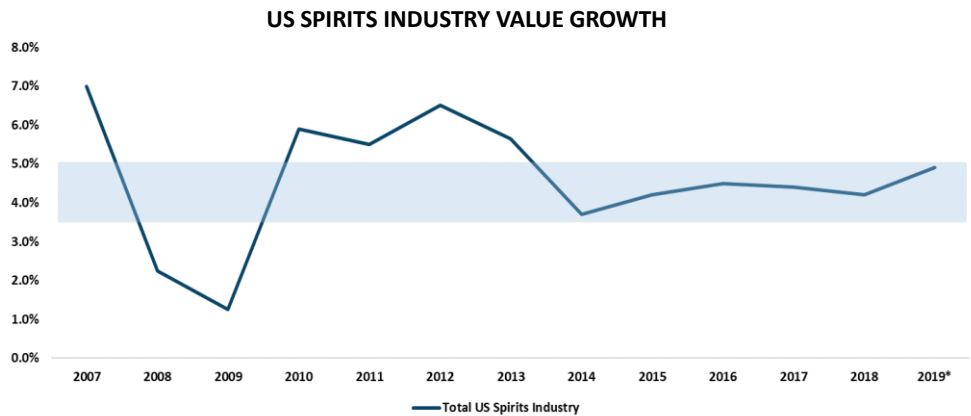
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- The US is the largest global TBA market with consumers spending more than \$220 billion annually
- \$85B billion is spent on Spirits
- Spirits is taking a greater share of TBA, gaining +5pps within the past decade. Spirits now has 37% share.
- Diageo is the leader in the US Spirits industry with share close to double that of the second largest competitor, a solid foundation from which we will continue to grow



US SPIRITS INDUSTRY A CONSISTENT GROWTH DRIVER

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Source: Diageo internal analysis; using Nielsen, NABCA, Distributor Indicators, DISCUS, IWSR, and Beverage Information Group
*2019 L12M estimate thru March

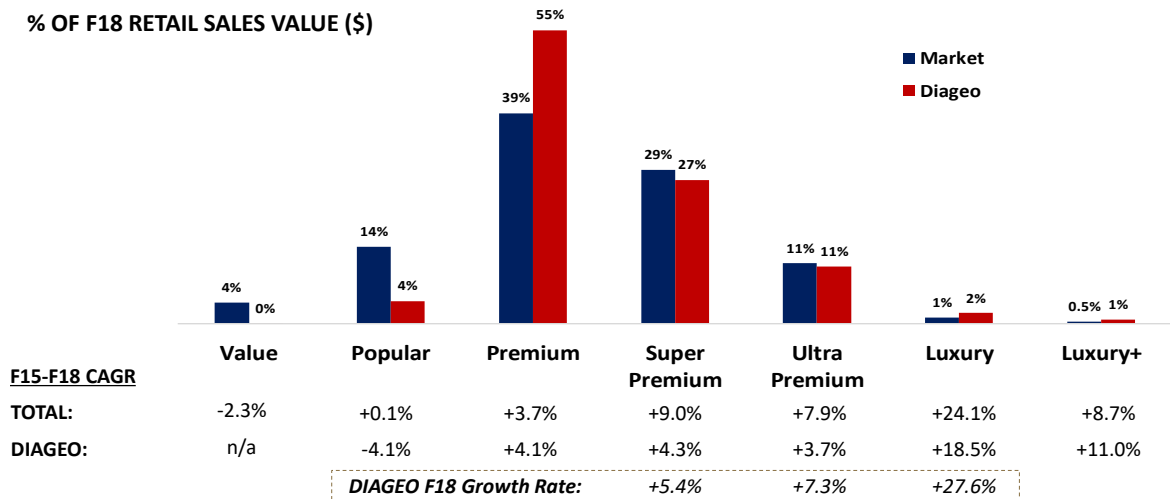
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- The US Spirits industry is resilient, demonstrating continued growth even during challenging economic conditions
- For the last five years, the sector has grown around 4%, outpacing much of the broader CPG category
- The recent increase in growth rates has been driven by a return to F17 volume growth, and strong acceleration in price/mix, driven mostly by mix as we continue to see a trend toward premiumization, while price has also rebounded in recent months

STRONG DIAGEO POSITION IN PREMIUM, OPPORTUNITY IN PREMIUM+

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% OF F18 RETAIL SALES VALUE (\$)



Source: Nielsen/NABCA FY 15-18; Diageo figures include Casamigos and exclude sold brands

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- Diageo is the leader in the premium price tier and overall in a strong relative position in premium + price tiers
- Though Premium growth has been decelerating, Super Premium+ tiers are accelerating. Given this context, we have been focused on accelerating our growth and increasing our share in Super premium+ tiers
- We've seen some early results of this focus – as evidenced by our acceleration in F18 growth rates across Super Premium, Ultra Premium and Luxury
- Value and Popular have been consistently negative or flat – supporting our continued strategy to limit our investment in these price tiers

INDUSTRY LEADING BRANDS

DIAGEO



Source: IWSR Volume

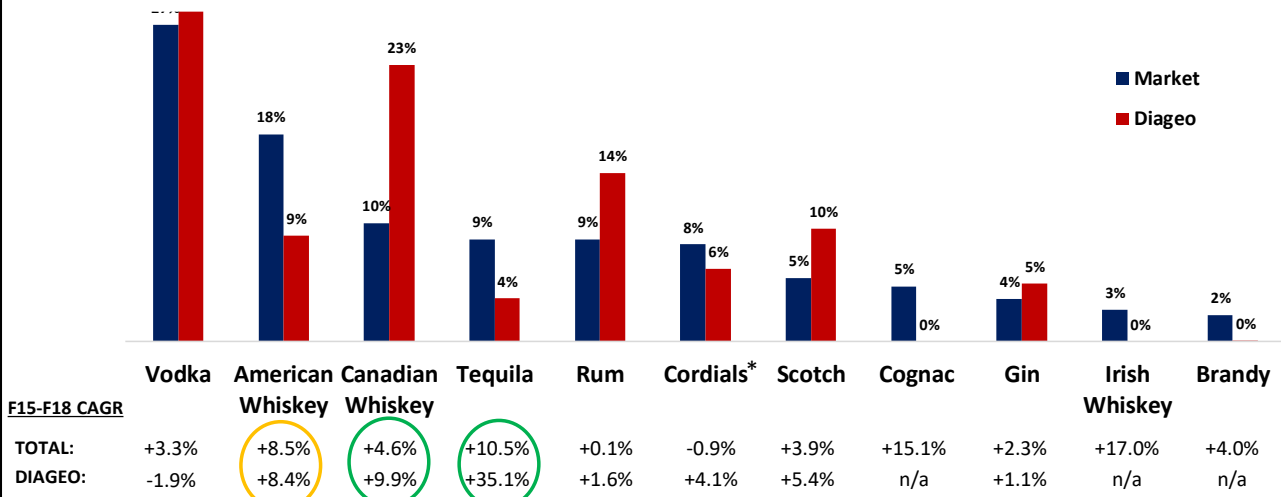
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- We are in a strong position, with #1 brands in 8 spirits categories

LEADING POSITION IN CANADIAN AND SCOTCH, GAINING IN TEQUILA

DIAGEO

% OF F18 RETAIL SALES VALUE (\$)



Source: Nielsen/NABCA FY 15-18; Diageo figures include Casamigos and exclude sold brands; *Cordials includes Baileys






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- Looking at growth by category, we are positioned well across key growth categories
- We have a leading share position in Canadian Whiskey where we are gaining category share with Crown Royal
- And we have a good positions in American Whiskey with Bulleit and Blade & Bow gaining share in premium + price points
- In Tequila, Casamigos and Don Julio are gaining share, as two of the top fastest growing brands in the category respectively, and outpacing industry growth in Tequila
- Diageo continues to be the leader in Scotch Whisky and through brand investment and innovation, our scotch brands are growing 1.5 points faster than the rate of the category
- However, we have more work to do to ensure we are winning across all categories, particularly in Vodka and Rum
- In Vodka, we have significant brands in premium+ price tiers and in the last 52 weeks we have increased our growth trajectory in this highly competitive category
- The Rum category has softened over the last two years, now growing at a rate below the spirits category. We have work to do to improve our performance in rum and I will share some of our plans later
- Additionally, while Gin is accelerating and growing double digits in many markets around the world including UK, Spain, Canada, and Brazil, the category remains in low single digit growth in the US. We have the leading gin brand in the US with Tanqueray and are well prepared for a ginaissance in the US
- So now let's take a look at the performance of our key brands



KEY BRANDS ARE SUPPORTING MARKET SHARE GAINS

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VALUE SHARE CHANGE (BPS, TOTAL SPIRITS)	F17	F18	F19 YTD
 JOHNNIE WALKER.	-2	+2	+4
	+21	+5	+17
	+1	+3	-2
	+6	+11	+16
	+10	+7	+7

Source: Nielsen Census xAOC + Liquor thru 3/23/19 & NABCA thru 3/31/19




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- As you know, many of our key growth delivering brands are continuing to drive share gains in F18 and F19, with the largest coming from Crown Royal and Don Julio



SOME PROGRESS IN VODKA BUT MORE TO DO

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VALUE SHARE CHANGE (BPS, TOTAL SPIRITS)	F17	F18	F19 YTD
	-21	-21	-22
	-7	-4	+14
	-16	-12	-11

Source: Nielsen Census xAOC + Liquor thru 3/23/19 & NABCA thru 3/31/19

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- However, there is still more work to do in Vodka
- As you can see on this slide, Ketel One has improved significantly this year, driven by the success of Ketel One Botanicals, and is now gaining share
- Ciroc has also improved, but there is more to do in order to return the brand to growth
- We still have work to do on Smirnoff – while brand equity scores have improved, our performance is not yet where we want to see it. We have increased our share of voice in media and updated our packaging in F19
- While Smirnoff is in growth in about half of the states in the US, some large underperforming markets are a drag on our growth. We are making specific interventions to improve this trend and have high expectations of new innovations to drive re-recruit and recruit centric strategies

CAPTAIN MORGAN PERFORMANCE CHALLENGED

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PERFORMANCE

Value share change
(bps, Total Spirits)

F17

F18

F19 YTD

Captain Morgan

-8

-10

-19

OUR STRATEGY

- Recruit more diverse consumers
- Launch interventions that can deliver an immediate impact
- Reposition in culture through a new platform
- Improve physical availability & drive breakthrough innovation
- Overcome liquid perceptions and regain bar / shelf prominence

Source: Nielsen Census xAOC + Liquor thru 3/23/19 & NABCA thru 3/31/19

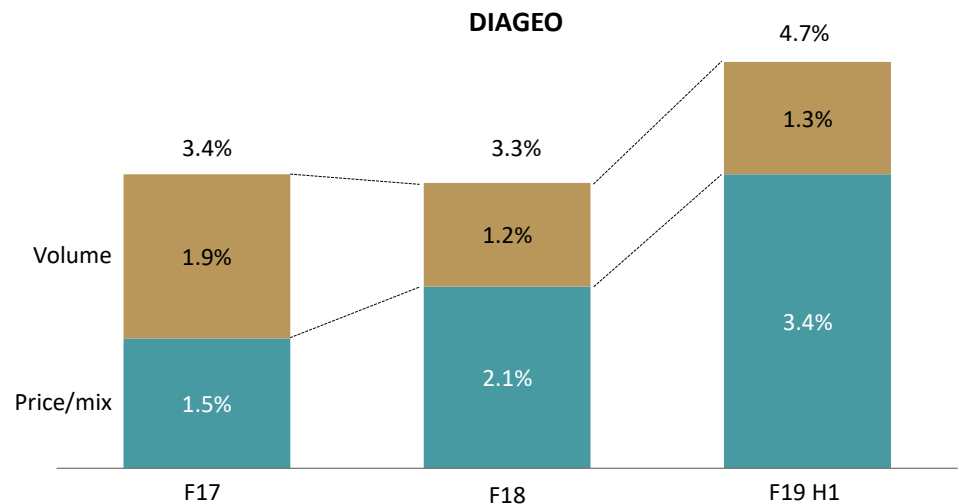
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- The Rum category has been challenged over the last few years as consumers, seeking to explore different flavors, formats and recipes, have moved to increasingly include whiskies and tequila in their repertoire of occasions
- The shift in consumer behavior has had a negative impact on Captain Morgan share since F17. In F20 we are looking to address this by playing both offense and defense
- For instance, we aim to communicate functional product messaging that features a variety of simple serves to address consumer perceptions about the versatility of rum, as well as to recruit new female, multicultural drinkers in new occasions
- We will also improve physical availability and excitement at retail by offering programming with new formats and Value Added Packaging
- All of this is designed to broaden the consumer base – without losing the current core user
- We are being smart in how we spend our investment. We will also learn a lot with a new cultural platform which you'll hear more about later this year



GROWING BROADLY IN LINE WITH INDUSTRY IN F19

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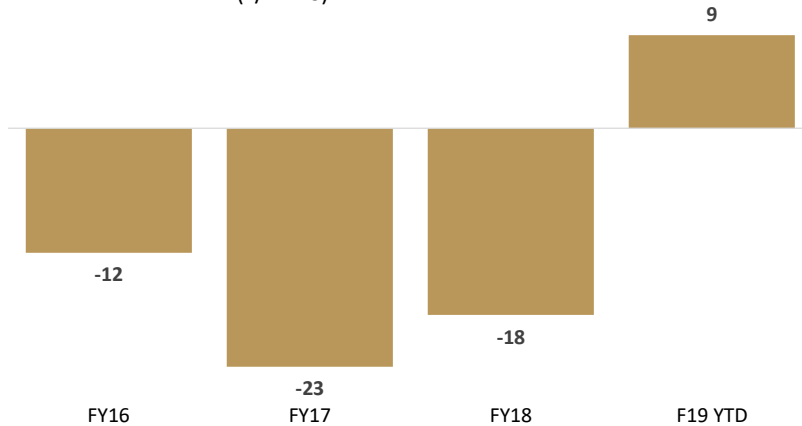
- Overall, our increased investment and focused execution has put us within reach of industry growth. Over the past decade we have seen the spirits industry growing at or above 4% growth over that last decade. A year ago we saw a softening in MAT growth rates however recently we've seen an acceleration with the market growing at between 4.5% and 5% in F19 thus far
- Though we lagged the industry in F17 and F18, we grew broadly in line with industry in the first half of F19



IMPROVING SHARE TRAJECTORY, ACHIEVING SHARE GAIN

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DIAGEO VALUE SHARE PERFORMANCE¹ (Y/Y BPS)



Source: Combined NABCA & Nielsen 45 chains in food, drug and mass liquor, F19 YTD compared to F18 YTD through Mar 2019
1 Includes Casamigos and excludes sold brands

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- Here, our performance is shown in terms of industry share performance
- You'll see that we've rebounded significantly from F17 with a positive share gain of 9bps through March 2019, a result of our continued focus on investing in our growth

A GREAT PLACE TO WORK

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DIVERSE & INCLUSIVE CULTURE



INVESTING IN OUR PEOPLE



LIVING OUR PURPOSE



BUSINESS RESOURCE GROUPS



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- As Ivan referenced earlier, our brands and our performance depend on the talent and commitment of our employees
- We value a wide range of viewpoints, experience and skills to better understand our consumer. Diversity and Inclusion is a core value at Diageo - for our business to thrive, we depend on diverse talent
- Our NA Exec team is composed of 40% women and across the U.S., our workforce is 28% ethnically diverse and our senior leadership workforce is 16% ethnically diverse
- We encourage strong personal and professional networks among our teams to foster a shared sense of value and connectivity. For example, we have a number of Business Resource Groups that are active in empowering and connecting our employees
- Just today, consistent with our commitment to diversity, we announced a new parental leave policy for both men and women offering 26 weeks for North America employees – a testament to our commitment to diversity
- As a result of our continued focus and efforts to create a great place to work, we've received several awards and recognition from prestigious organizations



KEY US SPIRITS PRIORITIES

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Delivering strong and sustainable performance

Driving growth through data driven insights

Building sustainable leadership in innovation

Ensuring executional excellence in our route-to-market

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- Now I'd like to turn to our next priority – leveraging data to ensure we are aligning our investment to where we have confidence
- You'll hear me speak a lot about data and how we leverage data to inform our strategies, in this first section I'll speak about how this influences our portfolio strategy, and later how it impacts our commercial strategy



- To inform resource allocation, we regularly review our portfolio strategy
- We consistently look at the macro trends around:
 - shifting occasions
 - consumer cohorts
 - category / shopper preferences
 - and other trends
- Along with the macro trends we also look at micro insights, leveraging tools / capabilities we have built with robust data and analytics including:
 - Commercial analytics engines built with outlet level detail
 - And tools like Catalyst, which Ed discussed in detail earlier that we deploy to size and analyze future profit pools and run ROIs against our marketing investments
- We use the macro and micro analyses to inform our investment strategy – segmenting brands into focused groups that define the level and type of investment required to deliver long-term sustainable growth



HOW WE WILL DELIVER GROWTH

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Consumer Trends

Consumer Occasions

Geographical Differentiation

Deliver vibrant experiences and activation at point of purchase

Continuing to optimize investment in our brands

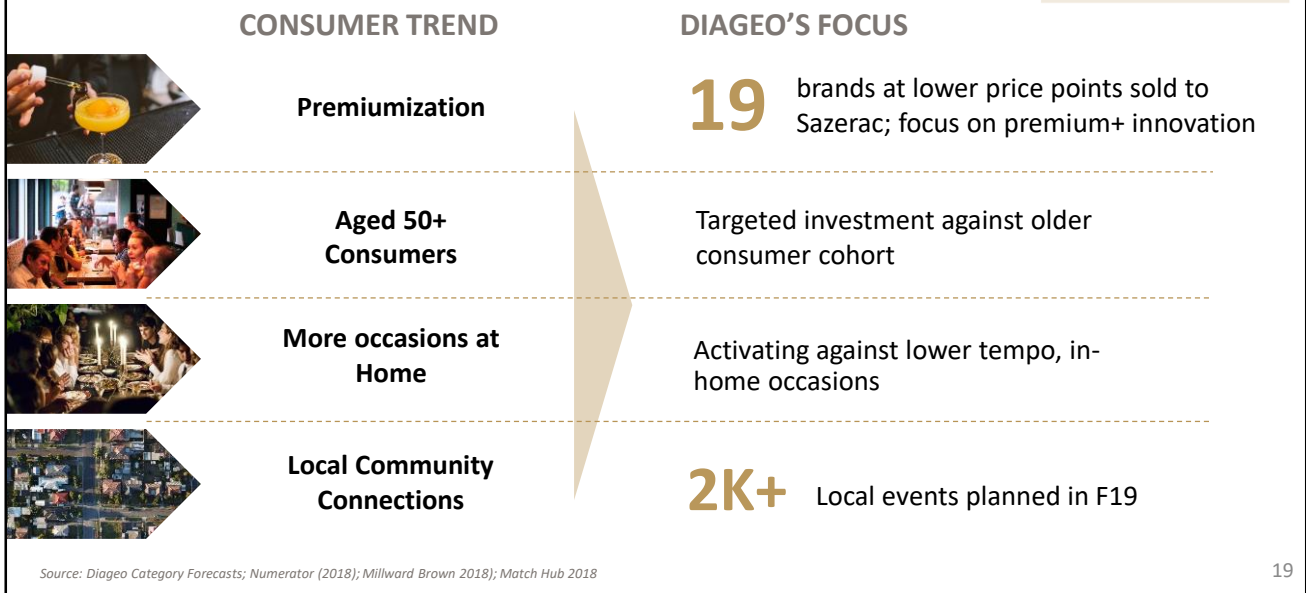
Unlock the next wave of growth

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- In order to deliver sustainable growth, we are focused on developing a granular understanding of our consumers through improved data capabilities – focused on identifying key consumer trends and occasions, as well as geographical differentiation
- We are also targeting our investment against key strategies including vibrant experiences, optimizing A&P investment against our brands, and unlocking the next wave of growth
- I'll cover each of these areas on the next few slides

CONSUMER TRENDS: A CONSISTENT ORIENTATION TOWARD A CONSUMER-FIRST STRATEGY

Consumer Trends	Consumer Occasions	Geographical Differentiation
Premium alcohol experiences and education at point of purchase		
Continuing to explore convenient to use brands		
Track the next wave of growth		

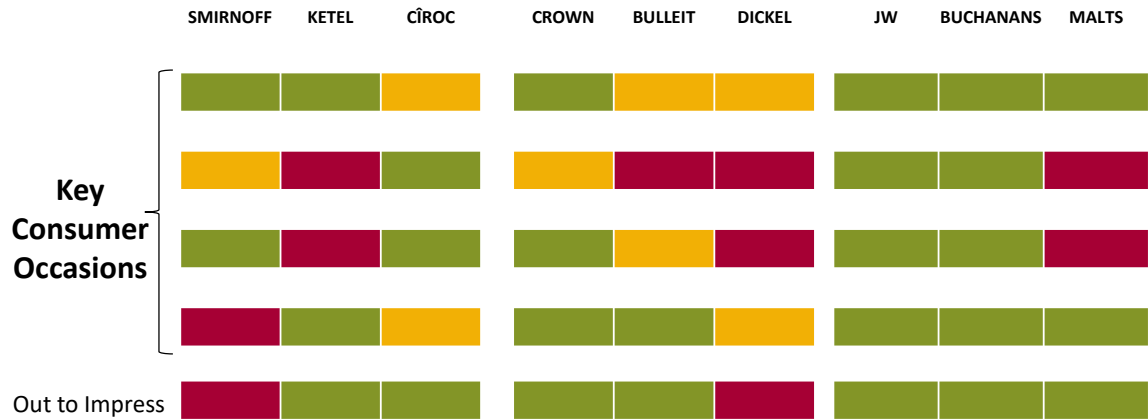


19

- In order to ensure we are making the most impactful investments, we are hyper-focused on key consumer trends
- Here, we've highlighted four of the key trends we've identified, as well as Diageo's current focus to take advantage of these trends
- As I shared earlier in regard to price tiers, we continue to see premiumization in US Spirits market. What this means for us is that we are shifting our focus away from Value brands, as seen in our sale of 19 brands to Sazerac. This is also evident in our strategic focus on premium+ innovation
- In terms of demographics, consumers who are 50 or older spend more money on spirits than any other age cohort. Furthermore 50+ age group is currently the largest LDA+ population and is projected to continue to be so through 2030. Right now, 4 in 10 of the spirits brands 50+ consumer drink most are owned by Diageo, but there is still significant opportunity for us to continue to penetrate this age cohort
- We're also seeing increased opportunity in at-home occasions, which is reflected in key innovations aimed at the lower tempo, at-home occasions like Zero Sugar Infusions and Ketel One Botanicals
- We've also improved our ability to deliver hyper local experiences at scale, reaching more than 2,000 local planned events in F19

CONSUMER OCCASIONS: INVESTING BEHIND QUALITY INSIGHTS

Consumer Brand	Consumer Occasions	Geographical Differentiation
Deliver vibrant experiences and education at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		



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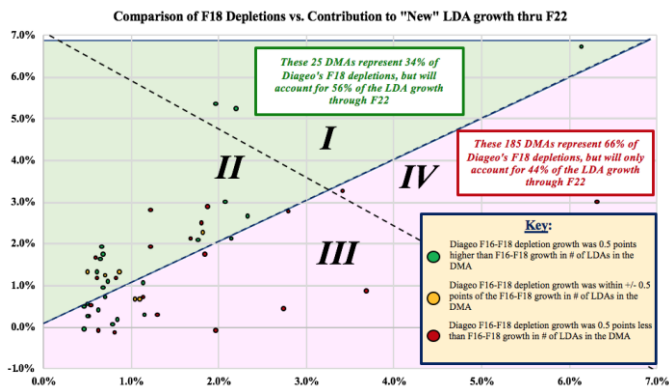
- Our consumer-first strategy is built around insights to accelerate growth and is focused on consumer occasions. This focus is supported by a number of research studies that confirm that consumers buy occasion-first
- We've developed a new consumer choice framework, built on analysis of 30,000 occasions across 8,000 consumers.
- We have developed 4 macro territories in the US consumer choice framework, examples of which include:
 - **Familiar Moments:** Moments to relax and reset in familiar company and surroundings, with a drink you know and love
 - **Upbeat Moments:** Moments that are energetic, upbeat and social, with drinks that match the feeling
- On this slide, you'll see a grid of sub territories of consumer occasions we've identified and where research shows our brands over or under-index vs. competitors
- For example, the bottom row here could be an occasion like "Out to Impress", where you would see a number of our more premium brands like Ketel One and Johnnie Walker with well-known premium positioning popping up
- Amber and red bar represent areas where particular brands under index on a particular occasion. So, for example the red bar for Smirnoff in Out to Impress indicates that Smirnoff under-indexes in this occasion relative to other brands. Brand teams utilize this data to inform investment decisions
- While segregating consumer occasions to make investment choices is not new, the quantity and quality of data and the improved analytics underpinning the choices have significantly

improved the quality of our insights. These insights inform our investment choices and growth drivers

GEOGRAPHIC DIFFERENTIATION: TOP 10 CITIES DRIVING DISPROPORTIONATE GROWTH

Consumer Trends	Consumer Decisions	Geographical Differentiation
Identify relevant opportunities and activation at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		

Data analytics being leveraged to identify where future market growth is coming from



**Geographical
Differentiation Informs
our Allocation of
Resource**

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- A granular understanding of exactly where our consumers and the best opportunities are is key to achieving our growth goals, so we've developed a capability using Census data to analyze consumer changes and growth by geography
- For example, we know that half of volume growth for Spirits comes from increases in the number of individuals of Legal Drinking Age (LDAs)
- The number of LDA consumers in the US will grow by 10M people between 2018 and 2022
- However, this growth varies significantly across the country. So we use census data to analyze which cities will drive a disproportionate amount of the growth in LDA consumers
- This work is used to identify target markets for brands and allocate resources by geography
- The cities that will drive a disproportionate amount of LDA growth relative to current volume size fall in the green triangle
- We are prioritizing investment activities on markets that will drive a big portion of new LDA consumers. For example, priority cities represent ¼ of Diageo's sales today, we expect them to drive more than 30% of growth given the demographics
- This city strategy has become instrumental in our marketing and commercial execution plans, helping us to identify the right markets for driving our brands' growth
- This is another example of where we've leveraged our in-house Advanced Analytics team to develop key data analysis tools to inform our strategy

DELIVERING VIBRANT LOCAL EXPERIENCES

Consumer Trends	Consumer Occasions	Geographical Differentiation
Deliver vibrant experiences and activation at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		

HYPER LOCAL EXPERIENCES

Consumer first model that delivers local, in-culture brand experiences at scale



Event mix prioritized according to consumer insights



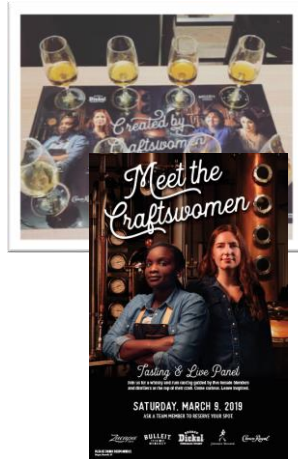
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- Leveraging the data I've just described, we are targeting brand experiences at the local level to capture the biggest opportunities
- Our locally focused experiences drive relevancy and meaningfulness across consumer cohorts, including age and ethnicity
- Additionally, our Activation Army, a talented group of on-premise activation specialists, and Reserve Ambassadors are key to delivering these initiatives at scale
- The Activation Army focuses on menu placements, drink features, special events and social media engagement
- Our Reserve Ambassadors focus on trend leading accounts to drive growth of our Reserve portfolio
- Those dedicated resources are having a significant impact. In the past year, accounts supported by the Activation Army grew +2% ahead of ROM and Reserve accounts +10% versus ROM

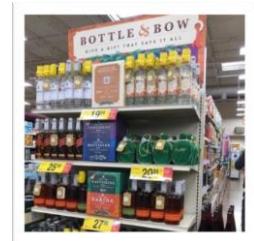
EFFECTIVE POINT OF PURCHASE

Consumer Trends	Consumer Decisions	Geographical Differentiation
Deliver vibrant experiences and activation at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		

DISTINCTIVE IN-STORE EXECUTION



CONSUMER-ORIENTED OMNICHANNEL



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- We want to ensure we have the right brands in the right place and at the right price – which is why we are focused on distinctive in-store execution and omni-channel platforms.
- For example [in-store]:
 - Our Tastemakers program repositioned 200 & 375ml from convenience & price to exploration and access to luxury (>20% volume lift)
 - Our Craftswomen program tapped into consumers' desire to know more about the people and heritage behind brands. The program put a spotlight on female blenders and distillers across our portfolio of ultra premium brands, and has been executed in 1,500 stores so far
- For example [Omni –channel]:
 - Whiskey 5 program was designed to drive whiskey conversion & trade-up by breaking down whiskey categories into a simple language based on flavor. It is available through an app, website AND executed in store. We executed the program in over 3,000 stores nationwide, achieving a >20% lift in volume and strong ROI
 - The Bottle&Bow program helps break the perceived barrier of gifting spirits by providing a better selection as well as tools to improve 'gifters' confidence that their recipient will love it. Our partnership with Drizly for this program has increased orders by nearly 2x and gained 1.5 ppts of share on Drizly for gifting

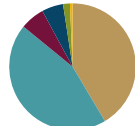


INVESTING TO WIN BEHIND OUR PORTFOLIO

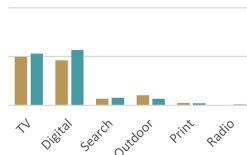
Consumer Trends	Consumer Occasions	Geographical Differentiation
Deliver relevant experiences and activation at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		

UPWEIGHTING / BALANCING

MEASUREMENT / ROI



Media Spend by Type



Performance



Allocation



- Understanding growth drivers by brand
- Balancing investment mix
- Driving competitive media
- Future profit pool analysis
- Return on Marketing Investment
- Optimization to higher performing brands

- And we are committed to getting to the right investment in marketing and media as we continue to invest ahead of our growth, increasing our A&P reinvestment rate by 2 ppts from F17 to F19
- As Ed mentioned earlier, the growing number and complexity of marketing channels makes measurement & evaluation tools more critical than ever
- For example, our Catalyst tool pulls together a vast amount of data from across the business to ensure that marketers are investing wisely The Strategic Model guides choices about where to invest A&P across the portfolio and the Growth Driver Model gives us powerful data on the effectiveness of the individual growth drivers within brands
- We have also been building an ROI and effectiveness culture which has helped with both long term planning and short term optimization, through future profit pool analysis and ROI optimization. By looking at ROI alone, we would not be able to optimize our full volume potential. As a result, we began to also look at measuring Effectiveness (cases/1MM impressions) and Productivity (case/\$1K spent) to have a more apples to apples comparison of our performance across channels
- Tools like this and others give us a better understanding of how media works to drive our brands, and increased productivity while giving us the confidence to increase our overall media investment by 50% since F16

INCREASING FOCUS ON BUILDING NEXT WAVE OF GROWTH

Consumer Trends	Consumer Occasions	Geographical Differentiation
Deliver vibrant experiences and activation at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		



Amplify

- Amplifying proven growth drivers
- Hypertargeting, clear expansion plans



Accelerate

- In-culture, on-the-ground activation
- Targeted investment ahead of growth



Incubate

- Dedicated long-term investment focus
- Test & learn; access to Diageo resources

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- Lastly, we know a very large proportion of our future growth will come from New to World / small brand growth, as well as smaller luxury brands with compelling consumer propositions
- As a result, we're upweighting our investment and focus on amplifying, accelerating and incubating key brands

BUSINESS DEVELOPMENT STRATEGY SUPPORTS PORTFOLIO PRIORITIES

Consumer Trends	Consumer Occasions	Geographical Differentiation
Deliver vibrant experiences and activation at point of purchase		
Continuing to optimize investment in our brands		
Unlock the next wave of growth		

\$4.4B
US RSV Category



8.6%
Forecasted 5yr CAGR

KEY ACQUISITION



CASAMIGOS



+9bps Total US Spirits
Value Share in F19 YTD

Source: Left hand side – IWSR 2018; Right side: Combined Nielsen / NABCA thru March 2019

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- We are also prioritizing M&A investment into key growth categories, such as our acquisition of Casamigos tequila
- The US is the largest tequila market in the world, with more that \$4B RSV. The category is continuing to grow and premiumize quickly – we expect Premium+ to drive more than 80% of RSV growth in the next five years, reinforcing our decision to acquire a brand in this category in a premium+ price tier
- Don Julio and Casamigos are two of the biggest contributors to category growth and have each increased their share of the category by ~1 ppt of value share from F17 to F18
- As we look to the future, we’re continuing to define and drive granularity in our overall M&A strategy – looking not only for categories in growth (like we saw with Tequila), but looking more specifically for the exact attributes we would be looking for in future brands, such as a particular provenance or specific consumer occasions



KEY US SPIRITS PRIORITIES

DIAGEO

Delivering strong and sustainable performance

Driving growth through data driven insights

Building sustainable leadership in innovation

Ensuring executional excellence in our route-to-market

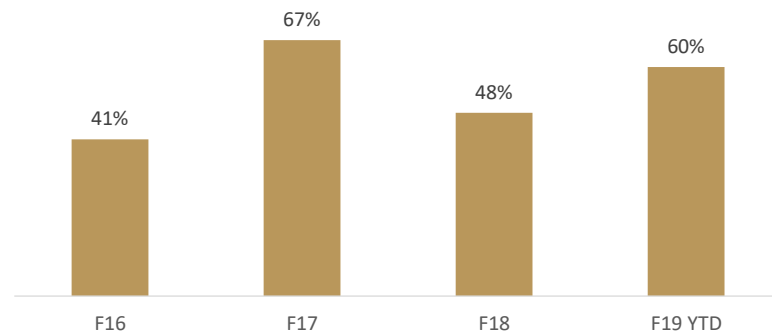
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- As we continue to focus on long-term growth, a key enabler will be innovation

MAINTAINING A CONSISTENT LEADERSHIP POSITION IN INNOVATION

DIAGEO

% OF US TOTAL SPIRITS RETAIL SALES INNOVATION CONTRIBUTED BY DIAGEO



Source: Nielsen, including Casamigos

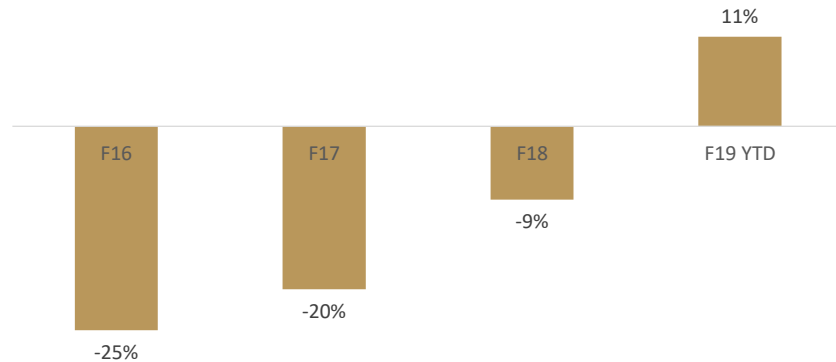
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- We are the leader in innovation in the US and innovation is our biggest single driver of growth.
- According to Nielsen, Diageo owns 7 spots out of the top 10 new items launched in the last 52 weeks (ending 4/20), and represents 70% value share of the Top 25 Year One launches:
 - #1: Crown Peach
 - #2 Johnnie Walker White Walker
 - #4 Ciroc Black Raspberry
 - #5 Crown Royal Texas Mesquite
 - #6 Ciroc Brandy VS
 - #8 Captain Morgan Apple Smash
 - #10 Smirnoff Vodka Moscow Mule
- Diageo's value share of top 25 Year 2 launches is 49%
 - #2 Crown Royal Salted Caramel
 - #4, #5, #6 Ketel one Botanical varietals

WE ARE DRIVING TOWARD CONSISTENT AND SUSTAINABLE GROWTH IN INNOVATION

DIAGEO

INNOVATION BASE BUSINESS GROWTH (%)



Source: Nielsen, including Casamigos

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- This slide demonstrates the contribution of prior year launches to growth. Each year on this chart reflects the growth of brands launched in the previous 5 years
- In F16 prior year launches declined -25%. We have been working to improve sustainability of our innovation brands beyond the launch year and are making good progress with +11 growth of previous launches in F19 so far
- The primary drivers of the base business F19 YTD NSV performance are: Crown Apple (F15 Recruit launch), Crown Vanilla (F17 Recruit launch), and Ketel Botanicals which is lapping its launch year (F18 Disrupt launch)

UPWEIGHTED FOCUS AND INVESTMENT BEHIND RECRUIT CENTRIC LAUNCHES

DIAGEO



+8bps Spirits value share F19 YTD



+18bps of Spirits value share in F19 YTD



+7bps Spirits value share, GOT Single Malts **+4bps**



Launching in H2 F19

Source: Nielsen Census xAOC + Liquor thru 3/23/19 & NABCA thru 3/31/19

- We have heavily upweighted our focus and investment behind innovation launches that we believe have potential to recruit
- For example, Crown Apple plays a key role in recruiting new drinkers and opening new higher energy occasions for the brand portfolio, overindexing in “Drinks Out” occasions and younger LDA consumers, female and more multicultural drinkers than the full trademark
- Ketel One Botanicals has been capturing consumers in the wine occasion with incredible share gain of 18bps – we’re seeing that 60% of Ketel One Botanicals sales is incremental to Total Spirits and a study we conducted showed that nearly 50% of consumers would order a Ketel One Botanicals Spritz rather than white wine if they knew the difference in calories
- Smirnoff Zero Sugar Infusions is being launched right now – Smirnoff has built a reputation on flavor innovation and consumers give us credit for this. We have an opportunity to innovate for a consumer who is conscious about the ingredients in their brands
- Both Ed and John mentioned our successful Game of Thrones partnership earlier. In the US, we are very pleased with how successful it has been, with White Walker gaining +7bps of share, and the Single Malts +4bps. The most exciting aspect of the Game of Thrones partnership has been the halo effect of White Walker on the Johnnie Walker trademark as well as our ability to extend the partnership to our Single Malts, bringing new consumers into our trademarks, driving incremental floor displays and consumer engagement. I’ll now show you a video of the Single Malts in case you missed it...

VIDEO US Spirits Game of Thrones

LTOS PURPOSEFULLY MANAGED FOR BENEFIT TO PARENT BRAND AND RE-RECRUIT



- As Ed mentioned earlier, we've improved the focus of Limited Time Offers (LTOs) to delight the consumer on key occasions and build the base trademark
- For example, you'll see here a number of seasonally relevant LTOs, such as Crown Royal Salted Caramel that does really well in the winter holidays
- By focusing on particular cultural occasions, we are able to secure floor space for key displays ahead of holidays and peak times which our customers really appreciate
- We develop seasonal packs like the ones shown here to create new news for the trademark, and a discovery opportunity for the consumer, as well as a potential incremental purchase for the retailer



KEY US SPIRITS PRIORITIES

DIAGEO

Delivering strong and sustainable performance

Driving growth through data driven insights

Building sustainable leadership in innovation

Ensuring executional excellence in our route-to-market

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- Lastly, we're working to ensure we have the right capabilities, tools and people to ensure excellence in our execution

WHY WE NEEDED TO EVOLVE & WHAT HAS CHANGED

WHY?

TECHNOLOGY IS
RAPIDLY CHANGING

THE NATURE OF
SHOPPING HAS CHANGED

WE NEED TO EVOLVE



WHAT?

LEVERAGING ADVANCED
ANALYTICS TO TAILOR
STANDARDS FOR EVERY OUTLET

EVOLVING OUR EXECUTION
MODEL TO DELIVER EVERY
DAY GREAT EXECUTION
ACROSS ALL OUTLETS

CHANGING WAYS OF WORKING
BETWEEN DIAGEO AND
DISTRIBUTORS TO SUSTAIN IMPACT

- Diageo has led the evolution of Route to Consumer models in the US, being first to build dedicated divisions with our distributors. Our efforts helped to drive strong execution and distribute new products more quickly, building a competitive advantage. Over time, however, the model has been replicated, reducing our early advantage
- Today, we have recognized that the growing power of emerging technologies and advanced analytics are creating opportunities for CPG leaders to develop a better understanding of customers, consumers and shoppers, and an ability to identify more granular and actionable insights. Competitive advantages are being built not just on data but on harnessing the data to create insights that unlock growth
- We see a significant opportunity to capture in-store data and, through advanced and predictive analytics, develop insights that differentiate our performance from the competition
- To take advantage of this opportunity, we have built a new suite of tools to enable Every Day Great Execution (EDGE technology), which provides our salesforce with the tools and insights necessary to ensure we have the right brands in the right outlets

CREATING VISIBILITY INTO STORES AND BARS - TRAX

DIAGEO

WHAT IT IS

- Assists in field data collection & automated measurement
- In flight view of outlet level KPI scorecards

HOW IT WORKS



Images are captured and products are recognized with 96%+* accuracy

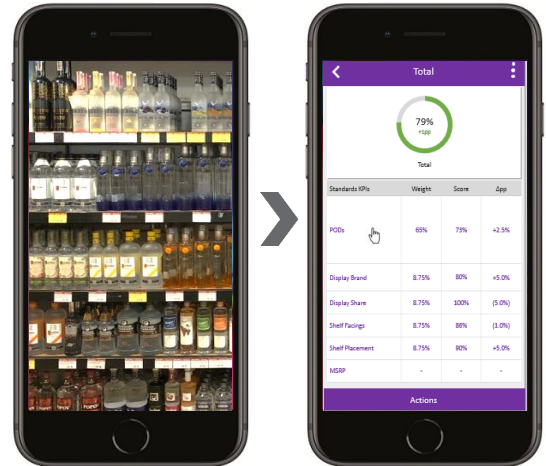


Real-time analysis in the Trax Cloud



Actionable insights through mobile scorecard

trax



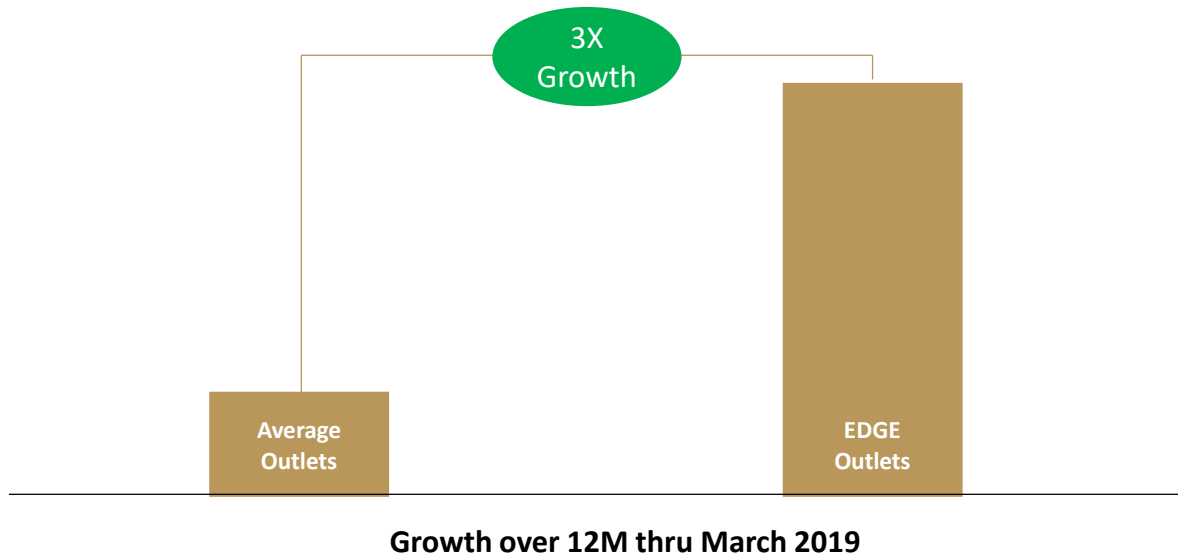
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- We can't do any of this without visibility into stores and bars
- Trax is an enabler for exactly that - data collection (of the complete store and bar... both Diageo and competitors)
- With image recognition, gone are the days of needing someone to manually interpret and define what is there. Using this technology, we simply snap a photo, upload the image, and the engine automatically identifies the product, number of facings, shelf placement, display, price, backbar, menu mentions and more
- In less than 24hrs, in the palm of your hands, you'll have mobile scorecards against each of the respective KPIs
- This data becomes an input to the EDGE technology that we have built, ensuring that every salesperson has access to current, accurate data
- Here's a video to show you how this works...

VIDEO US Spirits EDGE

EDGE STANDARDS ARE ALREADY DRIVING GROWTH

DIAGEO

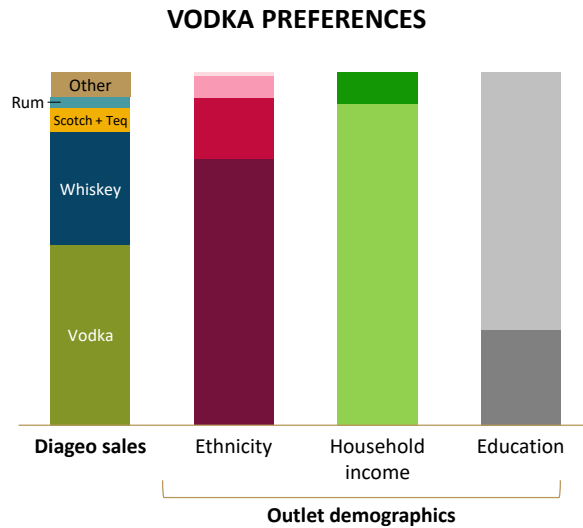


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- As you can see, this new EDGE technology is providing each member of our salesforce the data, insights and tools required to achieve the right points of distribution in every store or bar. Each outlet has a specific set of standards that they are measured against, specifying the category, size and type of product that will drive incremental sales in that outlet
- We only stood this up in Q1 of F19, but as you can see here we're already seeing really positive results. As the technology is just recently deployed, some outlets have progressed execution more rapidly than others. For those that have added recommended specific product points of distribution, volume growth has improved
- The bar on the left shows the average growth of all outlets where EDGE standards have been rolled out
- The bar on the right shows the average growth for outlets that have increased recommended points of distribution, which as you can see is approximately 3X that of the average over the last 12 months through March 2019

EXAMPLE: OUTLET DRIVEN APPROACH TO TARGETING

DIAGEO



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- Here's an example of how we've developed our recommendations / standards for EDGE
- As you see here, we take examples of outlets that do well with certain categories / brands in our portfolio and identify the consumer demographics unique to that store
- We then leverage this data to develop recommendations for other stores with similar demographics

INTEGRATING ADVANCED ANALYTICS CAPABILITIES INTO THE BUSINESS TO MAXIMIZE GROWTH

DIAGEO



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- I've spoken today about several analytical tools that we are deploying, but this is just the tip of the iceberg. Beyond Catalyst and EDGE, we are building a best-in-class, cross-functional Advanced Analytics team that is embedded in the organization
- First, within Execution we are focused on data accuracy, opportunity prioritization, and organizational adoption to drive business results
- For Performance Management, we are delivering advanced analytical techniques to inform the why, what and how of performance and drive future potential
- Third, with Distributor Insight Sharing we are sharing learnings and insights with Distributors to support adoption and decision making
- Next, with CP&A and Activation, we are focused on POS spend utilization, targeted sampling, and innovation forecasting
- We also have invested in improving our capabilities in Net Revenue Management. We now have a dedicated team of analysts and have recruited externally to improve our capabilities. Early analysis indicates opportunities across geographies and in size mix as well as promotional effectiveness
- Last, we have Transformation and Capabilities, where we are focused on cross-functional partnerships with business functions to holistically drive transformational agendas backed by analytics



SUMMARY

DIAGEO

Leading spirits business in an attractive market

On track to grow in line with industry in F19

Leveraging data-backed insights to ensure long-term, sustainable growth

Delivering improved capabilities supporting to ensure effective, efficient execution

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- In summary, we are proud of what we've achieved in the past year and a half and look forward to continuing to drive sustainable growth

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CELEBRATING LIFE,
EVERY DAY, EVERYWHERE

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These factors include, but are not limited to:

- economic, political, social or other developments in countries and markets in which Diageo operates, which may contribute to a reduction in demand for Diageo's products, adverse impacts on Diageo's customer, supplier and/or financial counterparties, or the imposition of import, investment or currency restrictions (including the potential impact of any global, regional or local trade wars or any tariffs, duties or other restrictions or barriers imposed on the import or export of goods between territories, including but not limited to, imports into and exports from the United States, Canada, Mexico, the United Kingdom and/or the European Union);
- the negotiating process surrounding, as well as the final terms of, the United Kingdom's exit from the European Union, which could lead to a sustained period of economic and political uncertainty and complexity whilst detailed withdrawal terms and any successor trading arrangements with other countries are negotiated, finalised and implemented, potentially adversely impacting economic conditions in the United Kingdom and Europe more generally as well as Diageo's business operations and financial performance (see more detailed status on Brexit below);
- changes in consumer preferences and tastes, including as a result of changes in demographics, evolving social trends (including any shifts in consumer tastes towards locally produced small-batch products), changes in travel, vacation or leisure activity patterns, weather conditions, and/or a downturn in economic conditions;
- any litigation or other similar proceedings (including with customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at Diageo in particular;
- changes in the domestic and international tax environment, including as a result of the OECD Base Erosion and Profit Shifting Initiative and EU anti-tax abuse measures, leading to uncertainty around the application of existing and new tax laws and unexpected tax exposures;
- the effects of climate change, or legal, regulatory or market measures intended to address climate change, on Diageo's business or operations, including on the cost and supply of water;
- changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy or as a result of inflation;
- legal and regulatory developments, including changes in regulations relating to production, distribution, importation, marketing, advertising, sales, pricing, labelling, packaging, product liability, antitrust, labour, compliance and control systems, environmental issues and/or data privacy;
- 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;
- the consequences of any failure of internal controls, including those affecting compliance with new accounting and/or disclosure requirements;
- contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo's brands and adversely impact its sales;
- Diageo's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;
- increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors or increased competition from regional and local companies, that could negatively impact Diageo's market share, distribution network, costs and/or pricing;
- any disruption to production facilities, business service centres or information systems, including as a result of cyber-attacks;
- Diageo's ability to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions and/or disposals, cost savings and productivity initiatives or inventory forecasting;
- increased costs for, or shortages of, talent, as well as labour strikes or disputes;
- fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase Diageo's cost of financing or otherwise adversely affect Diageo's financial results;

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- movements in the value of the assets and liabilities related to Diageo's pension plans;
- 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
- any failure by Diageo to protect its intellectual property rights.

Brexit

There continues to be uncertainty with respect to the process surrounding the United Kingdom's proposed exit from the European Union. We continue to believe that, in the event of either a negotiated exit or no-deal scenario, the direct financial impact to Diageo will not be material. In the EU, we expect that our finished case goods will continue to trade tariff free in either scenario. While there continues to be uncertainty over future trading arrangements between the UK and the rest of the world, we have mitigation plans in place for the short-term disruption that could arise from a 'no deal' scenario; in which the UK leaves the EU without the parties reaching a formal withdrawal agreement approved by the UK Parliament, and including the inability of the UK Government to renew existing EU Free Trade Agreements with third party countries to which we export and where trading could revert to WTO rules. We have further considered the principal impact to our supply chain which we have assessed as limited and have appropriate stock levels in place to mitigate this risk.

The full implications of Brexit will not be understood until future tariffs, trade, regulatory, tax, and other free trade agreements to be entered into by the United Kingdom are established. Furthermore, we could experience changes to laws and regulations post Brexit, in areas such as intellectual property rights, employment, environment, supply chain logistics, data protection, and health and safety.

A cross-functional working group is in place that meets on a regular basis to identify and assess the consequences of Brexit, with all major functions within our business represented. We continue to monitor this risk area very closely, including a continuing focus on identifying critical decision points to ensure potential disruption is minimised, and take prudent actions to mitigate risk wherever practical.

Other information

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 risk factors and by the 'Risk factors' section contained in the annual report on Form 20-F for the year ended 30 June 2018 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. The reader should, however, consult any additional disclosures that Diageo may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures. The information contained in this Presentation has been prepared solely for use at the Diageo Capital Markets Day 2019 presentation. The Presentation is not directed to, or intended for distribution to or use by, any person or entity that is a citizen or resident or located in any jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would require any registration or licensing within such jurisdiction. This Presentation is provided for the purpose of giving information about Diageo to investors only and is not intended for general consumers. Diageo, its directors, officers, employees, agents or advisers do not accept or assume responsibility to any other person to whom this material is shown or into whose hands it may come and any such responsibility or liability is expressly disclaimed. The information in this Presentation does not purport to be comprehensive and has not been independently verified. Certain industry and market data contained in this Presentation has come from third party sources. Third party publications, studies and surveys generally state that the data contained therein have been obtained from sources believed to be reliable, but there is no guarantee of accuracy or completeness of such data.

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