



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.

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. Filings with the SEC are also available to the public from commercial document retrieval services, and from the website maintained by the SEC at www.sec.gov.

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.

No script



MARKETING UPDATE 2019
ED PILKINGTON & CRISTINA DIEZHANDINO
MAY 2019

Cristina Diezhandino



Scotch Category Director and Managing Director Reserve

Edward Pilkington



North America Chief Marketing & Innovation Officer

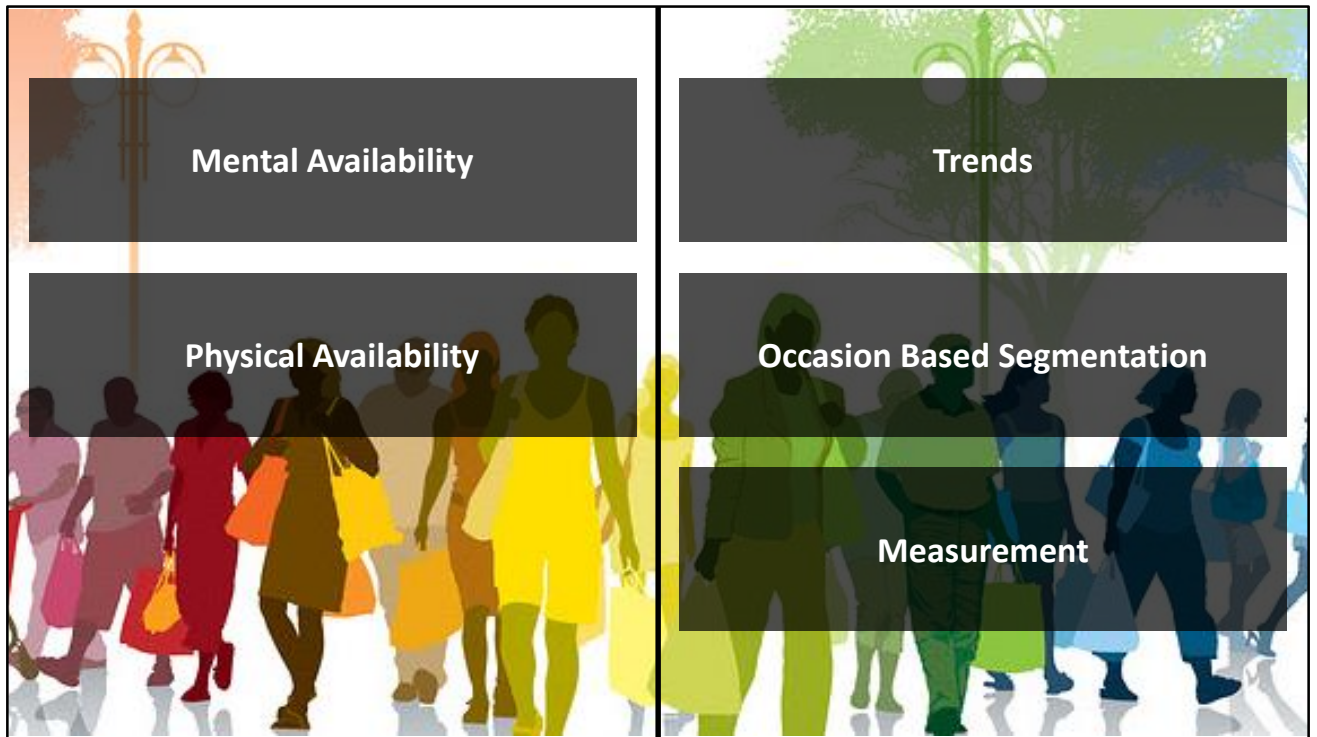
4

Good Morning. We are delighted to have the opportunity to share the stage today. My name is Ed Pilkington - the CMO for Diageo North America. I have been at Diageo for over 20 years, starting as a Guinness graduate. In that time I have spent 17 years travelling the world with the company from Australia to Latin America, back to Europe, and now in North America. Prior to this role I was leading marketing and innovation across Europe.

And I am CD, I lead Scotch & Reserve brands globally.

Prior to Diageo I worked for Unilever and Allied Domecq. I joined Diageo 13 years ago and I have held global and regional Marketing roles, worked in Global teams, Africa and LAC, have experienced all Diageo categories from beer to luxury brands, and I have been a General Manager.

Ed and I represent the two parts of our marketing organization that work in partnership to drive our business



As a team, we aim to be a best in class marketing organization. This means having a strong foundation in insight and data, great creative flair and being restless. This results in great work in the right place, to the right consumer, at the right time, generating the best outcome for our investment to drive our business.

The fundamentals of brand building remain the same : continuously working to recruit and re-recruit consumers. Put simply we do this by making our brands top of consumers' minds, salient, and by making it easy for consumers to buy them, where ever that is - otherwise known as mental and physical availability.

The consumer is at the heart of all we do – we constantly look at trends and we have a consumer segmentation based on a deep understanding of occasions.

We have a culture of measurement which is based on data. Last time you were here we introduced our Marketing Catalyst platform. This industry leading approach to marketing measurement and optimization has been implemented globally across Diageo. Hopefully a few of you will have managed to engage with it last night but it really has made a huge difference to our organisation.

Let's remind ourselves of what Catalyst does...



Our 1,000+ marketers are collectively investing in the region of 2 billion pounds into the growth of our brands.

Catalyst pulls together a vast amount of data from across the business to ensure those marketers invest wisely, and we have a dedicated marketing effectiveness team to support them.

There are two core elements within Catalyst: a Strategic Model and a Growth Driver Model.

- The Strategic Model guides choices about where to invest A&P across the portfolio and across brands in market.
- The Growth Driver Model gives us powerful data on the effectiveness of the individual growth drivers within brands for example media, PR etc.. It also allows us to compare growth driver effectiveness across brands.
- Equally important is the culture and capability change we have achieved. We have created an ROI and effectiveness culture which has helped with both long-term planning and short term optimization.



Diageo has been recognized as a best in class marketing organization for many years and in recent years we have made steps towards to become a more effectiveness led marketing function. We also are restless and agile, so even through we've made a huge amount of progress in effectiveness, incorporating best in class tools like Catalyst, we are constantly thinking about the continuous change in the world around us, what's next and how we can be ahead of the game.

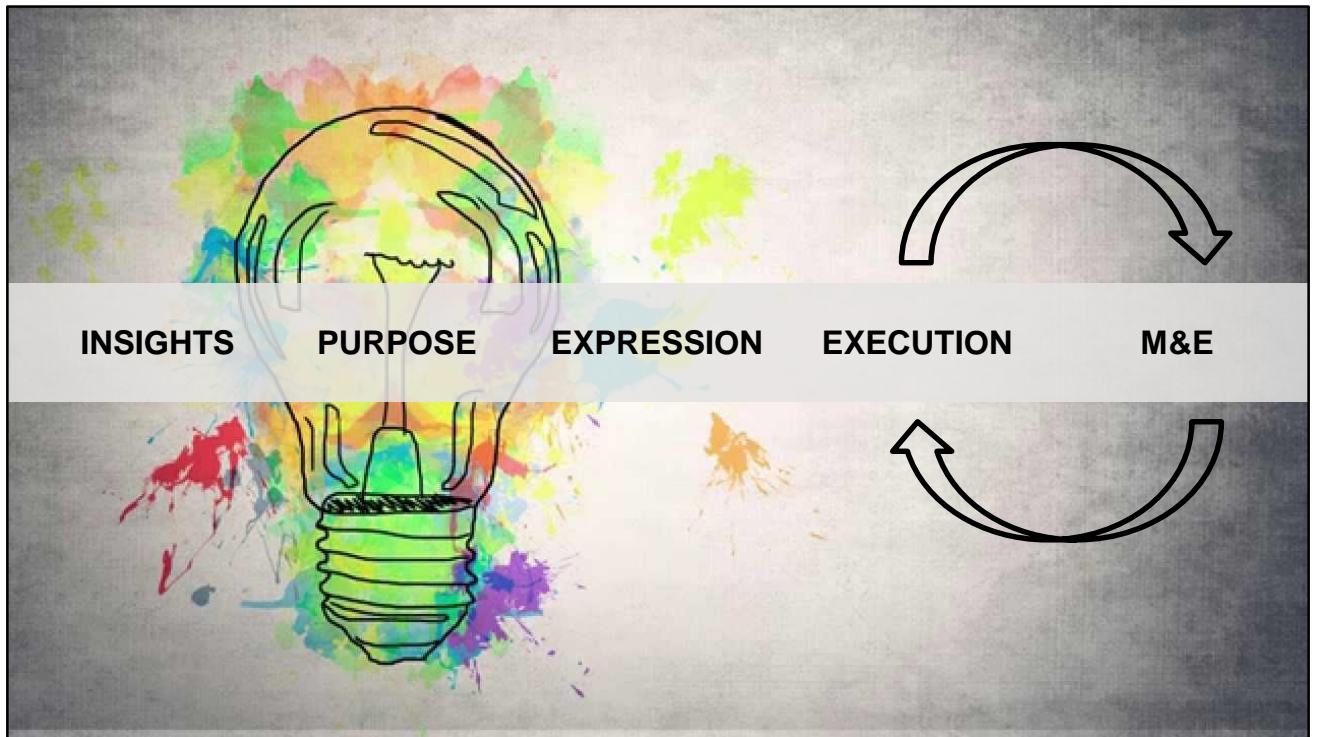
We all know that the world is changing fast and consumers' lives do not stand still. In order for us to continue winning share, we must keep pace with the evolving consumer environment...In particular, there are forces shaping the evolution of marketing in media, technology and consumer experiences

As a recognized best in class consumer marketing organization, with an effectiveness culture, and equipped with the right tools such as Catalyst - we must stay restless to stay ahead and prepare for what is coming.

Specifically, Ed and I are going to talk about:

- Creative Excellence
- Next Generation Media
- And winning in experiences and culture

Let's start with Creative Excellence



Why is creative excellence important?

It is the DNA of marketers – embedded in our culture -- In today’s world, creative content has the ability to cut through. I’m going to take you through our framework for delivering creative excellence:

INSIGHT: We always start with a consumer centric approach, establishing a consumer **insight**, “A penetrating discovery about consumer or shopper motivations applied to unlock growth”, that’s relevant to consumers.

PURPOSE: Having those solid foundations of clear and distinctive brand positioning; clarity on the role the brand needs to play in consumers’ lives, we can then establish the brand **purpose**, the single minded credible and relevant value that the brand brings to people’s everyday lives.

EXPRESSION: This leads to the **expression** of the marketing for the brand: what is the right tone, character, visual imagery, and language the brand will use.

EXECUTION: When we do all of this well, we get to strong, consistent platform ideas and growth drivers that we can **execute** through all consumer touch points and, which, generate the best returns.

M&E: Finally, we constantly optimize our execution. We look back and see what worked and what didn’t work and what needs to be changed. Focusing on measurement and evaluation to drive brand performance.

We are going to bring the power of creative excellence to life with two different examples of how creative excellence works for two different brands, different categories, different geographies and two different stages of brand developments.



CROWN ROYAL EXISTS TO INSPIRE EXCEPTIONAL GENEROSITY

Crown Royal is a Jewel in our Crown. In the last year, for the first time, it has become the most valuable spirits brand in North America. It has achieved this through a strong and consistent positioning, and a strong innovation agenda that recruits new consumers in, takes the brand into new occasions and premiumises the brand.

The brand's purpose of "INSPIRING EXCEPTIONAL GENEROSITY" comes from its roots. Generosity is stitched into our history as Crown Royal was created as a gift to the Royal family, when they visited Canada in 1939.

INSIGHT: The insight around the brand is very true to today's world. The insight is that "it is better to give than receive".

Crown Royal has always been seen as an icon of status – but we know that Status has evolved. As society becomes more philanthropic and socially aware, people talk more about greatness of character and giving back as measures of success.

EXPRESSION: And we bring this to life by showing across our executions that *"true wealth is a generous spirit"*



So we'll show a video that shows our recent advertising.

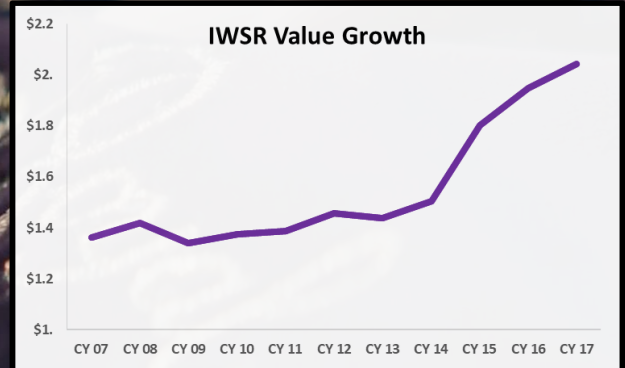
You'll see a film that was shot by award winning Director Spike Lee called the "Guy Who Has it All" – and he's got it all not because of the fancy things he owns, but because of who he is – a magnanimous, likable character, clearly loved in his community, and amongst his family and friends.

We'll also show you the purple bag program which is something we are deeply proud of.

It is an ongoing commitment by Crown Royal. It provides communities across America the opportunity to pack essentials and goodies in our famous purple bags to be sent overseas as a gift to military service men and women in appreciation of their service and sacrifice.

Let's take a look :

Crown Royal	H1F19 %	% pt. Chg H1F17 - H1F19	% pt. Diff. vs. Notable Competitor H1F19
Quality	50.9	2.9	2.4
Taste	44.2	5.1	0.8
Talkability	32.1	5.0	3.5
Distinctiveness	53.5	3.7	3.4
Relevance	34.6	5.4	0.3
Good to be seen drinking	37.5	5.0	5.5



Source: Kantar, IWSR

Our positioning and execution of it is working. The creative you just saw tested exceptionally well with consumers and it really resonates.

Crown Royal's equity has never been better. The chart on the left hand side shows our equity and our continuous tracking shows we've surpassed key competitors on critical metrics.

Using Catalyst we have also been able to respond and optimize our marketing dollars and establish strong and sustainable growth on Crown Royal.

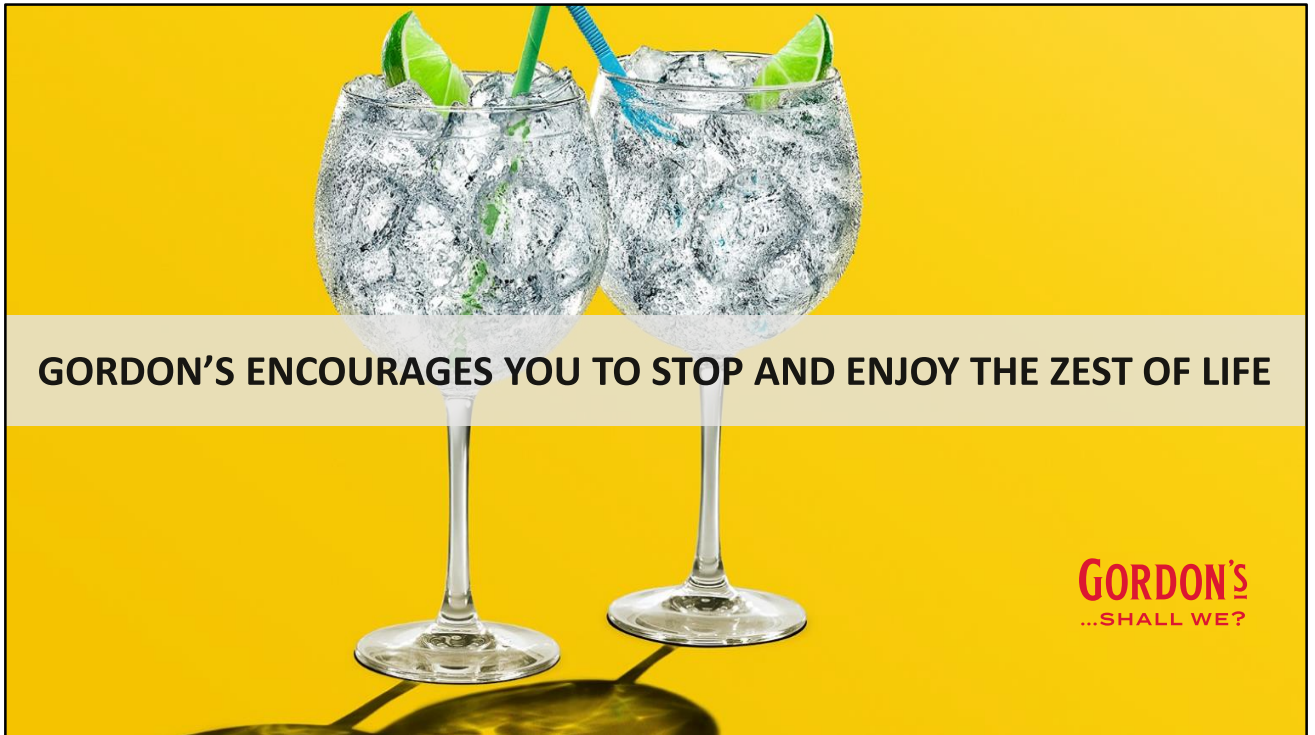


Shifting now to the World's no.1 International Gin...Gordon's.

Ivan mentioned the resurgence of Gin earlier and Gordon's is a great example of what creativity can do for brands ... it demonstrates how getting the fundamentals and creative right, it's possible to re-ignite growth.

Only a few years ago the brand was declining: tired, losing to the number of premium gins entering the market place.

In danger of losing relevance and its global leadership position: time for a radical intervention.



Running through the framework shared earlier.

INSIGHT: Starting with relevant consumer insight “Life is full of distractions and preoccupations. It is when we are truly present in a moment that we most enjoy ourselves.”

BRAND BELIEF: In that context Gordon’s has a lot to offer as according to Gordon’s brand belief “we make brilliantly uncomplicated gin for everyone”.

PURPOSE: This led to the purpose “Gordon’s encourages you to stop and enjoy the zest of life”

EXPRESSION: And that in turn was used to develop the creative platform: Shall We? Cheekily inviting people to take time out and enjoy a Gordon’s and Tonic.

Let’s take a look...



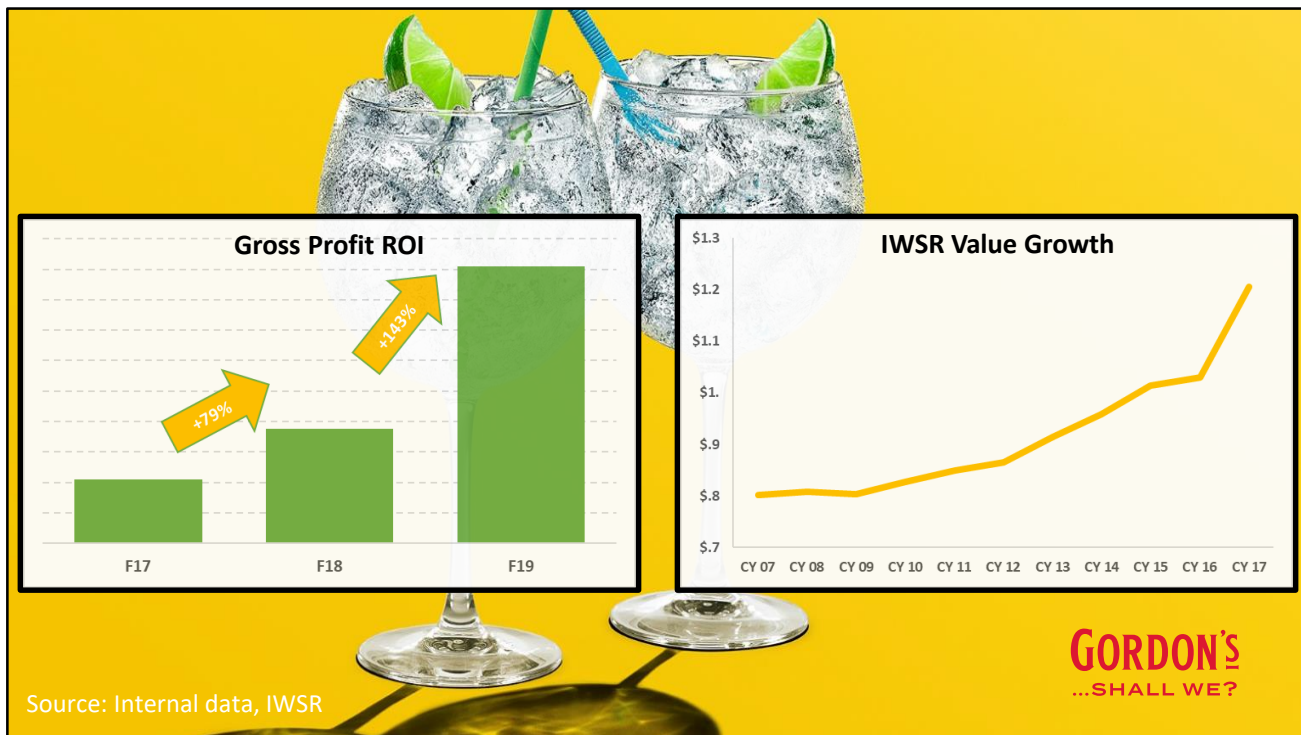
Here are some examples...

Simple, enjoyable Shall We? creative, executed brilliantly through the line. On the top of the slide are two of the outdoor executions displayed across Europe.

These are expressed in a simple, ownable, cheeky style that cuts through an increasingly crowded category.

We also have very successful innovation. Through variants, such as the hugely popular Gordon's Premium Pink, only in two years since launch Gordon's Premium Pink has become one of the most successful innovations in the history of gin. Growing to over 1m cases, over £380m GBP RSV (Nielsen Scantrack/CGA, 12mths to Dec 2018), in only its second year.

Here's the TV commercial that really brings the deliciousness to life.



These excellent fundamentals and creative results are delivering strong performance. Data from Catalyst clearly shows significant ROI improvement. As you can see on the chart, that has been an upward trajectory in the ROI on the assets deployed on Gordon's in GB. We have similar data across other markets.

Catalyst led us to optimize media types, timing, and executions / variants – leading to ROI improvements.

The chart on the right-hand side shows how value growth for Gordon's has accelerated from relaunch.

Today, Gordon's performance is extraordinary: highest value ever in its 250th anniversary year (2019)

Now we're going to move onto our next chapter on Next Generation Media.



It's great to see two brands that have been around for a long time that are more vibrant and more successful than ever before and both actually have beautiful brand worlds that are deeply engaging.

So we have great creative platforms for those brands but it's really important we have great media because we need to make sure that we deliver our platforms effectively to the right people with the right message in the right channel at the right time. In an ever changing media landscape we always look to stay ahead.



Why does this matter?

Media is about mental availability: keeping our brands top of mind for millions of consumers. We know that consumers are not loyal to single brands but instead have a repertoire of brands they choose from. So we have to keep our brands top of mind for millions of consumers so that our brands are likely to be chosen and purchased.



So we have four core media principles which go across all that we do in our media planning.

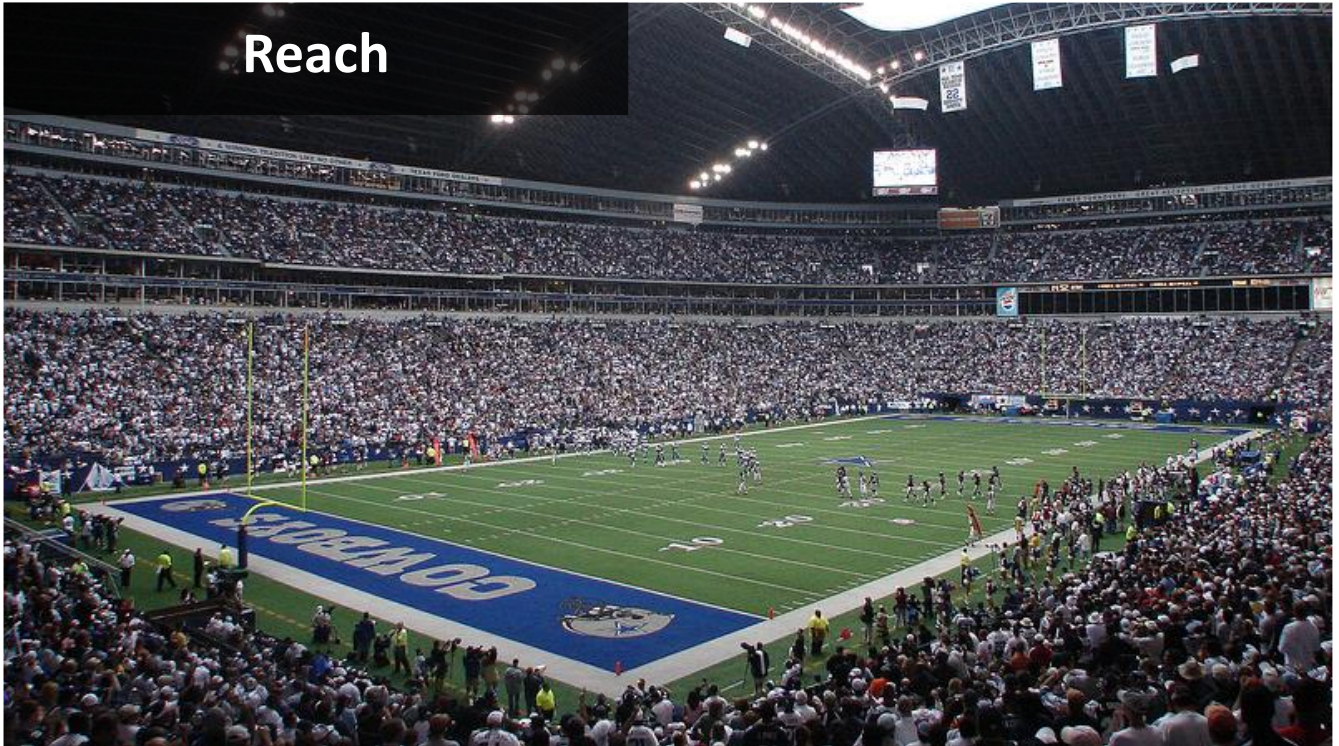
The first is **Reach**. To recruit and re-recruit MILLIONS of consumers we have to cast the widest net possible.

Always On: Consumers seeing our brands throughout the year: Everyday there are people enjoying our brands and people shopping for our brands. So, we have to talk to them all year round.

Context: Showing up where our brands add value to conversation or situation: Our media works best when it is in the right occasion in the right time with the right message.

Cultural Relevance: Showing up in places where consumers have passion: Cultural relevance isn't just another form of context. It amplifies everything and provides credibility.

Reach



So to some examples.
How do we achieve reach?

As context, Crown Royal was enjoyed by 33 million people in America last year. To maintain and grow that number i.e. recruitment and re-recruitment, we have to reach scale numbers of consumers with our messaging.

Therefore, with Crown Royal we partnered with the NFL to drive the brand's visibility. Through advertising during NFL games we reached 25% of American adults 21-54. For that demographic, that translates to about 34 million consumers. This peak in the football season from August to January is supported by an ongoing media presence for the rest of the year – and we have been on-air 38 weeks on TV this fiscal year with Crown Royal, which is then supported by all the other elements of the media mix. This maintains a presence for a large brand so millions of consumers see it regularly.

Always On



Always ON: We have a platform which we call 365 media, media which is on 365 days a year.

It was built using multiple internal and external data sources and tools to inform an occasion based approach.

Across the year we identify all of the moments, drinks, and flavors that are of interest and relevance for our consumers and we develop appropriate content.

This upfront planning enables always on visibility for our brands across key events, as well as everyday and personal milestone moments.

The examples you see are Baileys Birthday content, our seasonal Smirnoff Red White & Berry brought out for summer national holidays in the US; and Captain Morgan speaking to the Summer BBQ occasion.

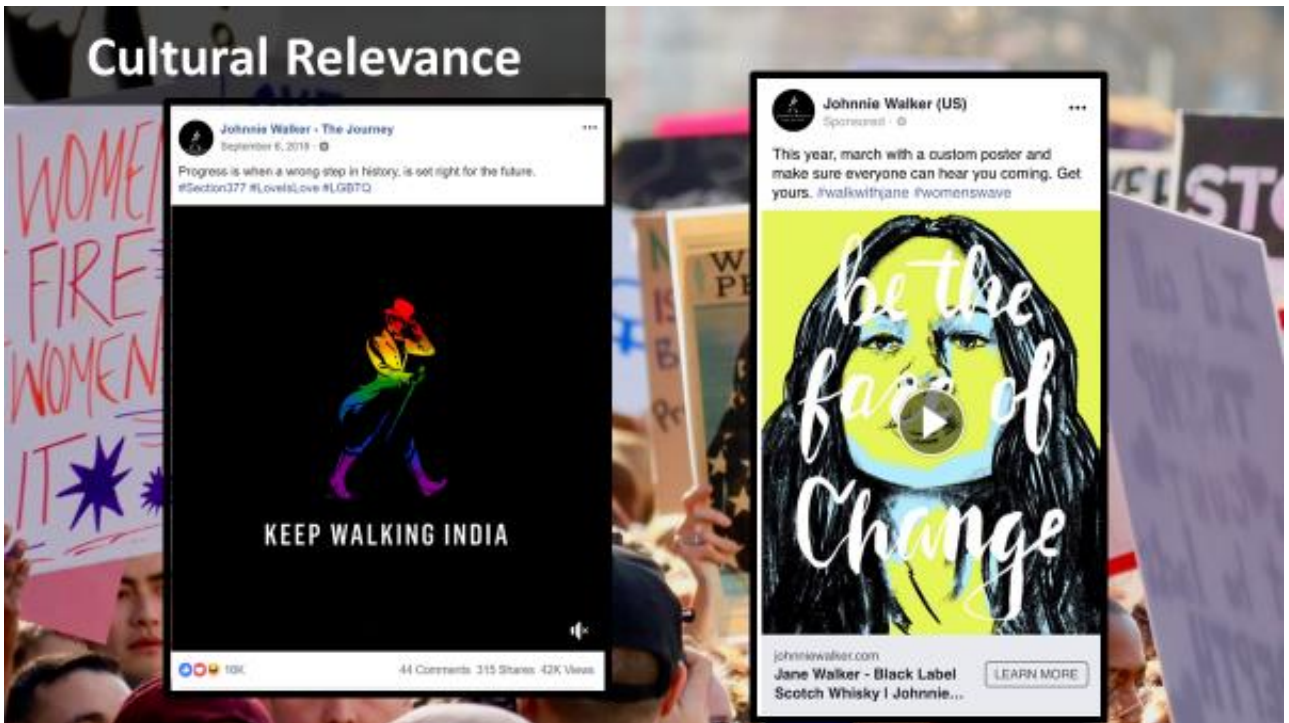


Context is all about showing up in the right moment with the right message. To do this really well, we need a mix of strong data led planning and agility.

We often talk about “planned spontaneity” : figuring out in advance what our brands can add to conversations and then delivering a message in real time.

So, a great example of planned spontaneity was the Gordon’s “Yay Delay” campaign. It is a universal truth that there will always be public transportation delays and that we all love to complain about them. Gordon’s was able to add to the existing conversation around this issue in the UK with this campaign. Gordon’s offered free or reduced priced Gordon’s & Tonics at the in station outlets based on an index of train delays and social chatter . After a Pilot at London Waterloo, it is now active across 50+ outlets in the UK and has a 6 Million Reach with more than 11,000 commuters redeeming the offer.

We also look to be “spontaneous”- spotting opportunities for our brands and reacting. Really understanding what’s going on out there in culture, what are the conversations and then participating in a relevant way. The example highlighted on this slide was for Smirnoff. The team observed an opportunity to drive growth in January. Social listening told us that there was much social chatter surrounding weather – notably the polar vortex. Relevant content featuring the vodka freezing point was produced and placed within 48 hours. We quickly evaluated performance, and saw that the content increased engagement scores by 150%.



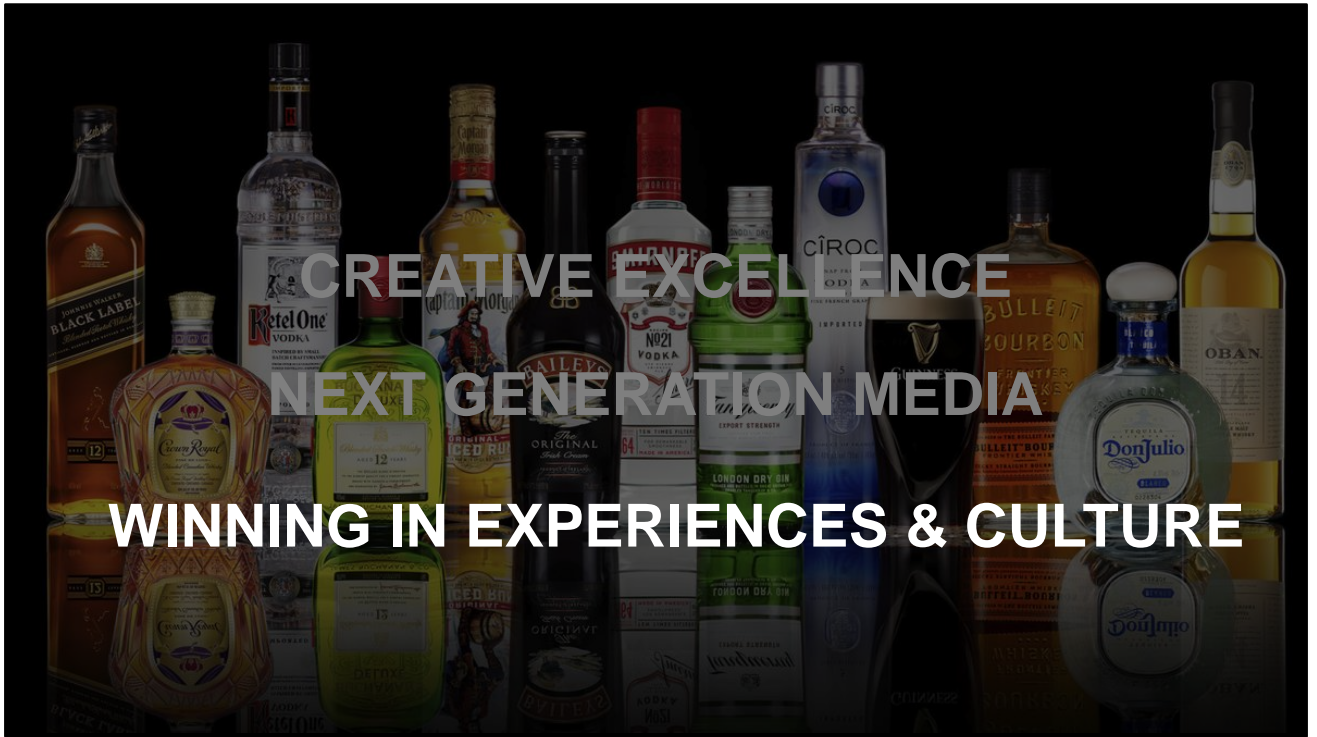
Finally cultural relevance is about showing up where consumers have passion. We need to use media to amplify those relevant cultural moments.

Johnnie Walker’s message of Progress resonates broadly and we have been able to use media to amplify relevant cultural moments – be it the LGBTQ legislation change in India or the Women’s movement in the US.

In India: 6th September 2018 was an historic day as the Supreme Court struck down a colonial-era law, Section 377 which had essentially made homosexuality a criminal offence. It was a huge step forward for the country and Johnnie Walker with “The Journey” stood alongside India’s LGBTQ community in solidarity. It was hugely positively received.

And Johnnie Walker, in the US, with the platform Jane Walker is actively involved in supporting the women's moment here in the US, with some fantastic and hugely relevant and topical content.

We’re proud of our work in media – we ensure that our media principles of Reach, Always On, Context and Cultural Relevance go across all that we do. But we are always evolving as the media landscape and technology evolve. Driving mental availability to the right people with the right message in the right channel at the right time is at the heart of what we do. We make sure we have the right tools to deliver that and we have the right people, because it is so critical that we investment our marketing dollars wisely.



Lets now talk about our third and final area of focus today: Winning In Experiences & Culture.

And I'm sure all of you will have heard many times about the booming experience economy, something we observe every day throughout our consumer groups from millennials to the ultra high net worth individuals.

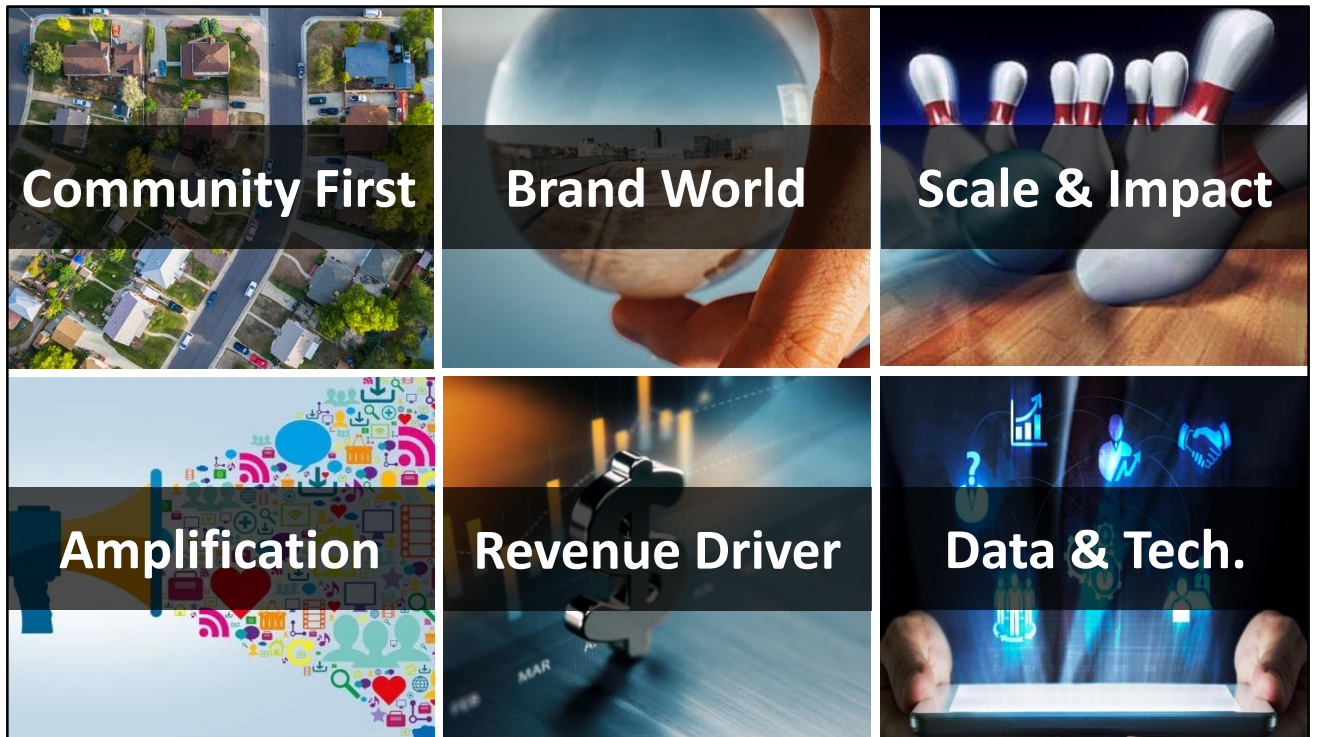
People today are more interested in experiences surrounding a product than in the product itself, and our brands are perfectly placed to deliver in this area.

Experiences have the ability to bring to life our brands for our consumers: people can touch feel and interact with them fully in their world.



**OUR VISION:
DELIVER AMAZING EXPERIENCES IN COMMUNITIES ACROSS THE WORLD...
THAT HELP PEOPLE 'CELEBRATE LIFE, EVERY DAY, EVERYWHERE'**

Our vision for winning in this area is to deliver amazing experiences in communities across the world that help people “celebrate life everyday everywhere”. The picture on this slide represents the experience for Bulleit Bourbon. It features “The Woody” vehicle, that’s been deployed across the US and other markets, to help bring to life the Bulleit experience – creating moments that are memorable, that will invite you to enjoy the brand, perhaps invite you to try it and certainly it will create an opportunity for everyone to take a picture and perhaps share it.



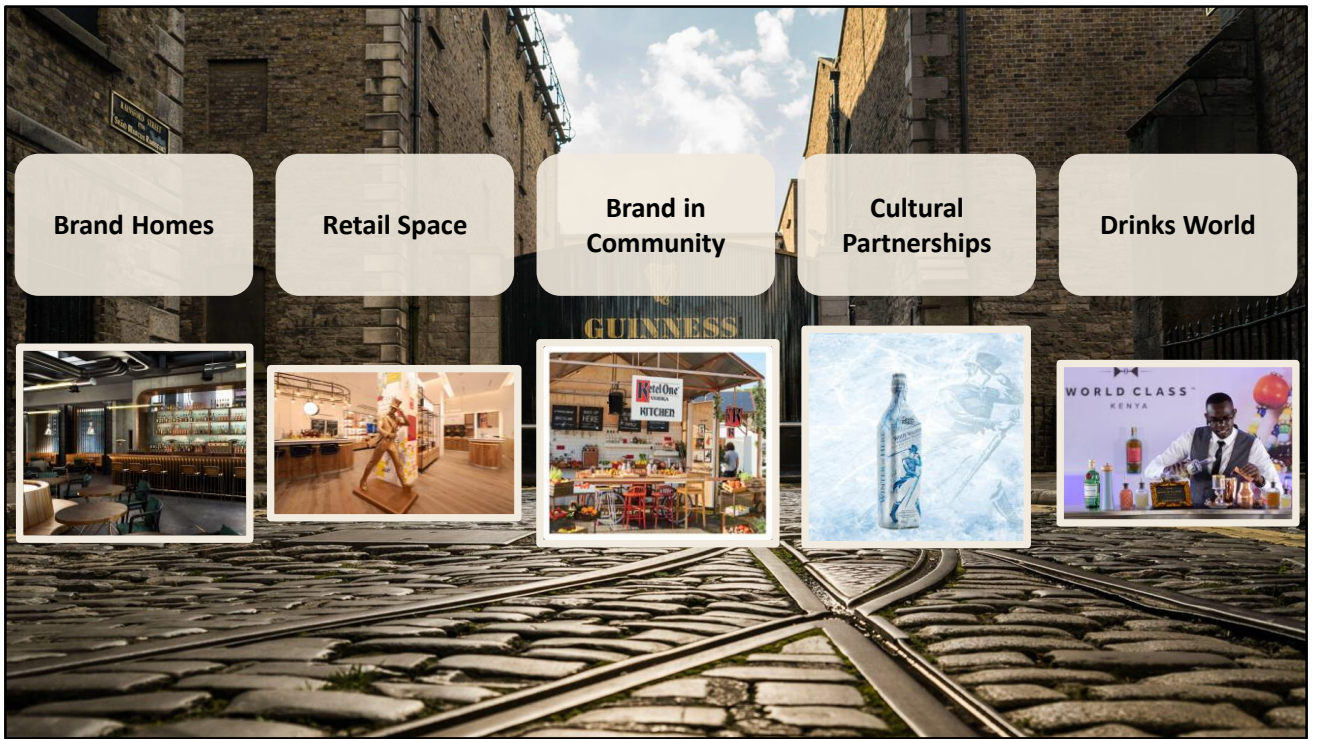
Again because this is so important we have created a framework to guide our teams to make the most of culture and experiences for each one of our brands.

We start with a clear understanding of who we are talking to: a consumer centric approach is critical and in this context who is the community we are talking to. Secondly what is the brand world, what does that brand have that allows it to play authentically in the context of that community.

Then we look for scale and impact. How many people are we going to be able to reach and how can we best amplify the conversation so that other people, beyond those physically present can have access to the particular content.

We also seek to drive revenue where appropriate

And more and more, we look to maximize the data opportunities available to us.



In the area of Winning in Culture and Experiences there are five different routes we currently invest in:

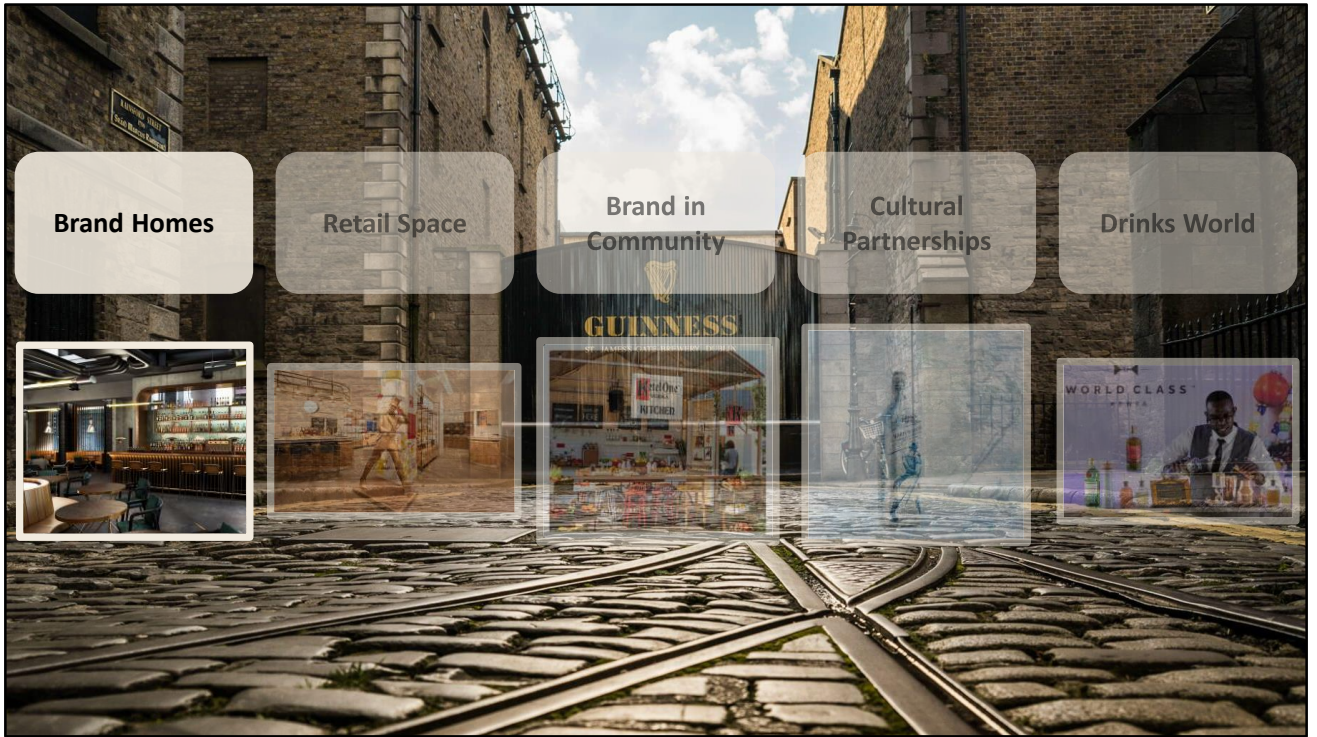
Brand Homes

Retail Spaces

Brands in community

Cultural Partnerships

And finally in the Drinks World – our industry



Starting with brand homes the amazing assets we already have at our disposal to educate and entertain those who are passionate about our brands.

We know that when people engage in a brand homes experience they're educated and entertained and that stays with them.

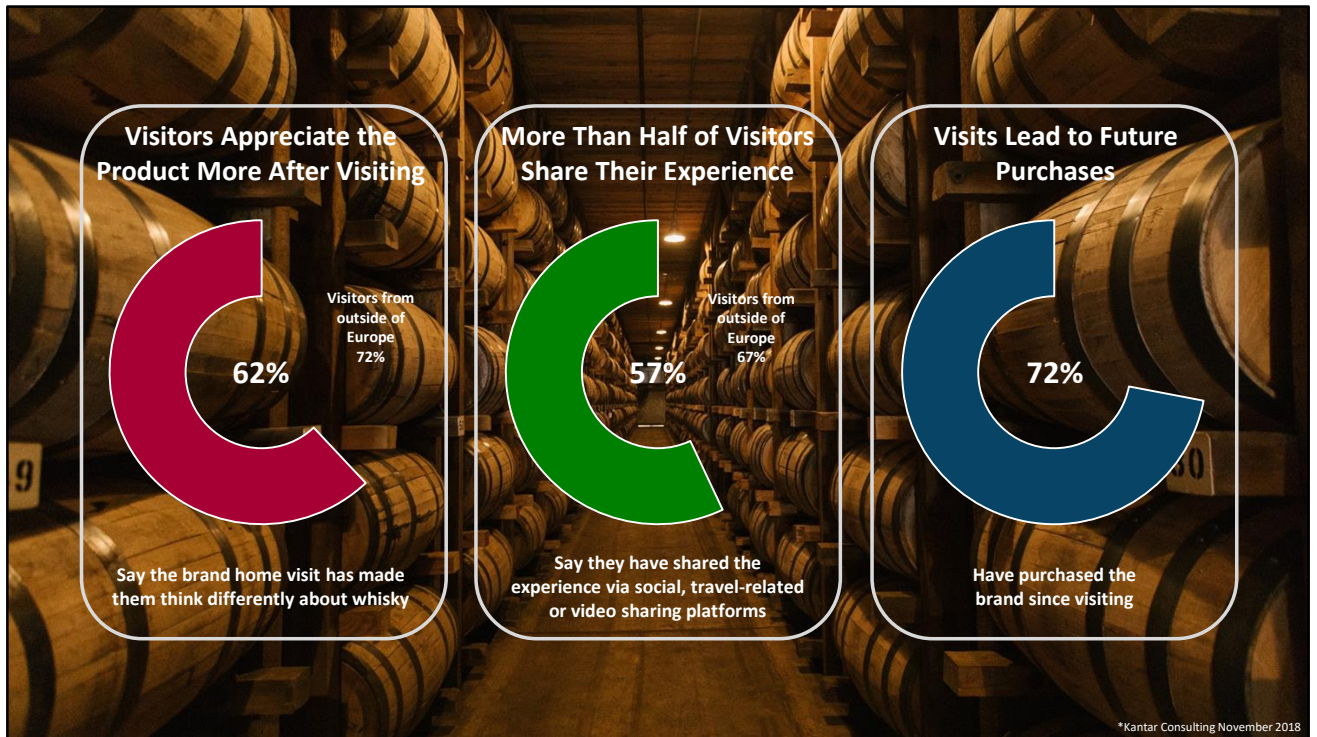


These are a few examples of our brand homes around the world. Our flagship brand home and the most successful for Diageo to date is the Guinness Storehouse in Dublin. In 2017 it was named ‘Europe’s favourite tourist attraction’. This consumer led approach gives consumers an amazing experience they will want to share.

Mark will talk more about this later but we applied learnings from Dublin to our new Guinness Open Gate Brewery in Baltimore and have already achieved notable milestones: welcoming over 300k visitors already.

We are also delighted by the imminent opening of the Bulleit Distilling Company. We expect to see 100K consumers in our first year. This brand experience will be about Bulleit being the “Mecca of Modern Distilling” making it a unique, preeminent stop on the rural bourbon trail.

And finally in this area - for the Drinks Collector - In Singapore we have a dedicated Prestige location focusing on our HNW customers who want private and personal conversations. With relationships built through word of mouth and advocacy, this is a unique experience offering curated and rare liquids.



Recent research undertaken at Scottish Whisky distilleries tells us that visitors feel they appreciate the product more after visiting. Because consumers spend time with us, brand home visits – when done well - make consumers think differently about the brand, they generate valuable ‘earned media’ due to social shareability, and almost $\frac{3}{4}$ buy the brand when they get back home.

Source:

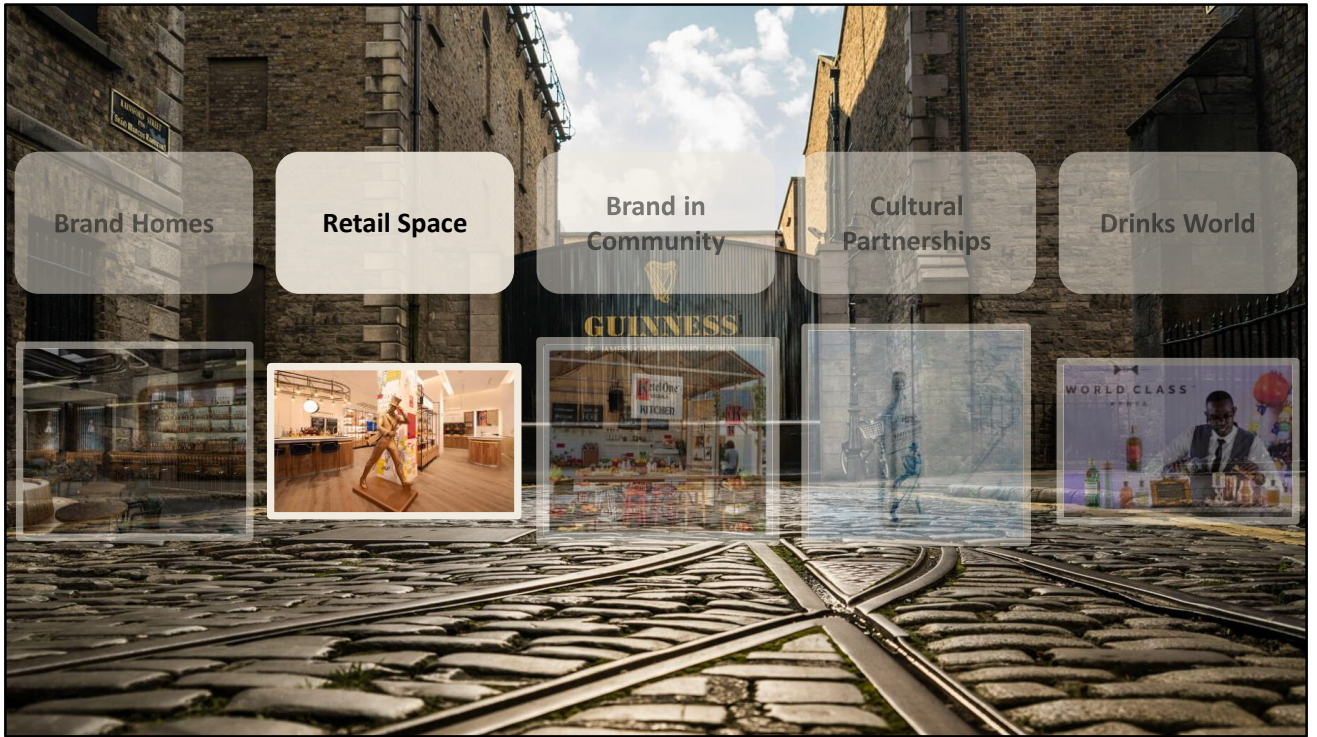
Kantar Consulting November 2018 – Whisky distilleries (not Diageo specific)



As you will hear later from John, a key part of our investment in Scotland is the Johnnie Walker experience in Edinburgh – an amazing spot right in the heart of the city - that will enable those with a passion for Johnnie Walker and scotch to have the full brand history and experience come to life.



We want Edinburgh to be the starting point of the Scotch whisky journey, and we will encourage people to get out and visit the 4 corners of Scotland, with major investments at our distilleries around the country, starting with Glenkinchie in the Lowlands, Caol Ila on Islay, followed by Cardhu in Speyside and Clynelish in the Highlands. These four distilleries have been selected to represent the diversity, the richness of flavors , landscapes and experiences in Johnnie Walker and Scotch Whisky.



Retail is a developing area for us. There are, of course, different legislative environments but we are exploring some exciting opportunities and beginning to push the boundaries of retail experiences around the world.

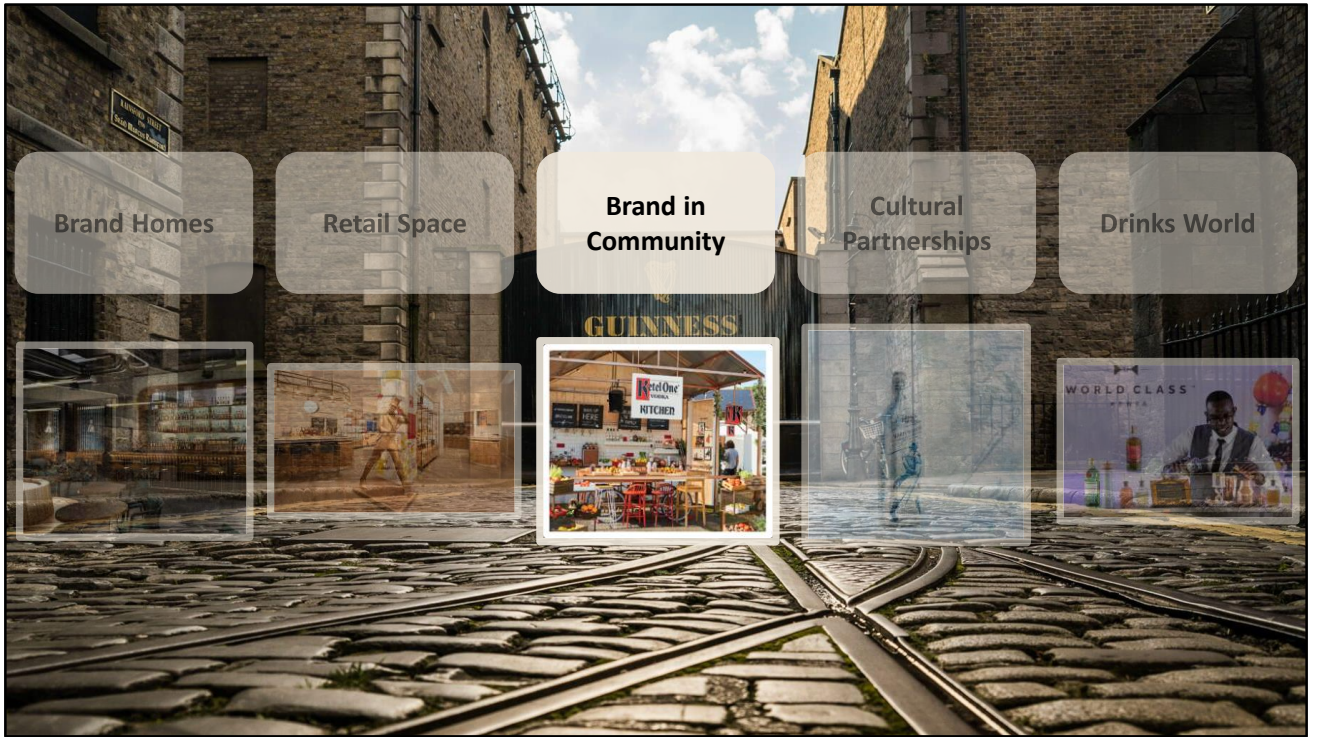


We've recently opened our new flagship Johnnie Walker retail outlet in Madrid. This is new ground for us - a great example of how we will continue to innovate our business model. It gets us closer to consumers and tells the Johnnie Walker story exactly as we want it to be told. This new Madrid store is much more geared towards the luxury retail store model – with a real emphasis on gifting – one of our important growth drivers for Johnnie Walker. You can buy the product, but you can also buy a Johnnie Walker highball or take a master class. Since opening in mid-November more than 50,000 people have visited.



The Baileys Treat Bar brings into retail life Bailey's purpose of "co- conspirator in the pursuit of pleasure"

- giving Baileys an active role in the treat space.
- pop up in places where we know our target consumer is already interested and there is a lot of foot traffic.
- In the US, we rolled it out to over 170 events across retail and festivals reaching approximately 300k consumers.
- It is consistently executed around the world



The third area is brand in community. While some consumers come to us, it is equally important to bring our brands into existing communities where people live... these can be physical communities or, equally, shared passion or interest points. We execute just as consistently and with equal quality to every other key consumer touchpoint - it is creative excellence at its roots.



Here are a few examples:

Sports are a massive passion point around the world, one that Guinness has tapped into with its partnership with the Six Nations Rugby championship. We reached over 50m consumers in GB and Ireland with over 300m impressions.

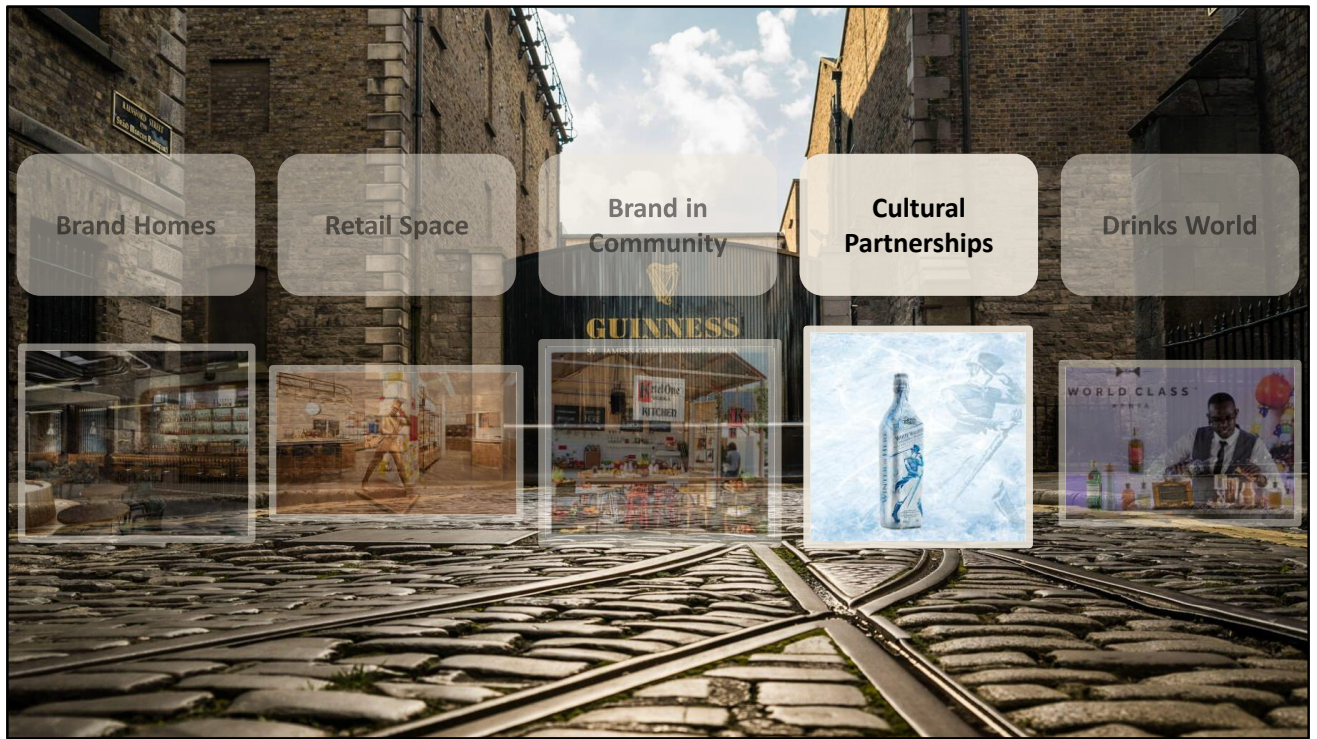
Rooted in its history of democratisation and inclusivity, Smirnoff has a close partnership with the Human Rights Campaign to pursue more equal rights for the community. This is demonstrated through an ad featuring two gay men in 1969, to its current sponsorship of over 100 Pride parades and events, the Pride bottle packaging (2016) to celebrate marriage equality, as well as a 1 million dollar commitment to the Human Rights Campaign.

The foodie phenomenon is on fire, and worldwide, the 'with food' occasion is growing – and we are actively participating in this passion point: One scale approach that reached 350,000 consumers in 10 cities globally in 2018 is through our partnership with Taste Festivals, a company that organizes and promotes food festivals around the world: boosting advocacy by building strong relationships with top chefs. Participating in Taste Festivals builds our luxury credentials and places our brands in menus at influential dining experiences.

Another food focused approach is the B&W platter series in India showcasing a series of dinners conducted with 12 of the finest chefs in the country. The events are ticketed with a mix of influencers and paying consumers experiencing exquisite multi-course cuisine along with delectable B&W cocktails. Influencers create content at the event and help amplify and create

further buzz.

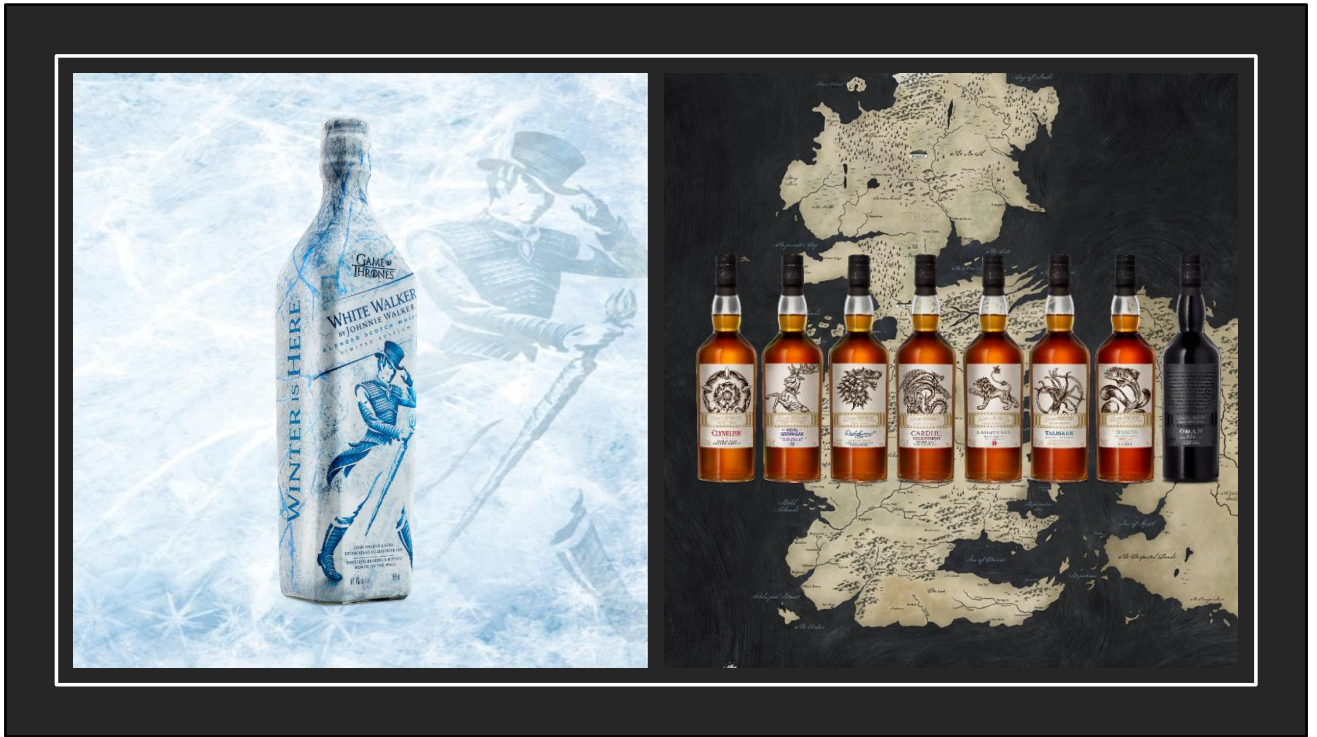
Our partners also work with us to produce social media content like this..



Winning in culture is about having a deep understanding of what people are watching, talking about and engaging with and then finding ways to connect and integrate our brands within those cultural moments.

Finding the right partnerships in TV, film, music, arts and sport, allows us to be part of the conversation. In recent data 63% of viewers said that brand integrations made brands more relatable.

Influencers also provide key access to cultural moments and enable us to put our brands in front of millions of consumers.

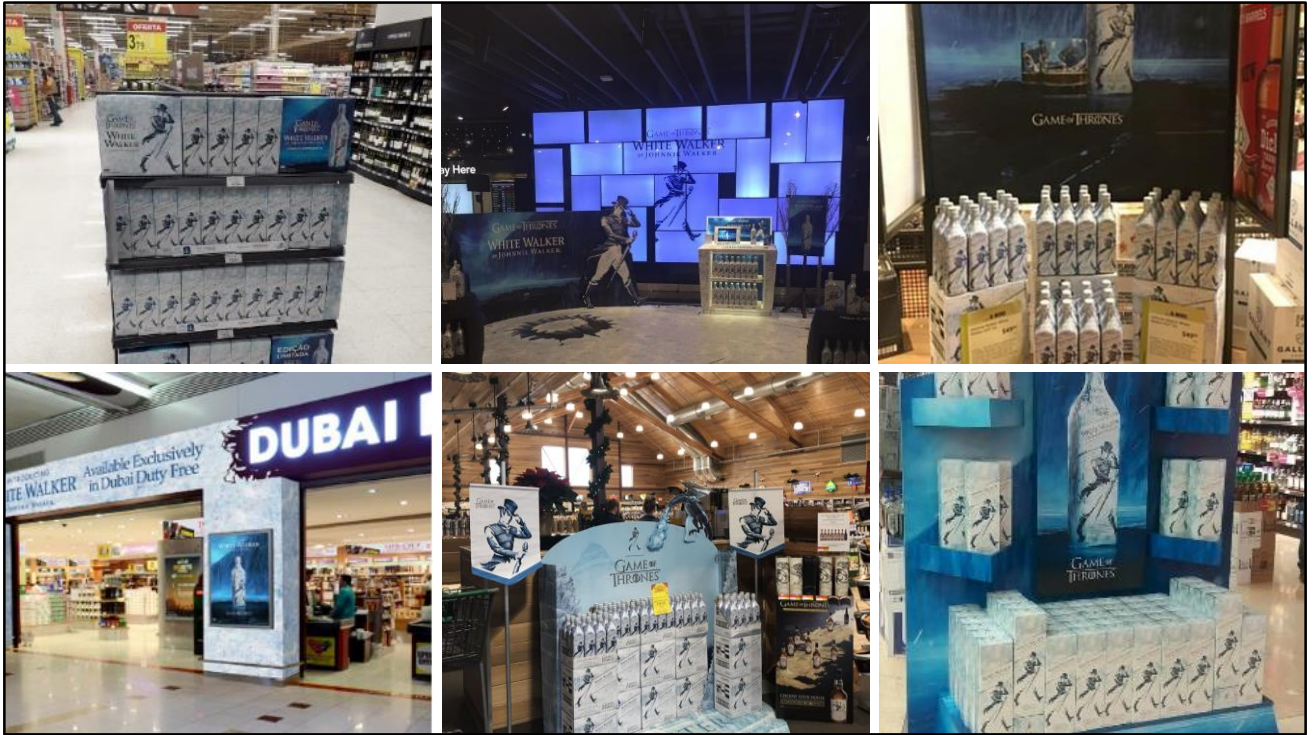


In TV and in film, our HBO / Game of Thrones partnership is a great example of when we were able to leverage shared equity and link consumer passion points.

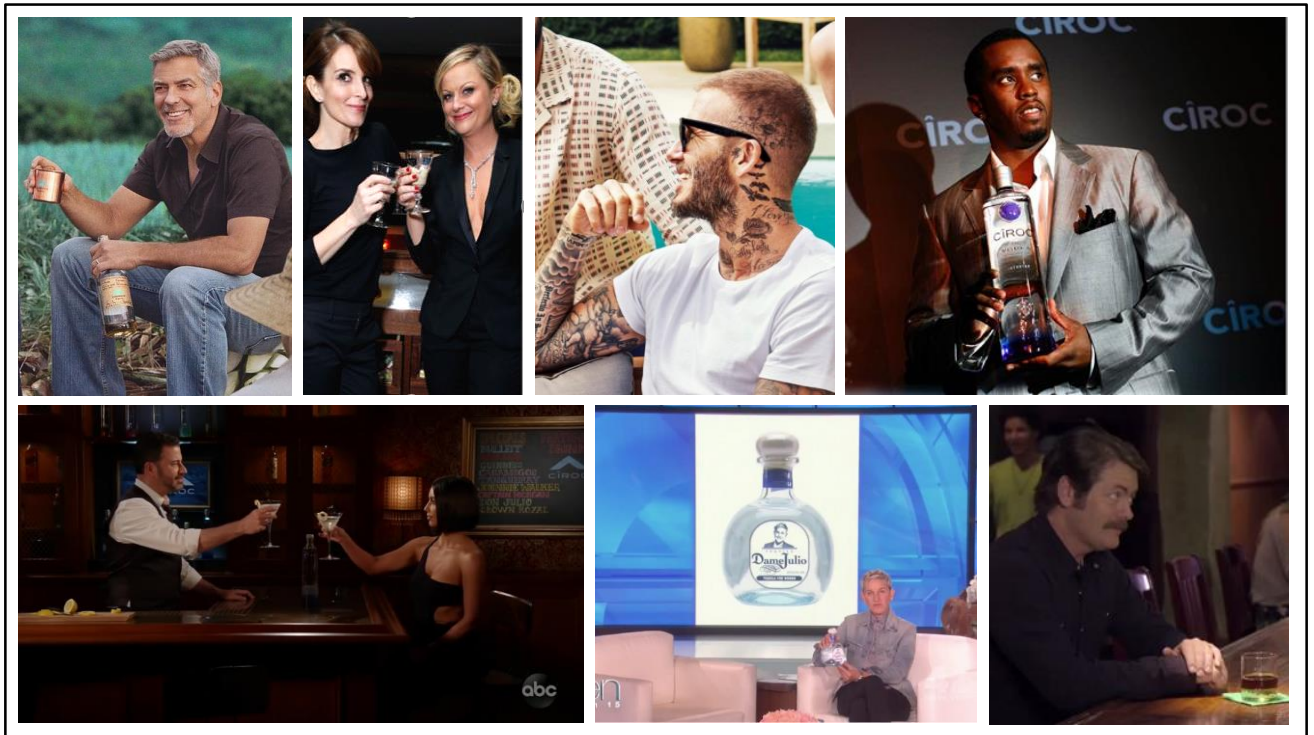
The Game of Thrones phenomena highlighted a large overlap with the show's fan base and whisky drinkers, which led to best-in-class, innovative product collaborations namely Johnnie Walker White Walker, and the Game of Thrones Malts collection.

What's also exciting is that it is recruiting into the Johnnie Walker trademark: White Walker buyers over-index in the 25-34 age group relative to the trademark, indicating we are recruiting NEW drinkers through the partnership.

The Malts series, originally intended just for the US is being extended to other markets with greater speed and agility than ever before. Consumer excitement worldwide has gained momentum and with the season finale having just happened on Sunday, we are seeing the full collection being sold online as a set for around \$2500 and individual variants being re sold for over \$300.



Johnnie Walker White Walker is truly a Global Success - these images come from across the world and show high quality and consistent execution.



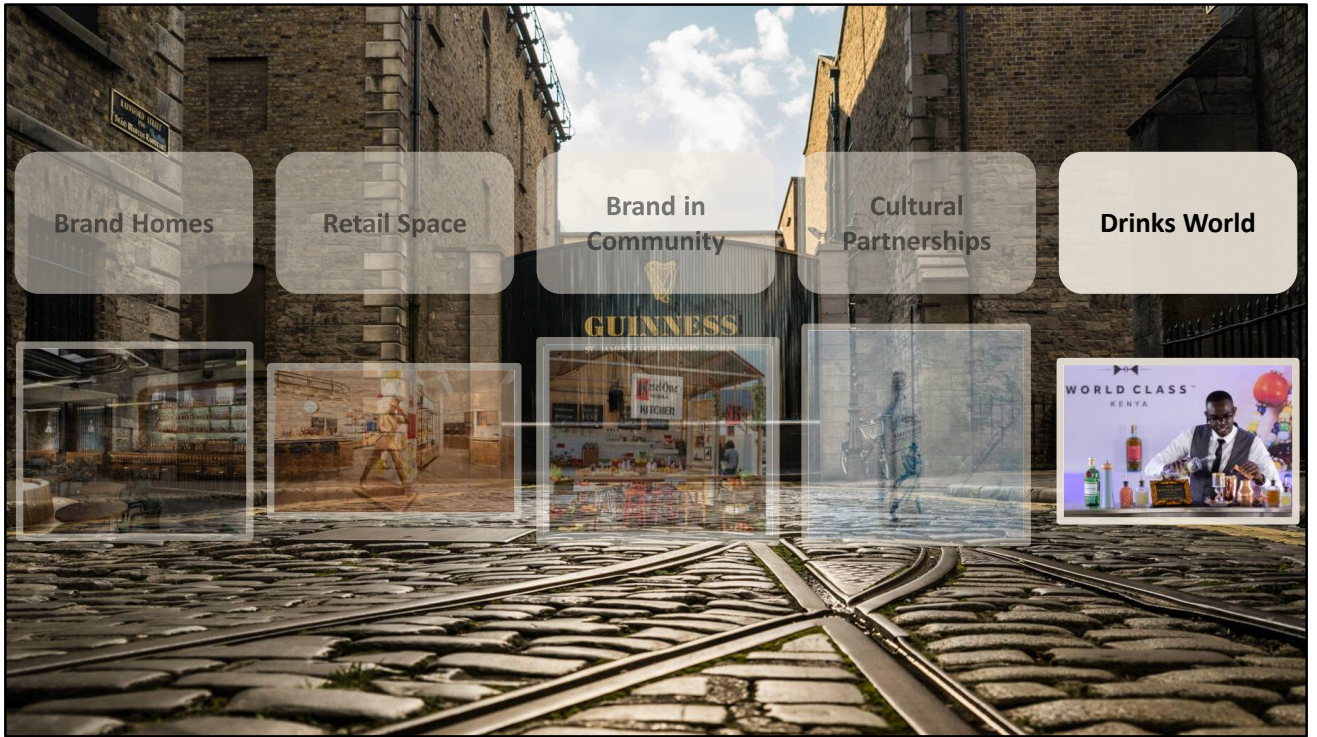
We have developed our in house capabilities to build authentic, long-term partnerships with celebrity influencers and media companies in a way which complements our brands and gives us access to wider audiences.

This allows us to drive a conversation in culture, providing an opportunity to scale our brands during relevant occasions and chatter that dollars can't buy.

So..

- whether it's launching a new Ciroc variant within Jimmy Kimmel's show on location in Las Vegas
- or supporting Ellen for her 60th birthday bash and continuing to align Don Julio with celebratory moments in her show
- We have also seen success with Nick Offerman and Lagavulin: putting Lagavulin into popular culture and has resulted [and this links back to brand homes] in many American Offerman fans making a pilgrimage to the distillery. Most famous was the viral Yule Log video and we will soon be launching a Nick Offerman Lagavulin 11 year old limited edition.

Let's see some of these come to life...



As we know, food and drink culture also continues to grow.

Bartenders are increasingly high profile and are vital advocates and partners for our brands. We work with the bartending community across the world on elevating the drink experience as well as rewarding and recognizing great bartending.



The Diageo Bar Academy – this is a hugely powerful platform with global scale and even bigger ambitions.

It drives advocacy for our brands amongst bartenders, and ensures our consumers get better experiences.

This year we will be operating in more than 60 countries, both face to face and with an online platform.

World class is an amazing program that has been going for over 10 years and has trained over 300,000 bartenders in over 58 countries across the best bars in the world.

This is a hugely credible competition in the bartending community. The global final is a feature in the drinks calendar. It recognizes and rewards the skills of bartenders and pushes the boundaries of what great looks like with the bartender community worldwide.

We continue to evolve World Class – currently partnering with Cocktail Weeks in many markets.



This morning we have given you a whistle-stop tour of some of the marketing initiatives that we are most excited about – and demonstrated the continued evolution of our marketing strategy and execution.

It's important to recognize that underpinning all of this work is the strength of our marketers - We value both FLAIR and RIGOUR – marketers who swing out big, experiment, and create highly effective work that engages our consumers.

And we value LEARNING... people who are curious, know their consumers, are connected to culture, are commercially savvy and want each thing they do to be better than the last.



In summary, we have a marketing organisation with a strong foundation in data and insight which is ensuring we are getting better outcomes from our investment.

We have an effectiveness culture that is:

- Built with a solid foundation of data and analytics
- with best in class tools like Catalyst

We remain restless and agile, constantly looking at what's to come and how we can stay ahead with the three areas shared today:

- Creative excellence
- Next generation media
- Winning in experiences and culture

We believe we are leading the way in our industry for the future.

Thank you very much

DIAGEO

**CELEBRATING LIFE,
EVERY DAY, EVERYWHERE**

No script

Cautionary statement concerning forward-looking statements

This presentation and its notes (together, this "Presentation") contain '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 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 and restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. These statements are often, but not always, made through the use of words or phrases such as "believe", "anticipate", "could", "may", "would", "should", "intend", "plan", "potential", "predict", "will", "expect", "estimate", "project", "positioned", "strategy", "outlook", "target" and similar expressions. 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:

- 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;

No script

- 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.

This Presentation includes names of Diageo's products, which constitute trademarks or trade names which Diageo owns, or which others own and license to Diageo for use.

All rights reserved. © Diageo plc 2019.

The information in this Presentation does not constitute an offer to sell or an invitation to buy shares in Diageo plc or an invitation or inducement to engage in any other investment activities.

This Presentation may include information about Diageo's target debt rating. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

Past performance cannot be relied upon as a guide to future performance. Persons needing advice should consult an independent financial adviser.

No script