
DIAGEO
Delivering *sustainable long-term* growth
Interim Results Fiscal 22
Ivan Menezes
Chief Executive
27 January 2022

- No script.

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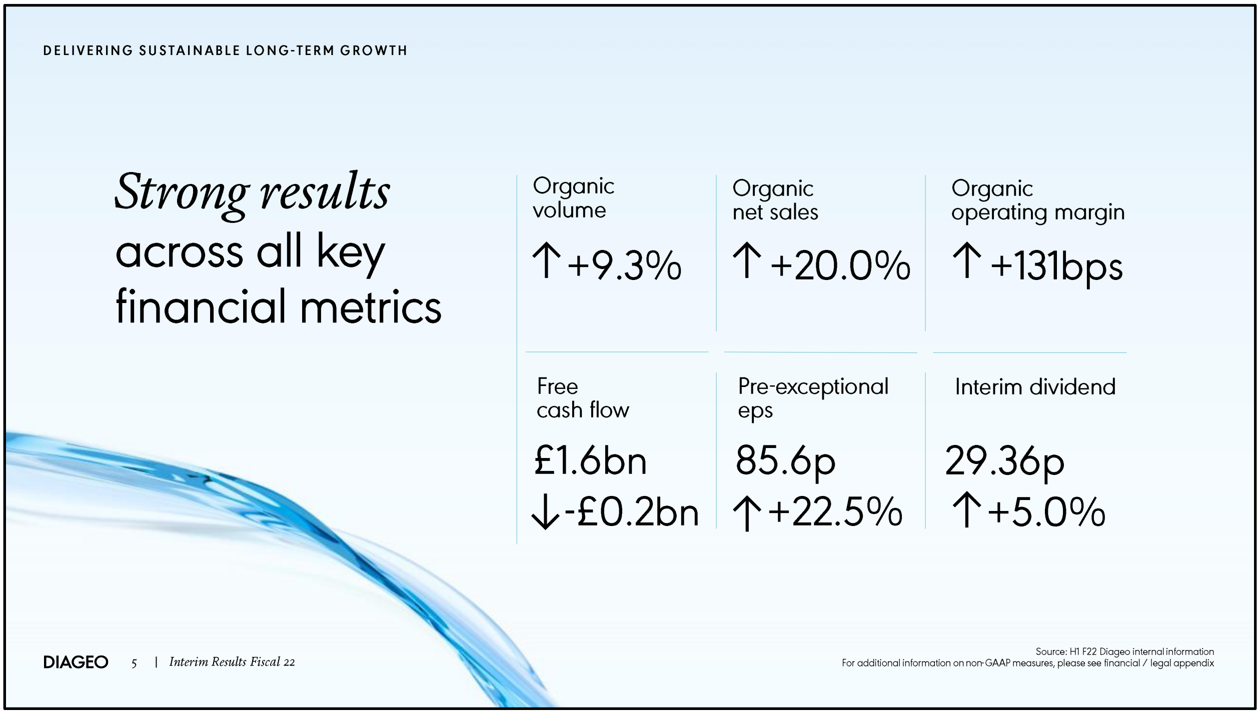
- No script.

DELIVERING SUSTAINABLE LONG-TERM GROWTH

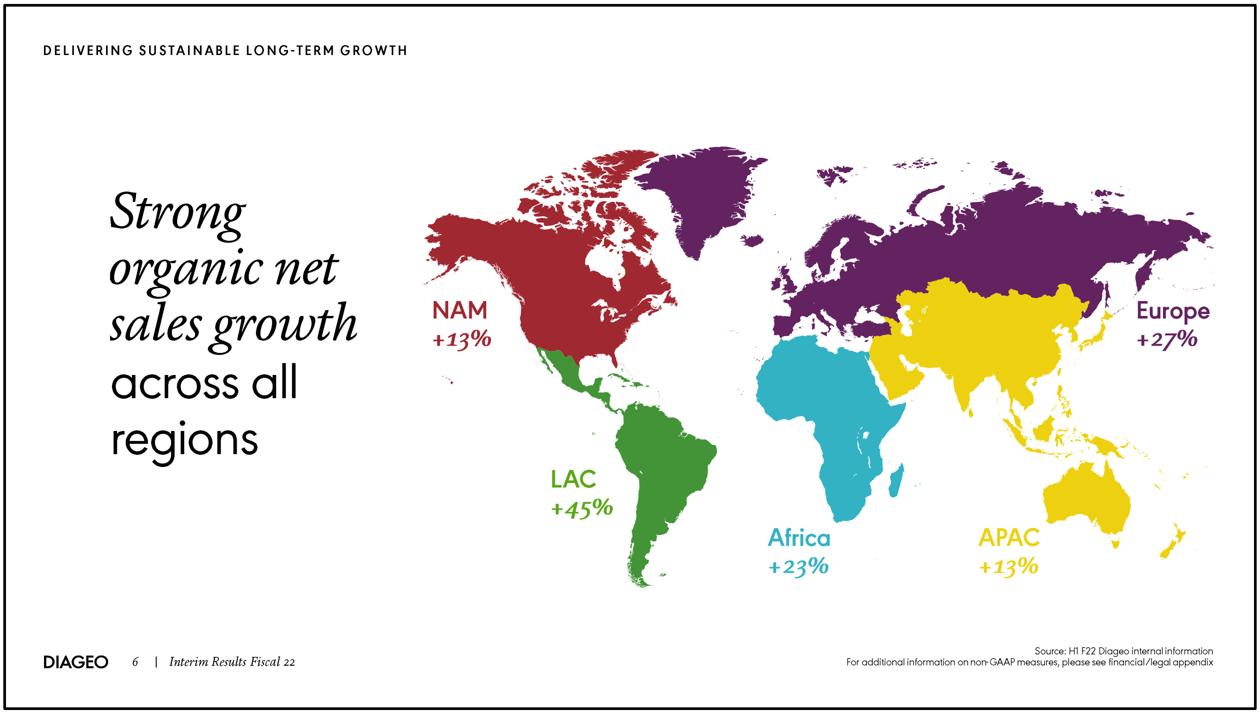
To be one of the *best performing*, most *trusted and respected* consumer products companies in the world

- Good morning everyone, and thank you for joining us.
- I am pleased to announce our financial results for the first half of fiscal 22.
- We are off to a great start, building on our strong momentum in fiscal 21, while continuing to execute against our strategic objectives.
- I will begin with an overview of our first half performance before Lavanya reviews our financial results in more detail.
- I will wrap-up with why we are confident in our ability to deliver sustainable long-term growth.

- We delivered a strong performance in the first half, while navigating a very dynamic environment.
- I would like to take this opportunity to thank my Diageo colleagues for their continued hard work, resilience and creativity. I am immensely proud of our culture, our values and our people.
- There are five key areas I want to highlight from our first half performance:
  - One, we delivered strong results across all key financial metrics.
  - Two, our advantaged portfolio and core capabilities enabled sustained market share gains.
  - Three, we invested in marketing, innovation and capex with a long-term view.
  - Four, we continued to do business the right way for all our stakeholders.
  - And five, we continued our strong track record of creating value for shareholders.



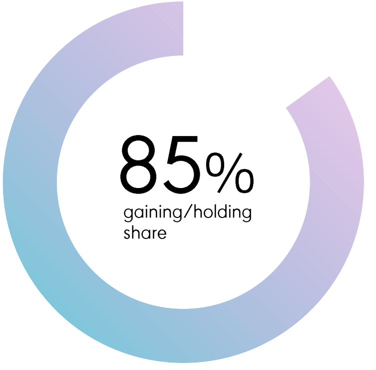
- We performed strongly across all key financial metrics in the first half of fiscal 22, while continuing to invest for the long-term.
- We delivered strong top line organic growth of 20% and significantly improved our organic operating margin in a challenging operating environment.
- Strong cash flow generation is enabling us to re-invest in long-term growth, including our production capacity, digital capabilities and our sustainability agenda.
- And we are pleased to announce a 5% increase in our interim dividend.
- This performance shows how our profitable growth model is delivering results. Our strong top line growth, gross margin expansion and productivity savings have enabled consistent re-investment in our brands and strategic growth initiatives.



- We delivered strong organic net sales growth across all regions.
- And I am delighted that organic net sales in the first half exceeded the first half of fiscal 19 in all five regions.
- This strong performance across both developed and emerging markets demonstrates the resilience of our business, despite continued challenges from the pandemic.
- We also saw significant growth across key categories, with tequila growing 56%, scotch up 27% and our beer business growing 22%, driven by Guinness in Ireland, Great Britain and Africa.
- This reinforces the strength of our portfolio across geographies, categories and price tiers.
- During the half, we benefitted from the recovery in the on-trade channel in several markets, particularly Great Britain, Southern Europe, Ireland and the US.
- Across regions, we also performed strongly in the off-trade channel, where consumer demand remained resilient.

Advantaged portfolio, smart investment and strong execution have enabled *continued off-trade market share gains*

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



Source: Internal estimates incorporating AC Nielsen, Association of Canadian Distillers, Dichter & Neira, Frontline, Intage, IRI, ISCAM, NABCA, Scentia, State Monopolies, TRAC, IPSOS and other third-party providers
For additional information, please see financial/legal appendix

- Winning quality market share is a key focus.
- Our advantaged portfolio across price segments, categories, and geographies has enabled continued market share gains.
- This has been driven by superior consumer insights, strong commercial execution, upweighted marketing investment and accelerated innovation, as we continue to respond to emerging opportunities.
- We believe these capabilities are a sustainable competitive advantage as we continue to invest behind them. Lavanya will provide further insight into these capabilities, for example, how we are using Demand Radar to enhance our commercial execution.
- In the first half of fiscal 22, we grew or held our off-trade share for over 85% of total net sales in measured markets.
- Diageo is also gaining share of TBA in the on-trade channel as it continues to recover, including in the US, Europe and East Africa during the first half.
- I am delighted with what we have achieved over the half, gaining share of scotch in North America being one of the many highlights, and I'm excited about the opportunities ahead.

Strong performance enabled by our *core capabilities*

Best brand builders

Supply chain excellence

Advantaged culture

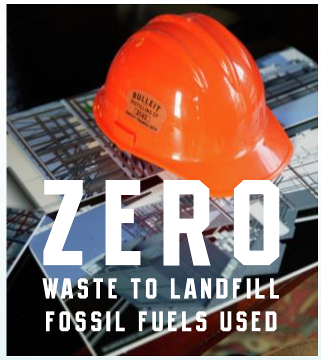
- Our core capabilities which we discussed at our recent Capital Markets Day fueled our strong performance in the first half of fiscal 22.
- Our world-class brand building is fundamental to driving our business and it’s delivering great performance.
- I am delighted with the growth of our global brands. In particular, Johnnie Walker, which grew 31% supported by a robust performance by Johnnie Walker Black Label and even faster growth in the more premium variants. And I am very pleased with the recovery of Guinness sales, which were up 27%.
- I want to highlight our brand building capability with Tanqueray, one of our most iconic brands.
- During the first half of fiscal 22, we increased marketing investment, specifically behind the ‘Unmistakably Tanqueray’ campaign.
- We leveraged innovation to recruit new consumers, including ready to drink formats, flavoured gins such as Tanqueray Blackcurrant Royale and a no-alcohol option in Tanqueray 0.0.
- And we engaged in culture-leading brand partnerships with House of Gucci on Tanqueray and Stanley Tucci on Tanqueray No. TEN.
- In the first half of fiscal 22, the Tanqueray brand grew 28%, with Tanqueray No. TEN growing 33%, gaining category share across several key markets.
- I believe our supply chain has proven to be a continued competitive advantage and has allowed us to navigate the volatility in the current challenging operating environment.
- We have been able to use our scale and operational excellence to mitigate the majority of supply disruptions which are impacting the consumer goods sector and we have strong relationships with key suppliers.
- For example, navigating port congestion has been helped by our relationships and agreements with global shipping lines, as well as having advantaged access to local ports.
- Diageo is an organisation that is obsessed with our brands and consumers. We are delivering strong performance and growth but with a restlessness to always do better. Our people and unique, purpose-driven culture are driving performance.

DELIVERING SUSTAINABLE LONG-TERM GROWTH

Investing to deliver our *Society 2030* sustainability action plan

Promote
positive drinking

Champion
inclusion and diversity



Pioneer
grain to glass sustainability

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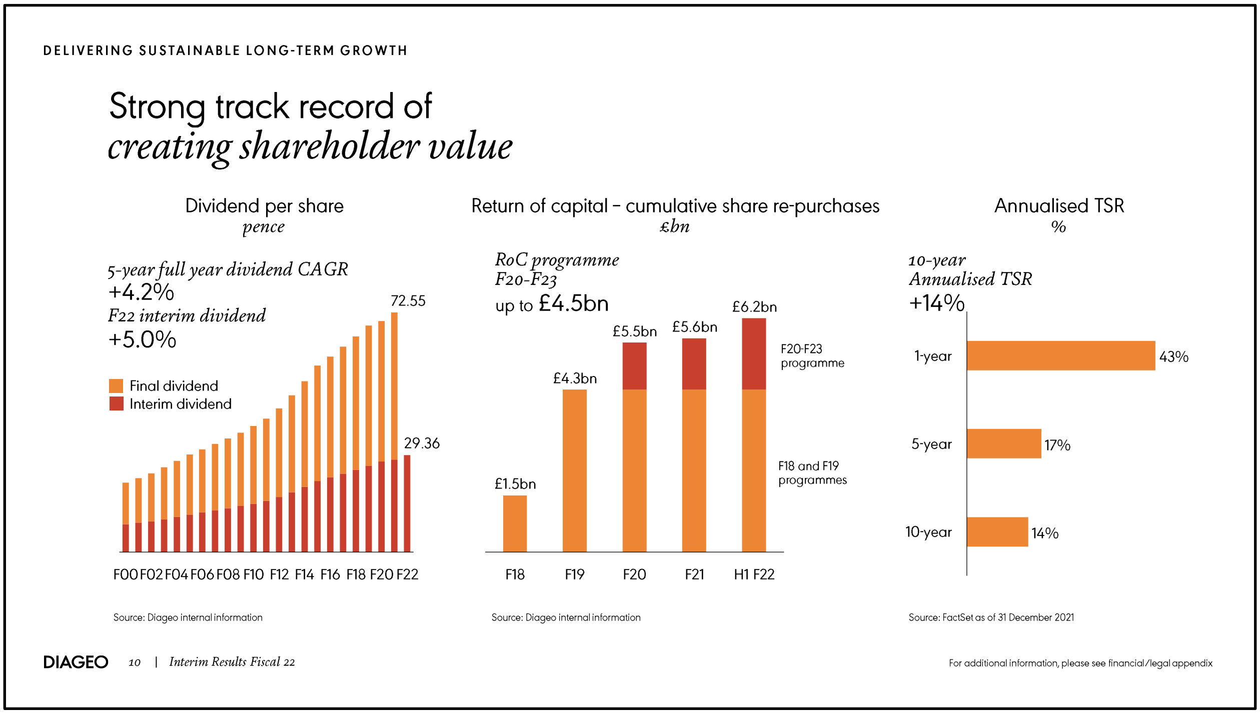
- We are investing to deliver our 10-year sustainability action plan, and we are making progress against our goals to:
  - Promote Positive Drinking;
  - Champion Inclusion & Diversity; and
  - Pioneer Grain to Glass Sustainability.
- As part of our commitment to reach one billion people with dedicated responsible drinking messaging by 2030, we launched a global responsible drinking campaign during the recent festive period, ‘Know When to Stop’. It was designed to make people stop and think about over-indulgence.
- We also continued the roll-out of ‘Wrong Side of the Road’, our hard-hitting digital experience to change attitudes to the dangers of drinking and driving, which is now live in 12 countries.
- This past September marked Diageo’s fifth annual INC Week, a grassroots event created and executed by our employee resource groups and their allies. With representatives from over 20 countries and markets, the event focused on a broad range of topics from disability and mental health, to allyship and belonging.
- In the first half of fiscal 22, our hiring into leadership roles was 41% female and 53% ethnically diverse across external hires and internal promotions. In the current competitive environment, this highlights how the attractiveness of the Diageo employer brand is enabling us to hire, grow and retain the best and most diverse talent.
- During the half, we achieved a number of significant milestones towards our sustainability goals. We opened the new carbon-neutral Bulleit whiskey distillery in the US. We broke ground on our Chinese whisky distillery, which will also be carbon neutral, and we announced that we are jointly investing with the provincial government of Quebec to make our Valleyfield distillery carbon neutral by 2025.
- Also, Don Julio Tequila became the first brand to receive the Environmentally Responsible Agave Certification from the Tequila Regulatory Council and the Government of the State of Jalisco in Mexico.
- I am also very proud of the level of external recognition that Diageo and its employees have received for environmental, societal and governance achievements over the last six months, including being ranked in the Dow Jones World Sustainability Index for the fourth year in a row and validation of our 2030 Greenhouse Gas emission targets by the Science Based Targets initiative.



- We have a strong track record of creating value for shareholders.
- We've increased our full year dividend per share every year for over 20 years.
- We are continuing to execute our Return of Capital programme through share buybacks, and we are accelerating the completion of our current programme, which we now expect to complete during fiscal 23.
- At December 2021, we had completed £1.9 billion of our programme of up to £4.5 billion.
- Our 10-year annualised Total Shareholder Return to 31st December 2021 is in the top quartile of our peer group.
- Overall, we delivered a strong performance in the first half of fiscal 22, while still investing in long-term growth and value creation. This was enabled by our advantaged portfolio and core capabilities.
- Now I will hand over to Lavanya to take you through more of the detail on our financial results.

DELIVERING SUSTAINABLE LONG-TERM GROWTH

Strong performance across all key financial metrics

Efficient growth

Organic net sales value growth
↑ +20.0%

Organic operating margin expansion
↑ +131bps

Free cash flow
£1.6bn
↓ -£0.2bn

Pre-exceptional EPS
85.6p
↑ +22.5%

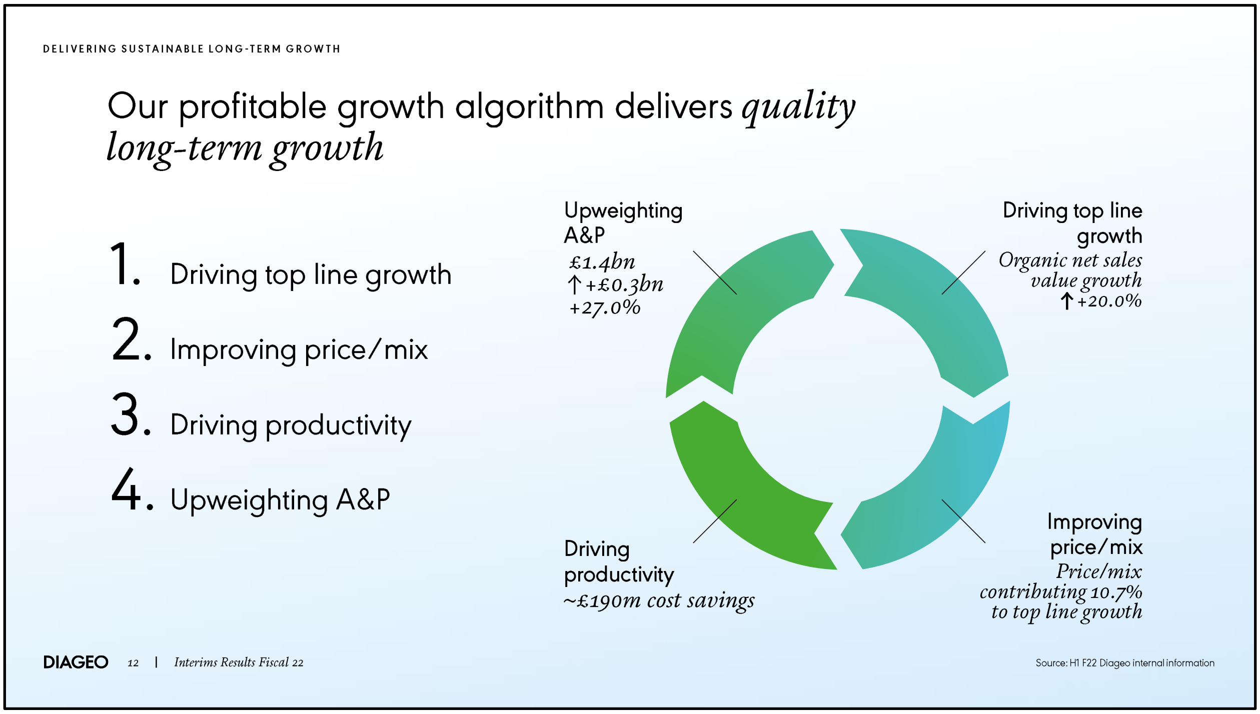
Value creation

Return on invested capital
19.3%
↑ +352bps

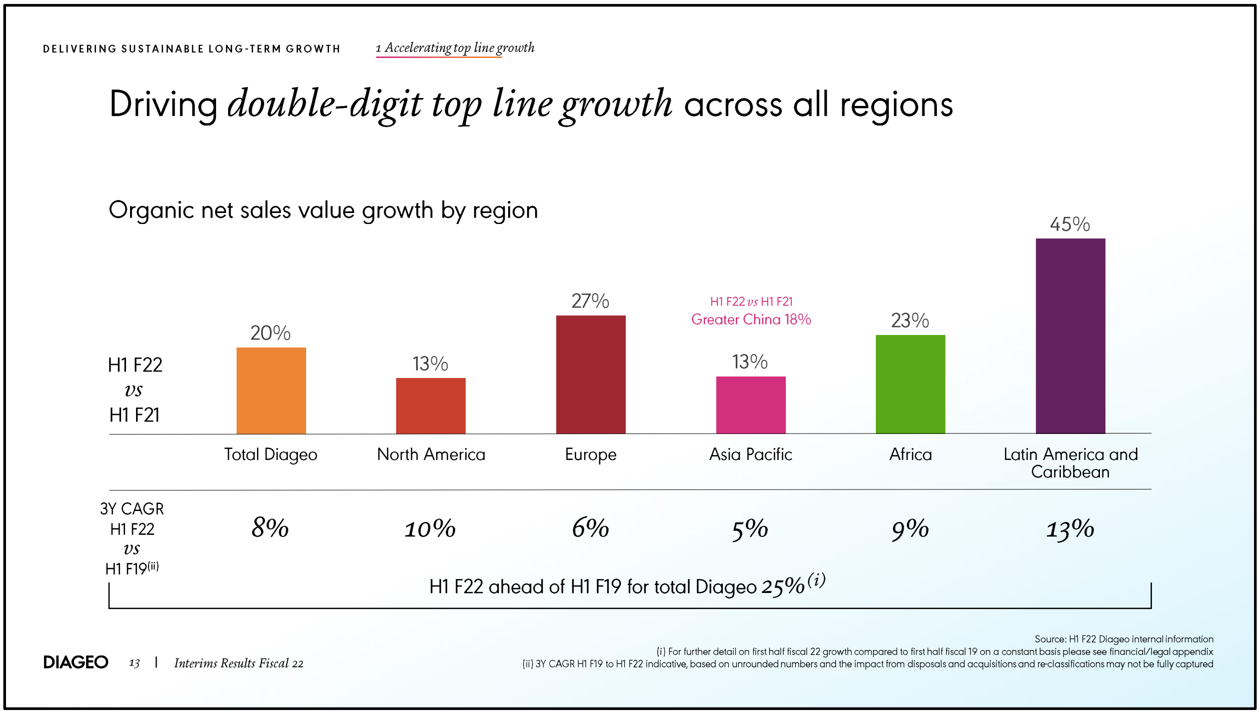
Total shareholder return[i]
18%

Source: H1 F22 Diageo internal information
For additional information on non-GAAP measures please see financial/legal appendix
(i) Source: Factset to 31st December 2021, last six months, for further information please see financial/legal appendix

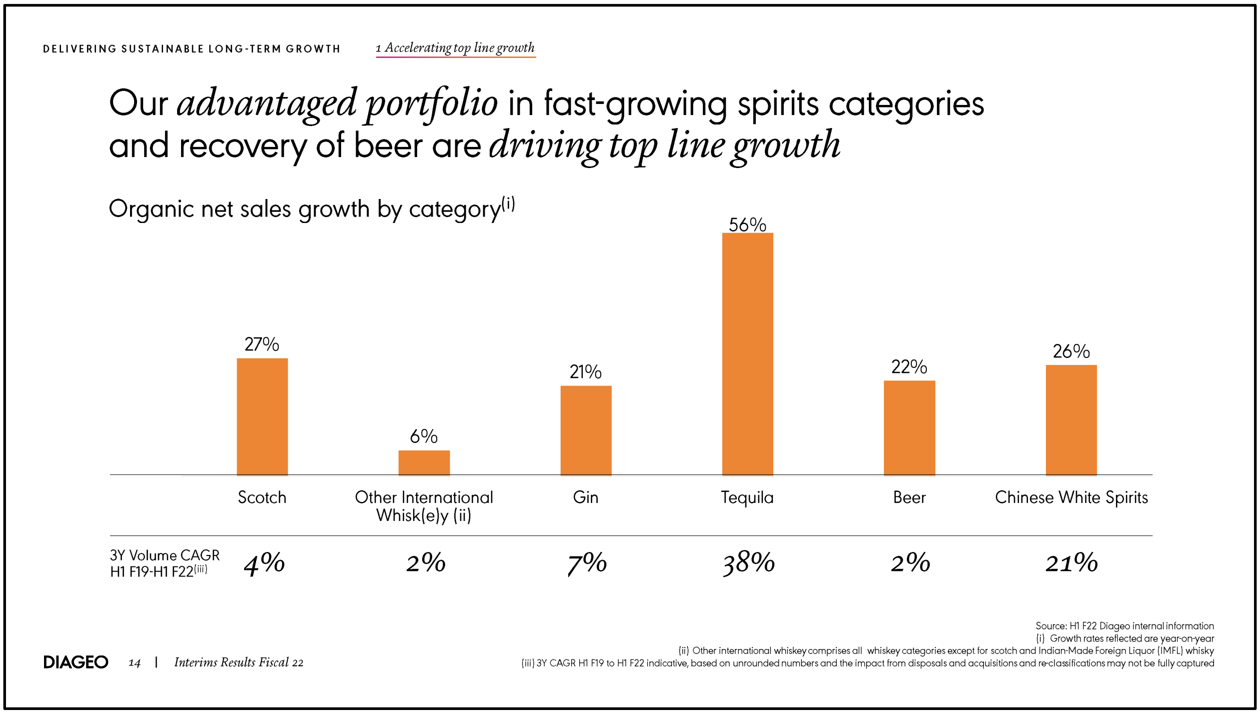
- Thank you Ivan and good morning everyone.
- As Ivan shared, we delivered a strong set of results in the first half of fiscal 22.
- This demonstrates our effective brand building, excellent commercial execution and supply chain excellence.
- Organic net sales grew 20%, with volume growth of 9% and positive price/mix of 11%.
- Growth was driven by the recovery of the on-trade and resilient consumer demand in the off-trade, where we continued to gain market share.
- And it was underpinned by favourable industry trends of premiumisation and spirits taking share of total beverage alcohol.
- Organic operating margin expanded 131 basis points.
- Growth in operating profit generated strong free cash flow of £1.6 billion.
- Pre-exceptional earnings per share increased 22.5%, driven by growth in operating profit, partially offset by higher taxation and an adverse foreign exchange impact.
- Basic eps increased 25%, as we benefitted from lower exceptional items.
- We increased our interim dividend by 5%, reflecting our progressive dividend policy and continued strong performance.
- Return on invested capital was 19.3%, up 352 basis points, mainly as a result of organic operating profit growth and partially offset by higher tax.
- Total shareholder return for the first half was 18%, reflecting the increase in our share price over the last six months and supported by our fiscal 21 final dividend.



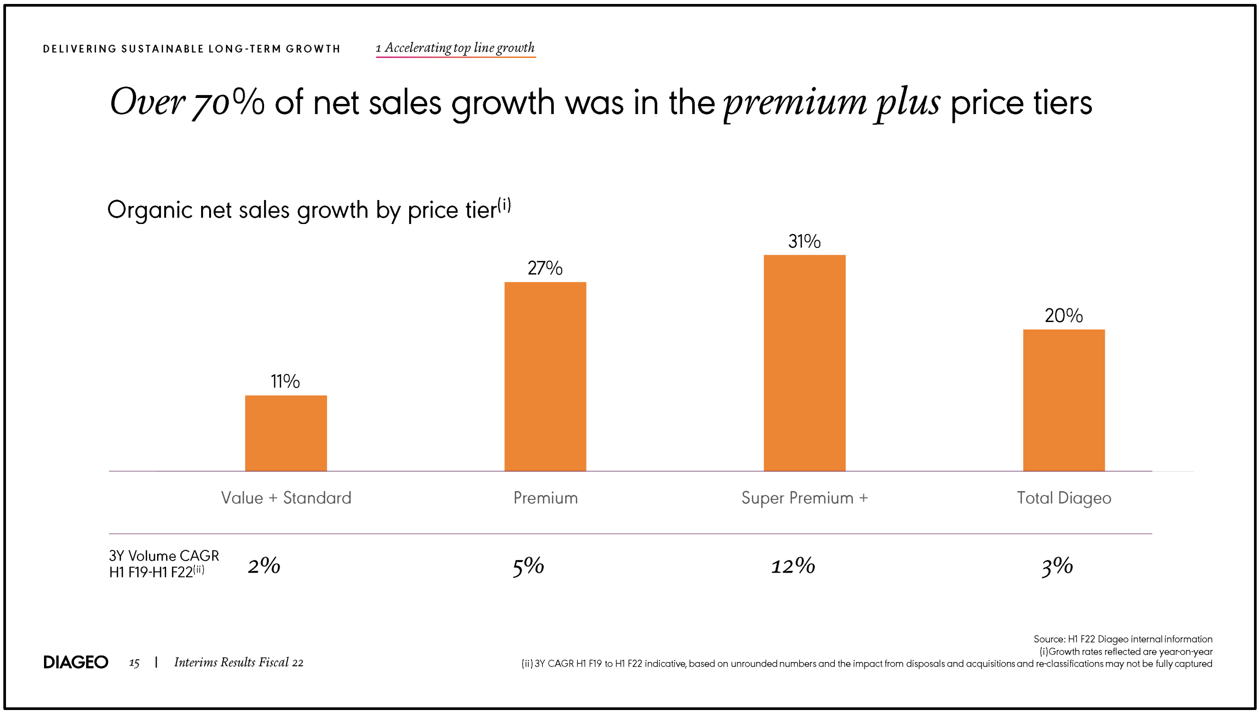
- At our recent Capital Markets Day, I set out our profitable growth algorithm.
- And today, I will demonstrate how this delivered sustainable leveraged growth in the first half of fiscal 22.
- Organic net sales grew 20%, and positive price/mix contributed over half of that growth.
- Positive mix reflected strong growth of our premium plus brands, the continued recovery of the on-trade channel in North America and Europe, and the partial recovery of Travel Retail.
- We increased prices across regions and particularly in Latin America and Caribbean, Africa and North America.
- We combined this strong top line performance with a continued focus on productivity – and delivered £190 million of savings in the half, across COGS, marketing and overheads.
- This enabled re-investment in sustainable, long-term growth drivers, including a 27% increase in our marketing investment, ahead of net sales growth.
- Consistent, effective investment in our brands has been a key driver of our market share gains.
- I'll now discuss each of these elements of our growth algorithm in more detail.



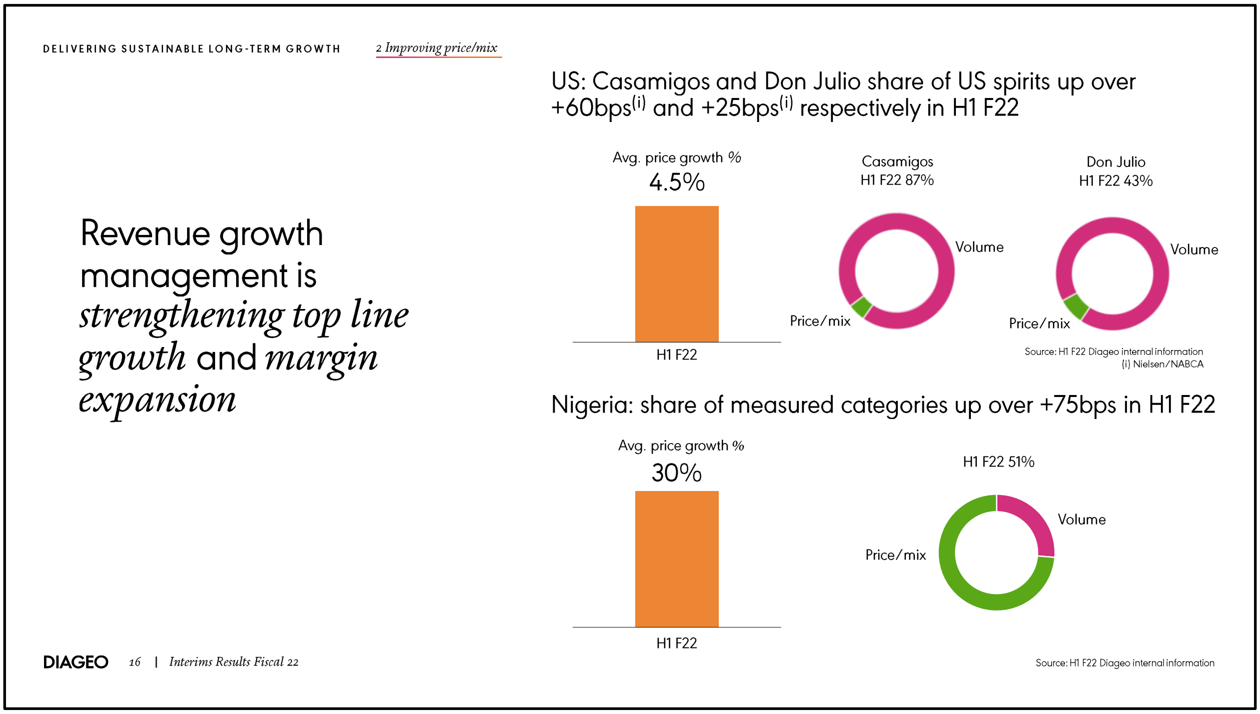
- We delivered double-digit organic net sales growth across all five regions.
- Our 3-year CAGR for net sales in the first half was 8%.
- North America grew 13%, driven by the on-trade recovery, resilient consumer demand in the off-trade and market share gains. We also benefitted from the favourable industry trends of premiumisation and spirits taking share of total beverage alcohol.
- Europe grew 27%, reflecting the recovery of the on-trade, particularly in Great Britain, Southern Europe and Ireland. Off-trade demand remained resilient and we continued to gain market share.
- Asia Pacific grew 13%, primarily due to strong growth in Greater China and India.
- Net sales continued to recover across the rest of Asia Pacific, although performance was impacted by on-trade restrictions and reduced tourism.
- Africa grew 23%, with growth across all markets, particularly Nigeria and East Africa.
- Latin America and Caribbean grew 45%, with strong double-digit growth across all markets. Growth reflects the recovery of the on-trade and resilient consumer demand in the off-trade, where we continued to gain market share. Strong growth of premium plus scotch drove positive mix, and we increased prices across key markets.



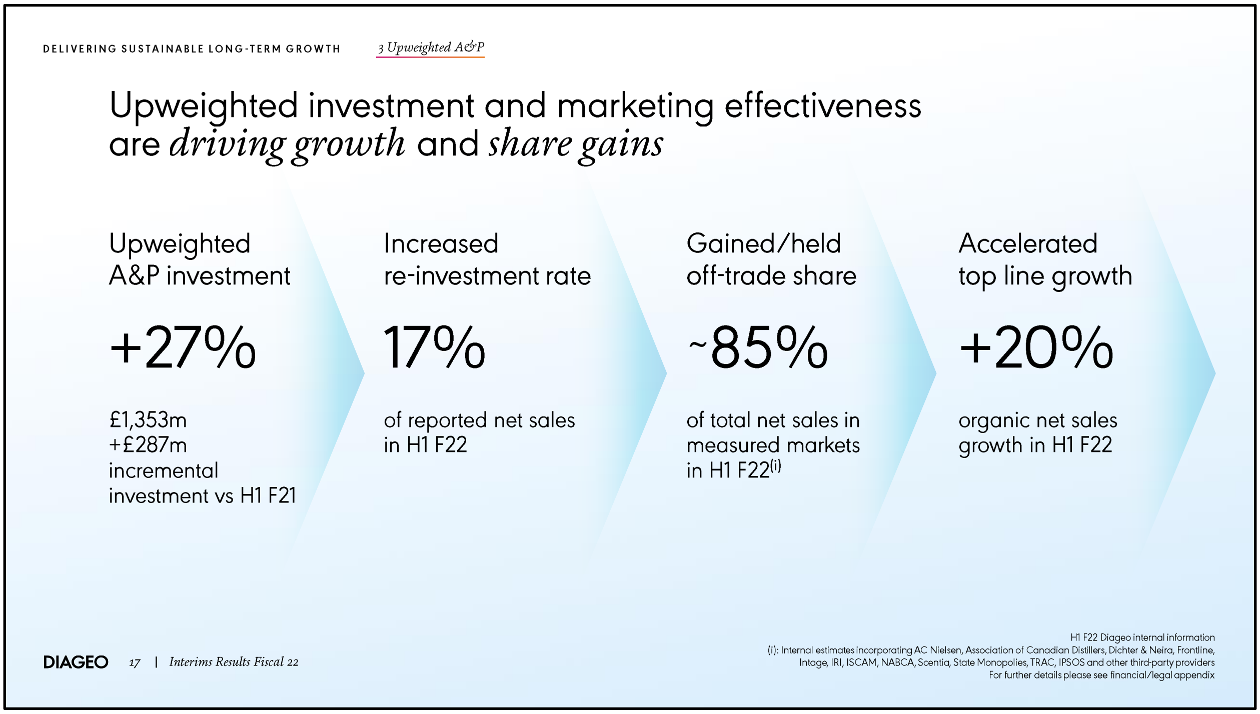
- At Capital Markets Day, we laid out our key strategic categories.
- And we delivered broad-based growth across each of these in the half.
- Scotch grew 27% and drove around one-third of Diageo's net sales growth.
- All regions contributed to this strong performance, and we benefitted from the partial recovery of Travel Retail.
- Johnnie Walker grew 31%, ahead of scotch, with particularly strong growth of Johnnie Walker Black Label and super deluxe variants.
- The 3-year volume CAGR for scotch of 4%, demonstrates the resilience of the category and our ability to grow our broad, deep portfolio of blended whisky and single malts through world-class brand building.
- Other international whiskey grew 6%. Supply constraints impacted the growth of Crown Royal and led to a decline in Bulleit sales in North America.
- The strong performance in gin was driven by growth across Europe, Africa, and Latin America and Caribbean. Tanqueray and Gordon's both grew double digits.
- Tequila was 9% of Diageo's net sales. The 56% growth reflects the strong performance of Casamigos and Don Julio in the US, where both brands gained significant share of the US spirits market and the tequila category.
- Beer grew 22%, and Guinness was up 27%, with strong growth in Ireland, Great Britain and Africa as the on-trade continued to recover.
- Chinese White Spirits maintained its strong growth momentum, with sales up 26%, underpinned by upweighted investment in this key strategic growth market.



- As in previous years, our premium plus brands were a significant driver of performance, contributing 74% of organic net sales growth in the half.
- Our super-premium plus brands grew 31% and contributed over 35% of Diageo's organic net sales growth.
- In particular, our super-premium plus tequila portfolio grew very strongly, and ahead of the tequila category growth in the US.
- This reflects our effective marketing and successful innovation, including the launch of luxury variants, Don Julio Primavera and Don Julio Ultima Reserva.
- We also delivered strong growth of super-premium plus scotch across all regions.
- In particular, the higher marques of Johnnie Walker grew strongly, supported by the launch of our fresh and modern 'Keep Walking' campaign, which we shared with you at our Capital Markets Day.
- Our premium portfolio grew 27%, primarily driven by the strong performance of premium scotch across all regions and in particular, Latin America and Caribbean, due to excellent commercial execution and effective marketing.
- Premium beer grew 31%, reflecting the strong performance of Guinness in Europe and Africa.
- The value and standard segments of our portfolio grew at a lower rate than the group. A strong performance in scotch, driven by Johnnie Walker Red Label, was partially offset by declines in Captain Morgan and Smirnoff in the US. Baileys also declined in the US due to lapping a strong comparator.



- As I shared earlier, a strong price/mix improvement strengthened our top line growth and drove margin expansion in the half.
- In response to increased inflation across the supply chain, and supported by strong marketing investment, we increased prices through the half that balanced both margin and share growth.
- We take a rigorous approach to pricing decisions, which are targeted based on our consumer insights, market understanding and commercial strategy.
- I'll share a couple of examples with you.
- In the US we increased prices by an average of just over 4.5% across Casamigos and Don Julio in the half.
- We continued to see strong volume growth for both brands, despite supply constraints on certain aged variants. And both brands have continued to grow share.
- Our tequila portfolio drove a 90 basis point increase in our share of the US spirits market during the half. And we increased our share of the tequila category by almost 450 basis points.
- We also increased prices across emerging markets, including Nigeria and Turkey, where we are exposed to significant foreign exchange devaluation and high inflation.
- In Nigeria, we delivered average price growth of 30% across all key categories. At the same time, we delivered 13% volume growth in the half and grew share.
- In Europe, where the pricing environment has historically been challenging, we use our full suite of revenue growth management levers to grow margins.
- For example, in one of our key markets in Europe, we successfully prioritised our on-trade customers based on their growth potential, which enabled us to optimise trade spend.
- This delivered an improvement in NSV per case across SKUs and we gained over 20 basis points of market share in the first half of fiscal 22.



- We upweighted marketing investment across regions in the half, particularly North America, Europe and Latin America and Caribbean.
- Our re-investment rate increased to 17%. This was a key enabler to growing or holding our off-trade market share in 85% of our total net sales value in measured markets.
- As we shared at our Capital Markets Day, we use proprietary tools and data analytics to determine how and where we deploy our marketing.
- Demand Radar, a tool we launched in fiscal 20, enables us to forecast consumer demand at a more granular level, through a combination of monthly and daily inputs.
- It uses macroeconomic indicators and open-source data, such as Google footfall and the Oxford COVID-19 Stringency index, to track changes in consumer mobility.
- It enables us to right-size our marketing investment to the opportunity, based on real-time market conditions.
- This is an advantage, particularly in volatile environments, such as during the height of the pandemic.
- Demand Radar now covers 80% of our A&P spend in 50 countries, representing 85% of our net sales value.
- I will share a couple of recent examples that show the benefit this tool is delivering.
- In Colombia, we used Demand Radar to identify the key occasions when consumers purchased local spirits. This enabled us to invest confidently and drove continued market share growth.
- In Southern Europe, Demand Radar showed us that the key growth opportunities were daytime occasions and within premium plus price tiers. Our focussed activation underpinned our share gains in the half.

- When we announced our fiscal 21 results, I shared that we were seeing increased inflation driven by commodities, energy costs and supply disruptions.
- We have five key levers to help mitigate inflation: volume leverage as we grow the business, continued premiumisation, our revenue growth management capabilities, our productivity initiatives and the natural hedge provided by our aged liquids.
- There is also a tailwind from the continued recovery of the on-trade channel and Travel Retail.
- We delivered around £190 million of productivity savings in the half, which partially offset the impact of cost inflation. The biggest drivers of cost savings were COGS productivity and marketing effectiveness.
- For example, we changed our sourcing strategy for tequila in Mexico to reduce the cost of our tequila liquid purchases. We also improved our process controls for filling and blending tequila, which will reduce liquid waste and drive efficiencies.
- To increase marketing effectiveness, we have implemented a new process to manage the storage and ordering of point-of-sale inventory in Europe and Latin America and Caribbean.
- This enabled us to remove unused inventory from our warehouses and re-use and re-purpose it where possible. This has reduced both waste and warehouse costs.
- The new process has improved the visibility of our point-of-sale inventory and will optimise our demand planning in the future.
- It also enables us to work with our suppliers to help deliver our scope 3 ambition by 2030.
- We will roll the process out to other regions in fiscal 23.

Strong growth in operating profit driven by *organic growth*

	H1 F22	H1 F21	Reported operating margin(ii)
PRIOR PERIOD OPERATING PROFIT(i)	**£2,256**	**£2,501**	**32.8%**
Exchange rate movements	£(87)	£(134)	5bps
Fair value remeasurement & other	£34	£(8)	46bps
Acquisitions & disposals	£(10)	£(18)	(17)bps
Organic growth	£550	£(85)	131bps
CURRENT PERIOD OPERATING PROFIT(i)	**£2,743**	**£2,256**	**34.5%**

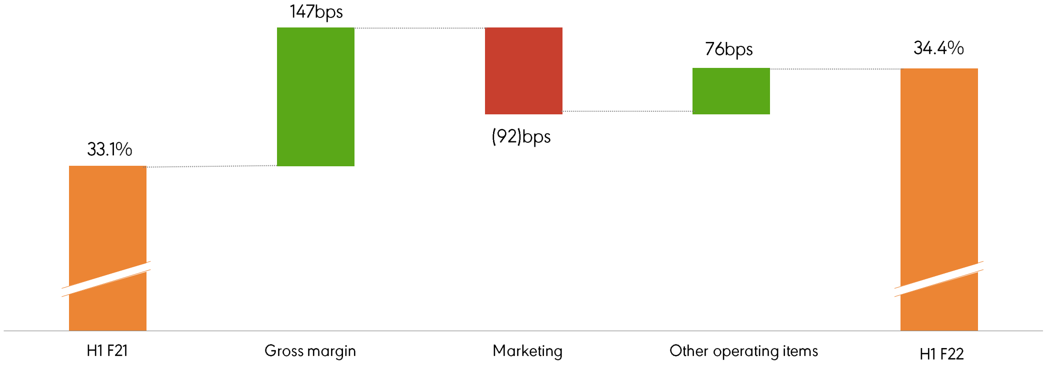
Source: H1 F22 Diageo internal information
(i) Reported operating profit before exceptional items
(ii) Reported operating margin before exceptional items

- Reported operating profit increased 22.5% and operating margin, excluding exceptional items, expanded by 165 basis points.
- This was driven by strong organic growth of 24.7%, with growth across all regions. And organic operating margin improved by 131 basis points.
- Organic operating profit growth was partially offset by an unfavourable impact from foreign exchange rate movements.

DELIVERING SUSTAINABLE LONG-TERM GROWTH

Strong improvement in operating margin despite increased cost inflation and upweighted marketing

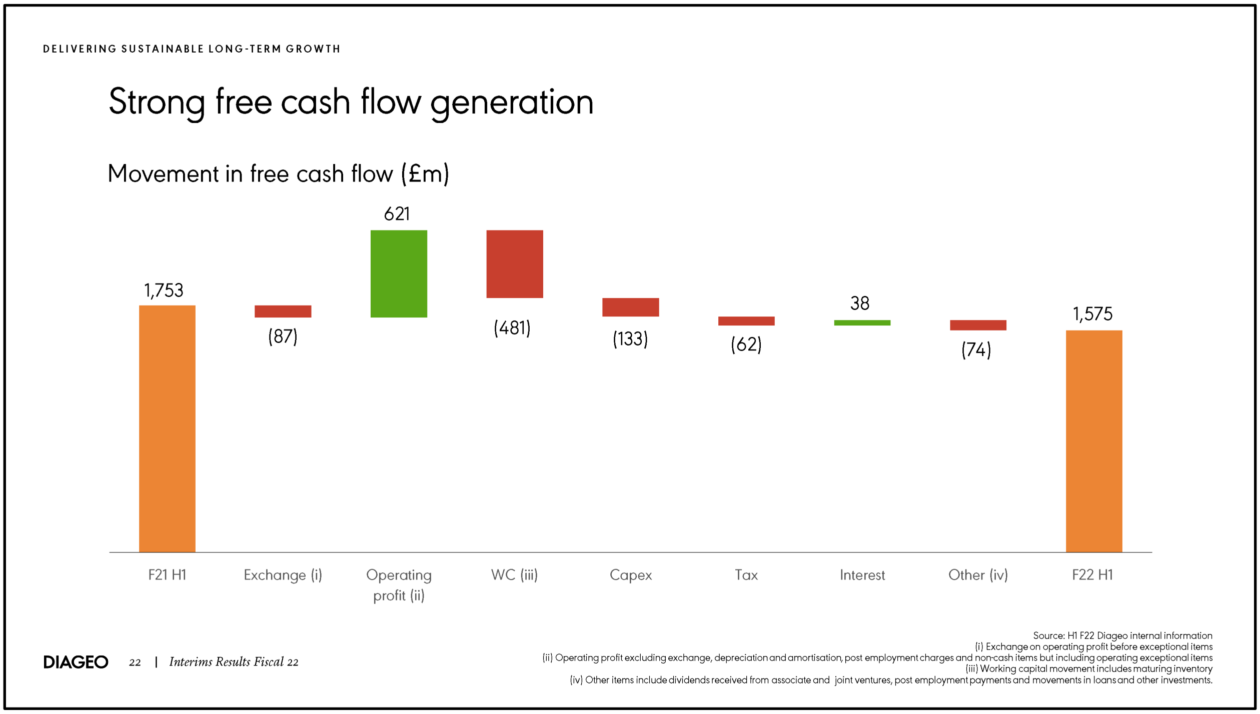
Movement in organic operating margin



Source: H1 F22 Diageo internal information

- We delivered a significant improvement in operating margin, driven by a strong recovery in gross margin and operating leverage, while increasing our marketing investment.
- Gross margin increased by 147 basis points, primarily driven by positive mix and improved fixed cost absorption from volume growth.
- Supply productivity savings and price increases more than offset the impact of cost inflation.

- As we shared at our Capital Markets Day, we act like owners in our long-term investment decisions.
- There were some great examples during the half.
- As well as supporting our brands with strong marketing investment, we launched new consumer experiences, which is another key element of our brand building.
- We were very excited to open the doors of Johnnie Walker Princes Street in September.
- And we broke ground on a Guinness Taproom in Chicago, which will open in 2023.
- We continued to invest in our core capabilities, including digital tools.
- One of these was Diageo ONE, our proprietary B2B platform, which is now live in six countries.
- In the first half alone, over 30,000 customers registered and placed orders in the system.
- We also invested in production capacity and the delivery of our 10-year sustainability plan.
- Ivan already touched on a number of the sustainability milestones that we achieved in the half, as we build capacity to deliver our strategic growth objectives.
- I also wanted to highlight the $500 million investment we are making to expand our manufacturing footprint in Mexico, which will support growth in the tequila category.



- We delivered £1.6 billion of free cash flow.
- This was 17% ahead of free cash flow in the first half of fiscal 19, as we benefitted from our everyday focus on cash, which is embedded in our business rhythm.
- Cash delivery in the first half of fiscal 22 was slightly lower than in the first half of fiscal 21, primarily due to lapping an exceptionally strong working capital benefit.
- This resulted from a significant increase in creditors as the operating performance recovered during the first half of fiscal 21, following reduced volumes and cost control measures in the second half of fiscal 20.
- I expect fiscal 22 to follow our normal cycle, with a build up of net working capital in the first half then reversing in the second half.
- Debtor balances reduced slightly in the half, as they returned to more normalised levels, having expanded as the business picked up in the first half of fiscal 21.
- Our focus on debtor risk management and collections resulted in our days sales outstanding being over five days lower than at the end of first half fiscal 19 and our overdue balances are at a historically low level.
- Inventory balances increased to support business growth and mitigate the impact of supply chain disruptions.
- Capex increased in the first half of fiscal 22, as we re-started construction projects that were delayed due to Covid-19.
- For the full year, I now expect capex to be in the range of £950 million to £1 billion, up from £626 million in fiscal 21.
- This reflects an increased investment behind our strategic priorities, including projects that were delayed in fiscal 21.
- The increase in cash tax payments in the half primarily reflected the improved business performance.
- The negative cash flow impact from ‘other’ items was due to lapping a payment of £82 million from Moet Hennessy, which was received in the first half of fiscal 21 but related to the financial year ended December 2019.

DELIVERING SUSTAINABLE LONG-TERM GROWTH

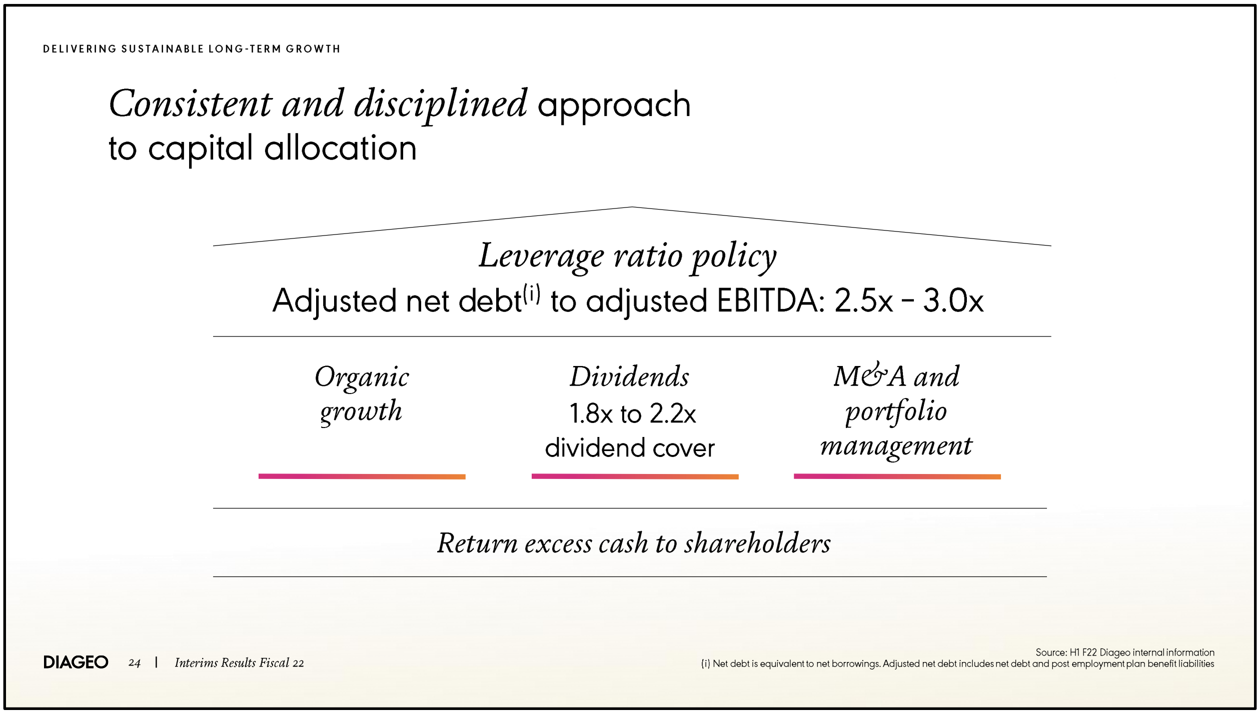
Leverage ratio remains *within our target range*

		H1 F22	H1 F21	Movement
Closing net debt(i)	£m	(12,331)	(12,661)	330
Average net debt(i)	**£m**	**(12,359)**	**(13,168)**	**809**
Net interest charge	£m	(162)	(186)	24
Net other finance charges	£m	(18)	(14)	(4)
Net finance charges	**£m**	**(180)**	**(200)**	**20**
Effective interest rate	%	**2.6**	2.8	**(0.2)**
Adjusted(ii) net debt(i) / Adjusted(iii) EBITDA	**x**	**2.5**	**3.4**	**(0.9)**

Source: H1 F22 Diageo internal information
(i) Net debt is equivalent to net borrowings
(ii) Adjusted to include net debt and post employment plan benefit liabilities
(iii) Earnings before exceptional operating items, interest, tax, depreciation, amortisation and impairment
For additional information on non-GAAP measures please see financial/legal appendix

DIAGEO 23 | *Interims Results Fiscal 22*

- Our leverage ratio of 2.5x at December 2021 was at the low end of our target range.
- And it was 0.9x lower year-on-year, as a result of our strong performance.
- Strong free cash flow delivery drove a year-on-year reduction of £0.3 billion in our closing net debt and a reduction of £0.8 billion in our average net debt.
- Our net interest charge decreased by £24 million compared to the first half of fiscal 21, primarily due to lower average debt.
- It was also due to lapping higher costs in the first half of fiscal 21, which related to our actions to increase liquidity at the outset of Covid-19.
- For the same reasons, our effective interest rate decreased by 0.2% to 2.6% in the half.
- For the full year, I expect our effective interest rate to be within the range of 2.7% to 3.0%.
- We remain committed to a leverage ratio of 2.5x to 3.0x adjusted net debt to EBITDA.



- We have a consistent and disciplined approach to capital allocation.
- Our priority is to invest in the business to drive sustainable organic growth, and to acquire strategic brands that strengthen our exposure to fast-growing categories and occasions.
- Today we announced an interim dividend of 29.36 pence per share, a 5% increase on our interim dividend in fiscal 21. This is in line with the growth rate of our final dividend in fiscal 21.
- Our dividend cover strengthened to 1.8 times in the first half of fiscal 22, and was back within our target range of 1.8x to 2.2x.
- Looking forward, we expect to maintain mid-single-digit dividend growth, as we build dividend cover to be comfortably within our range.
- When we have excess cash, we seek to return it to shareholders.
- Our current return of capital programme will return up to £4.5 billion.
- We completed the first phase of £1.25 billion in fiscal 20, and in May 2021, we commenced the second phase to buy back shares of up to £1.0 billion in value by the end of fiscal 22.
- We have completed £0.6 billion of share buybacks in the second phase to-date, of which £0.5 billion was completed during the first half of fiscal 22.
- We expect to complete this phase of the programme by no later than the 4th of March 2022.
- We are accelerating the timeline of our return of capital programme and we now expect to complete the return of up to £4.5 billion during fiscal 23.
- We will announce the next phase in due course.

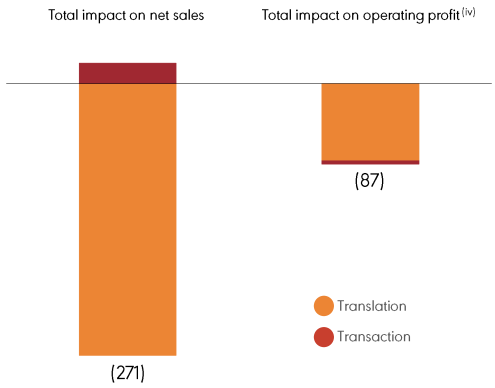
Translation driving *adverse impact* from *foreign exchange*

Exchange rates

Translation rate	H1 F21 [i]	H1 F22[i]	F22 forecast[ii]
$/£	1.31	1.36	1.36
€/£	1.11	1.17	1.19

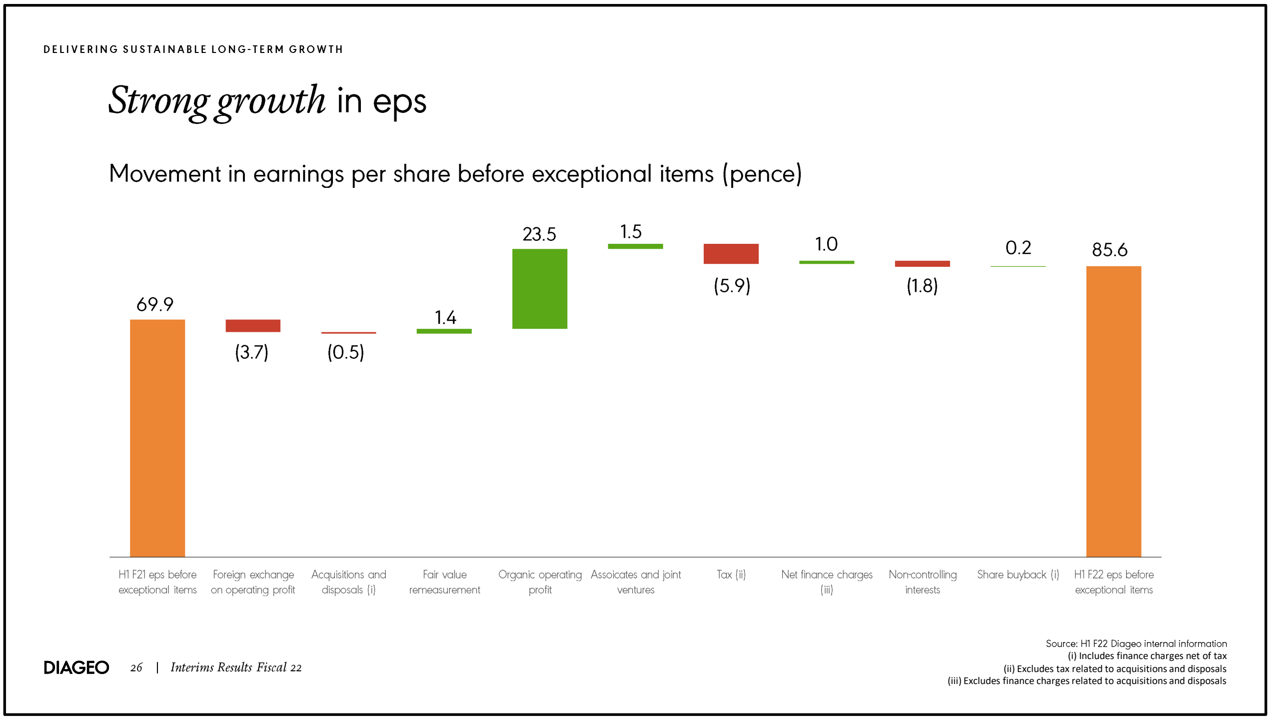
Transaction rate[iii]	H1 F21	H1 F22	F22 forecast[iii]
$/£	1.34	1.30	1.32
€/£	1.11	1.15	1.15

Total exchange impact (£m)



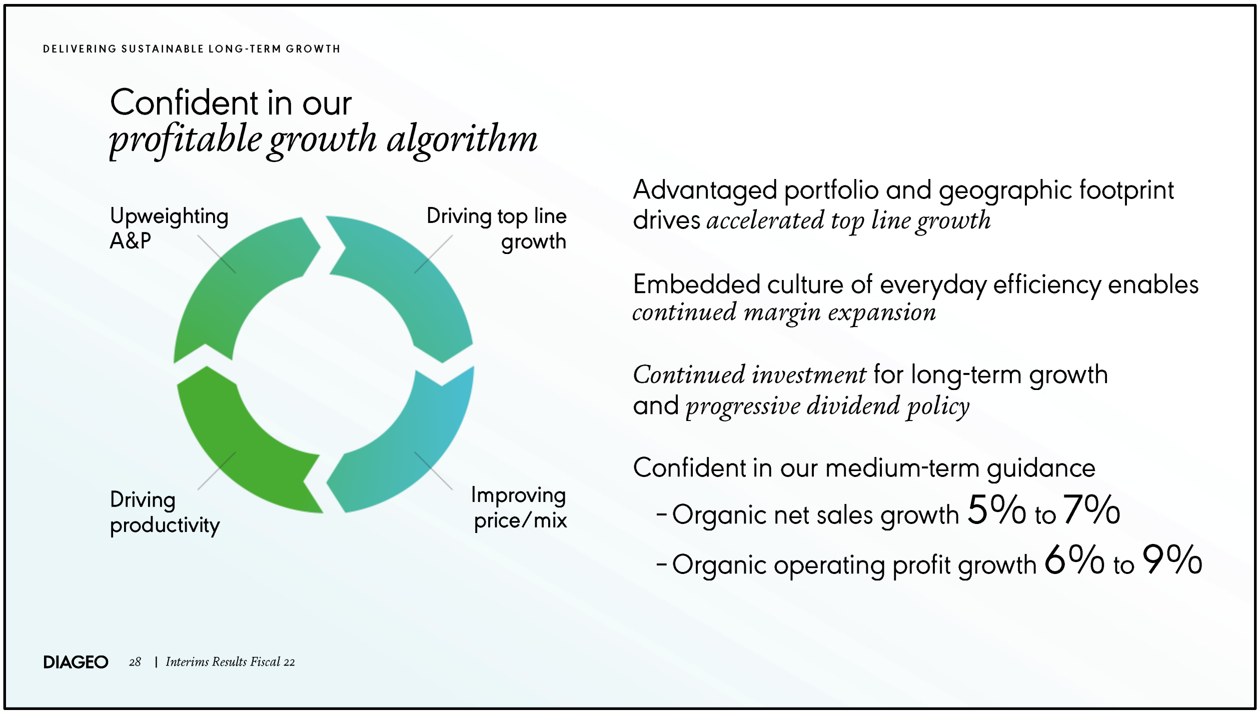
Source: H1 F22 Diageo internal information
(i) Average rate Jul-Dec
(ii) Weighted average rate of H1 F22 and spot rate for H2 F22
(iii) Weighted average of hedging and spot rates
(iv) Operating profit excluding exceptional items

- An unfavourable foreign exchange movement significantly impacted both net sales and operating profit in the first half of fiscal 22.
- This was driven by sterling strengthening against the US dollar and emerging market currencies.
- We are not able to provide specific guidance for foreign exchange in relation to fiscal 22.
- If we applied exchange rates of £1=$1.36 and £1=€1.20, we would expect a negative impact on net sales and operating profit in the second half of fiscal 22.
- However, we would expect the impact to be significantly lower than in the first half of fiscal 22.

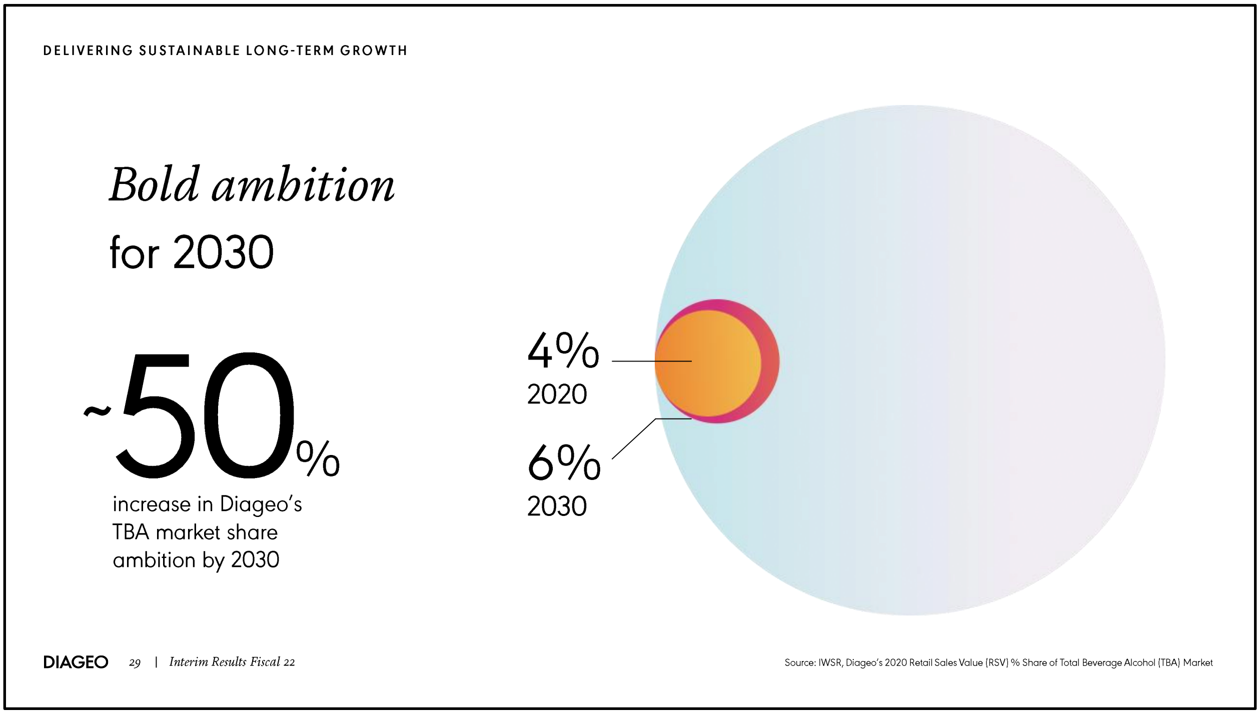


- Earnings per share before exceptional items increased 22.5%, from 69.9 pence to 85.6 pence.
- This was primarily driven by organic operating profit growth, partially offset by higher taxation, and an unfavourable foreign exchange impact.
- Our tax charge increased, mainly due to the increase in taxable profits and tax rate increases in certain markets.
- Our tax rate before exceptional items was 23.0%, in line with our full-year guidance for fiscal 22 to be within a range of 22% to 24%.
- The improved performance of our listed subsidiaries increased our non-controlling interest deduction to eps.
- Share buybacks reduced the weighted average number of shares, generating a positive impact on eps.

- Looking forward, we expect organic net sales momentum to continue through the second half of fiscal 22, although we are lapping a tougher comparator.
- We believe we are well positioned to benefit from resilience in the off-trade and continued recovery in the on-trade. However, we expect near-term volatility to remain, including potential impacts from Covid-19 and global supply chain constraints, and for disruption in Travel Retail to continue.
- In North America, we expect consumer demand to remain resilient, although we are lapping a tougher comparator. We will continue to invest ahead in marketing and innovation to underpin growth in our well-positioned portfolio.
- In Europe, we expect to benefit from continued recovery in the on-trade to the extent that restrictions ease. We expect the off-trade channel to remain resilient.
- In Asia Pacific, Africa and Latin America and Caribbean, we will continue to build on the momentum in the first half, recognising that disruption related to Covid-19 will likely persist in these markets.
- During the second half of fiscal 22, we expect organic operating profit to grow ahead of organic net sales.
- We expect organic operating margin to benefit from growth in sales volumes, favourable channel mix and premiumisation trends, while we continue to invest in our marketing and commercial capabilities, particularly in North America and China.
- We expect our focus on everyday efficiency and revenue growth management to help mitigate the impact of cost inflation.



- We are very encouraged by our strong performance in the first half of fiscal 22 in a volatile environment.
- Our advantaged portfolio and geographic footprint are driving strong top line growth.
- This strong growth combined with positive price/mix and productivity savings is enabling us to expand margins, despite increased cost inflation.
- We are investing in long-term growth and creating value for shareholders.
- We will continue to navigate the near-term disruptions and cost pressures, and we remain confident in the medium-term outlook.
- For fiscal 23 to 25 we expect organic net sales to consistently grow within a range of 5% to 7% and we expect organic operating profit to sustainably grow within a range of 6% to 9%.
- With that, I'll hand back to you Ivan.



- Thank you, Lavanya.
- As we set out at our recent Capital Markets Day, we have a bold ambition to increase our share of Total Beverage Alcohol, or TBA, by 50% – from 4% to 6% – by 2030.
- TBA is an attractive market which is large and growing.
- With about a 4% value share of TBA currently, there is significant headroom for long-term, sustainable growth.
- Our ambition is to deploy our strong competitive advantage to outperform the market.

- Overall, I am very pleased with the strength and quality of these financial results. And we continue to execute strongly against our strategic priorities despite the near-term volatility.
- I am very excited and optimistic about our growth opportunities:
    - Spirits is rapidly premiumising and taking share of TBA. And our iconic, global brand Guinness is well-positioned for the key growth trends within the beer category as a premium, flavourful and differentiated beer.
    - Diageo has an advantaged portfolio across price segments, categories and geographies.
    - Our capabilities, people and culture are a sustainable competitive advantage. We have used our brand building and supply chain capabilities particularly effectively through a challenging period.
    - We invest for the long-term and we are actively shaping our portfolio through innovation and strategic M&A.
    - And we have a strong track record in ESG and an ambitious commitment to positively impact society.
- We remain confident in our strategy and ability to continue delivering sustainable long-term growth and shareholder value.
- Thank you.

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Financial/legal appendix:

Definitions and reconciliation of non-GAAP measures to GAAP measures

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

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

Volume

Volume is a performance indicator that is measured on an equivalent units basis to nine-litre cases of spirits. An equivalent unit represents one nine-litre case of spirits, which is approximately 272 servings. A serving comprises 33ml of spirits, 165ml of wine, or 330ml of ready to drink or beer. Therefore, to convert volume of products other than spirits to equivalent units, the following guide has been used: beer in hectolitres, divide by 0.9; wine in nine-litre cases, divide by five; ready to drink in nine-litre cases, divide by 10; and certain pre-mixed products that are classified as ready to drink in nine-litre cases, divide by ten.

Organic movements

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

Calculation of organic movements

An explanation of non-GAAP measures, including organic movements, is set out on page 74 of Diageo's Annual Report for the year ended 30 June 2021.

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(a) Exchange rates

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

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

(b) Acquisitions and disposals

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

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

(c) Exceptional items

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

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

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

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

(d) Fair value remeasurement

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

Organic growth excluding Travel Retail and Guinness

The performance of the Travel Retail channel is dependent on the level of international travel and the performance of Guinness is highly dependent on the availability of the on-trade channel (particularly in Europe). Due to ongoing travel restrictions and market variability of on-trade recovery conditions brought about by the Covid-19 pandemic, slower growth had been experienced in Travel Retail and Guinness performance.

Additional information on the performance of the business excluding Travel Retail and Guinness has therefore been provided. Management use this information to assess business performance, and similarly believed that such information will be useful to readers of this document.

In the first half of fiscal 22, the recovery of the on-trade, particularly in Europe, and the partial recovery of Travel Retail has driven a significant improvement in volumes for Travel Retail and Guinness. As a result, the performance of Travel Retail and Guinness has not had a significant impact on the performance of the group, thus this information has not been highlighted in this presentation.

An explanation of non-GAAP measures, including organic movements excluding Travel Retail and Guinness and 2019 to 2021 growth on a constant basis, are described on page 74 of Diageo's Annual Report for the year ended 30 June 2021. For further information and analysis, please see pages 47 to 53 in the Diageo Interims results, six months ended 31 December 2021 press release.

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With respect to Global Travel, the impact of continued Covid-19 travel restrictions on this channel will have also driven some incremental sales of our products in certain domestic markets, which would have a positive impact on their reported results. However, it is not possible to quantify the impact of any such incremental sales either at the Diageo or an individual market level.

Shareholder value metrics

- Dividends: Diageo internal information.
- Return of Capital (RoC): Diageo internal information.
- TSR: FactSet as of 31st December 2021. TSR based on time periods of 6 months, 1 year, 5 years and 10 years up to 31st December 2021. TSR for 6 months calculated as the cumulative TSR performance of the stocks up to 31st of December 2021. TSR for 1 year, 5 years and 10 years calculated as the annualised TSR performance of the stocks up to 31st of December 2021. TSR based on trading currency.

Off-trade market share approach

- All analysis of data has been applied with a tolerance of +/- 3 bps
- Percentages represent % of markets by total Diageo net sales contribution who have held or gained off-trade share.
- India, Nigeria and Canada share data represents total trade.
- Measured markets indicate a market where we have purchased any market share data.
- Market share data may include beer, wine, spirits or other elements.
- Measured market net sales value sums to 87% of total Diageo net sales value in first half of fiscal 22.

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

This document contains 'forward-looking' statements, including statements related to the medium term guidance issues on 16 November 2021, future TBA market share ambitions and our expectations of performance for the second half of fiscal 22. Forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook, 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 or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation or regulatory enquiries, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control.

Factors that could cause actual results and developments to differ materially from those expressed or implied by forward-looking statements include, but are not limited to:

- economic, political, social or other developments in countries and markets in which Diageo operates (including as a result of the Covid-19 pandemic), 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 and the European Union and/or the United Kingdom, as well as the United Kingdom's recent departure from the European Union);
- the impact of the Covid-19 pandemic, or any other global or regional public health threats, on Diageo's business, financial condition, cash flows and results of operation;
- 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 consumer preferences and tastes, including as a result of disruptive market forces, changes in demographics, evolving social trends (including any shifts in consumer tastes towards at-home occasions, premiumisation, small-batch craft alcohol, lower or no alcohol, or other alternative products), changes in travel, holiday or leisure activity patterns, weather conditions, health concerns, pandemics and/or a downturn in economic conditions;
- 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;
- changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy, supply chain disruptions and/or inflation;

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- any litigation or other similar proceedings (including with tax, customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at Diageo in particular;
- 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 of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;
- 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;
- cyber-attacks or any other disruptions to core business operations including manufacturing and supply, business service centres and/or information systems;
- 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;
- increased costs for, or shortages of, talent, as well as labour strikes or disputes;
- 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;
- fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase Diageo's financing costs or otherwise adversely affect Diageo's financial results;
- 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.

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Other Information

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 above risk factors, by those set out in Diageo's annual report for the year ended 30 June 2021 under "Our principal risks and risk management", and by the 'Risk factors' section contained in the annual report on Form 20-F for the year ended 30 June 2021 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 in this document 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 document 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.

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