

DIAGEO

Interim Results
Fiscal 24

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30 January 2024

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

The following presentation contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts and may generally, but not always, be identified by the use of words such as "will", "anticipates", "should", "could", "would", "targets", "aims", "may", "expects", "intends" or similar expressions or statements. In this presentation, such statements include those that express forecasts, expectations, plans, outlook, objectives and projections with respect to future matters, including information related to Diageo's fiscal 24 and fiscal 25 outlook, Diageo's medium-term guidance, Diageo's supply chain agility programme, future productivity savings, future inventory levels, future investments, future Total Beverage Alcohol market share ambitions and any other statements relating to Diageo's performance during or for the year ending 30 June 2024 or thereafter.

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, which include, but are not limited to: (i) economic, political, social or other developments in countries and markets in which Diageo operates, including elevated geopolitical instability as a result of conflict in the Middle East and macroeconomic events that may affect Diageo's customers, suppliers and/or financial counterparties; (ii) the effects of climate change, or legal, regulatory or market measures intended to address climate change; (iii) changes in consumer preferences and tastes, including as a result of disruptive market forces, changes in demographics and evolving social trends (including any shifts in consumer tastes towards at-home occasions, premiumisation, small-batch craft alcohol, or lower or no alcohol products and/or developments in e-commerce); (iv) changes in the domestic and international tax environment that could lead to uncertainty around the application of existing and new tax laws and unexpected tax exposures; (v) changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy due to inflation and/or supply chain disruptions; (vi) any litigation or other similar proceedings (including with tax, customs, competition, environmental, anti-corruption or other regulatory authorities); (vii) legal and regulatory developments, including changes in regulations relating to environmental issues and/or e-commerce; (viii) the consequences of any failure of internal controls; (ix) 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; (x) Diageo's ability to make sufficient progress against or achieve its ESG ambitions; (xi) cyber-attacks and IT threats or any other disruptions to core business operations; (xii) contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo's brands and adversely impact its sales; (xiii) Diageo's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment; (xiv) fluctuations in exchange rates and/or interest rates; (xv) Diageo's ability to derive the expected benefits from its business strategies, including Diageo's investments in e-commerce and its luxury portfolio; (xvi) increased competitive product and pricing pressures, including as a result of introductions of new products or categories that are competitive with Diageo's products and consolidations by competitors and retailers; (xvii) increased costs for, or shortages of, talent, as well as labour strikes or disputes; (xviii) movements in the value of the assets and liabilities related to Diageo's pension plans; (xix) 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 (xx) any failure by Diageo to protect its intellectual property rights.

All oral and written forward-looking statements made on or after the date of this presentation and attributable to Diageo are expressly qualified in their entirety by the above cautionary factors and by the factors set out under "Our principal risks and risk management" in Diageo's Annual Report and under "Risk Factors" in Diageo's Annual Report on Form 20-F for the year ended 30 June 2023 filed with the US Securities and Exchange Commission. 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.

This presentation includes financial measures which are not presented in Diageo's financial statements prepared in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board and as adopted by the UK and are considered "non-GAAP financial measures" under US Securities and Exchange Commission rules. Please refer to the section "Definitions and reconciliation of non-GAAP measures to GAAP measures" set out at the end of this presentation.

Our ambition is to be one of the
*best performing, most trusted
and respected* consumer
products companies
in the world

H1 F24 *key performance metrics*

Organic volume

↓ -5.2%

Organic net sales value

↓ -0.6%

Organic operating margin

↓ -167_{bps}

Free cash flow

\$1.5_{bn}

↑ +\$0.5_{bn}

Pre-exceptional eps

108.1_{cents}

↓ -7.1%

Interim dividend

40.50_{cents}

↑ +5%

LAC inventory review

Expect to reduce inventory to more appropriate levels for the consumer environment by year-end F24

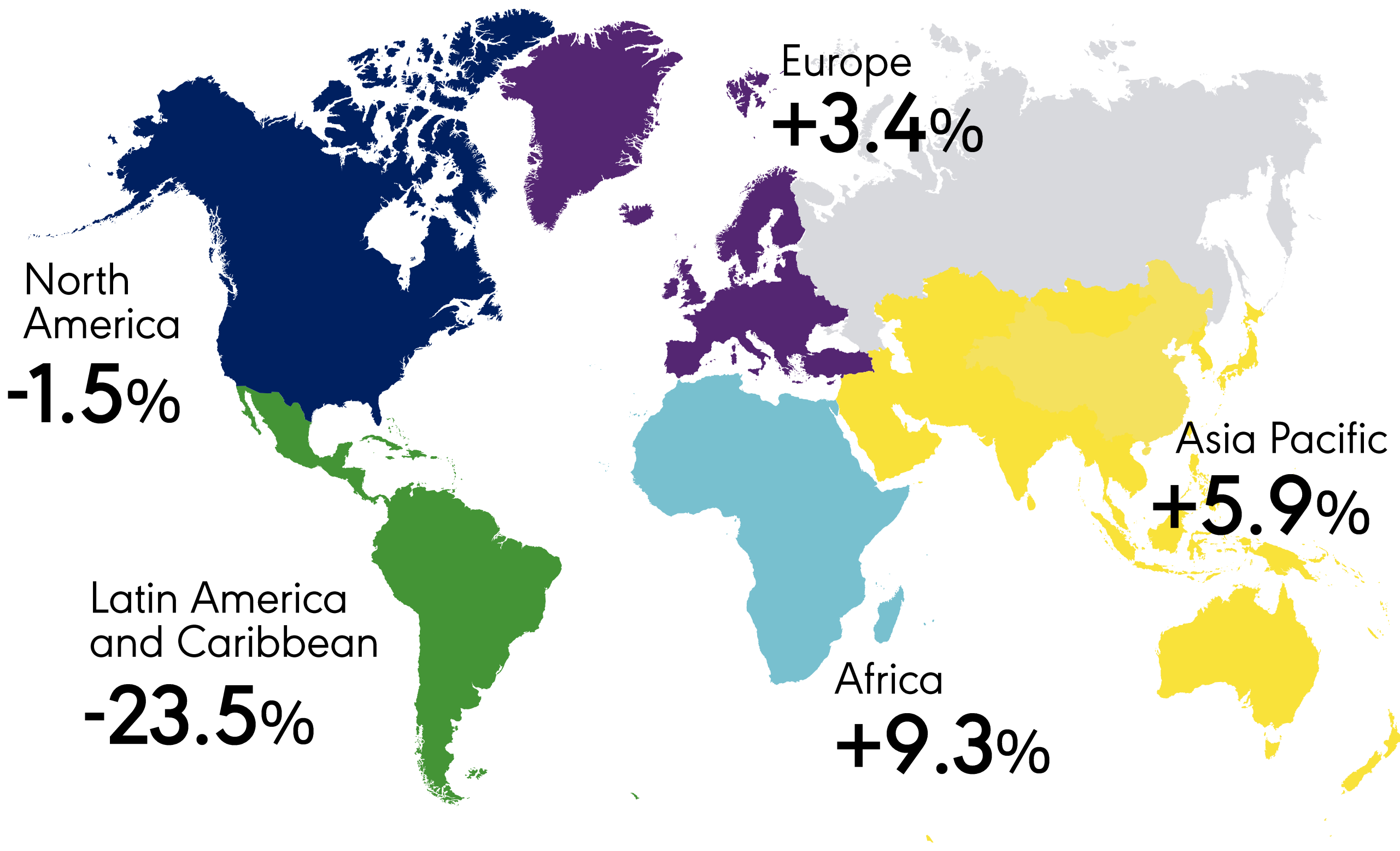
Robust action plan to expand *inventory visibility* in LAC

1. Formalise and expand our access to sellout data
2. Incentivise sellout data reporting
3. Incentivise independent stock counts
4. Invest in S&OP and commercial planning, and monitoring improvements
5. Test digital case tracking through distribution network

Resilience from our diversified footprint

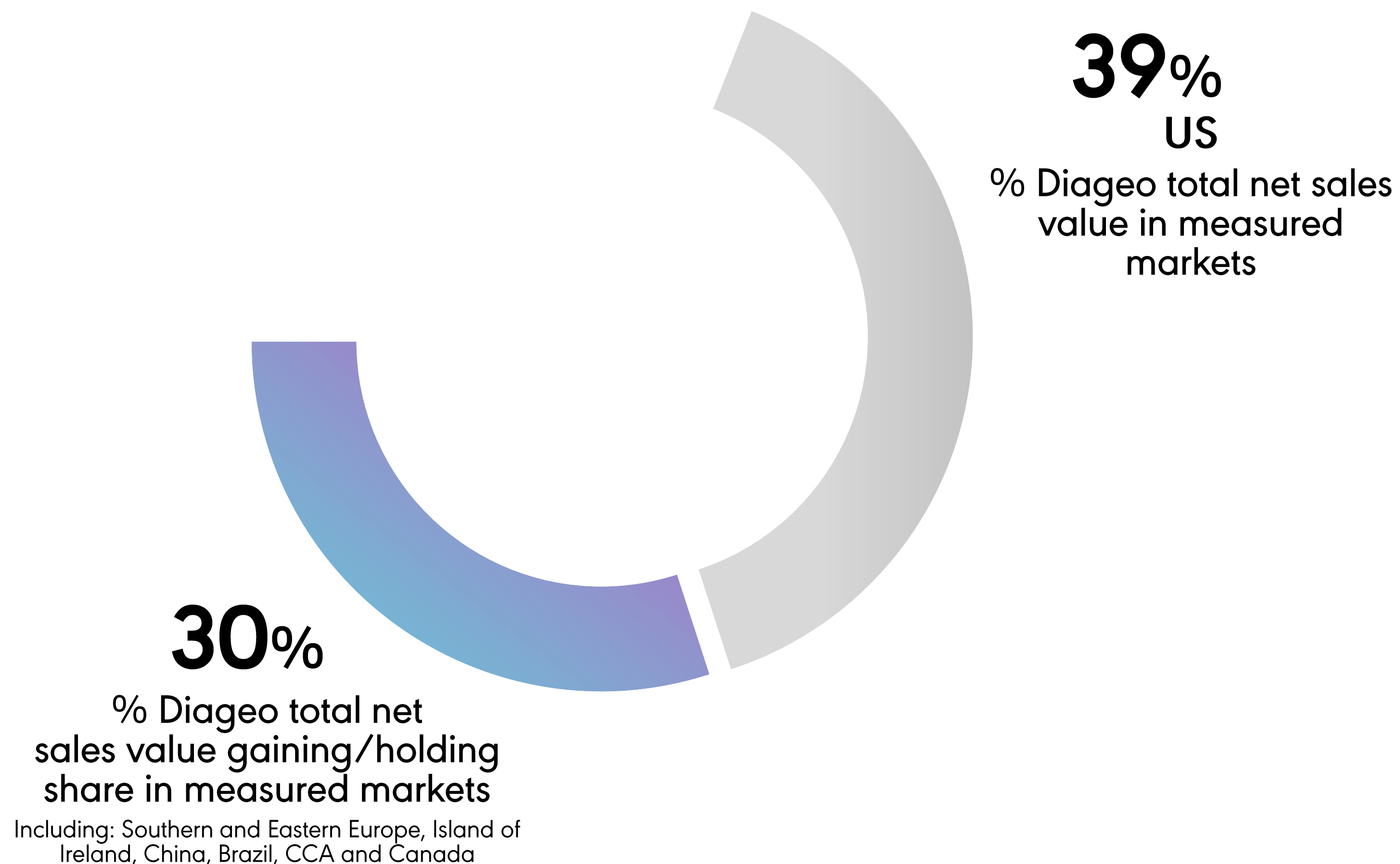
H1 F24 organic net sales growth by region

	Group	Group, ex-LAC
H1 organic net sales value decline/growth	-0.6%	+2.5%
H1 organic volume decline	-5.2%	-3.3%



Source: Diageo
The above map is intended to illustrate general geographic regions where Diageo has a presence and/or in which its products are sold. It is not intended to imply that Diageo has a presence in and/or that its products are sold in every country or territory within a geographic region.

Diageo
global TBA
share impacted
by 17bps *loss*
in US market
share



Strong focus on *driving growth* and *share gains* in US



Winning in
whisk(e)y

Expanding tequila
portfolio

Recruiting with
innovation

Raise the bar on *execution*

Strong focus on *driving growth* and *share gains* in US



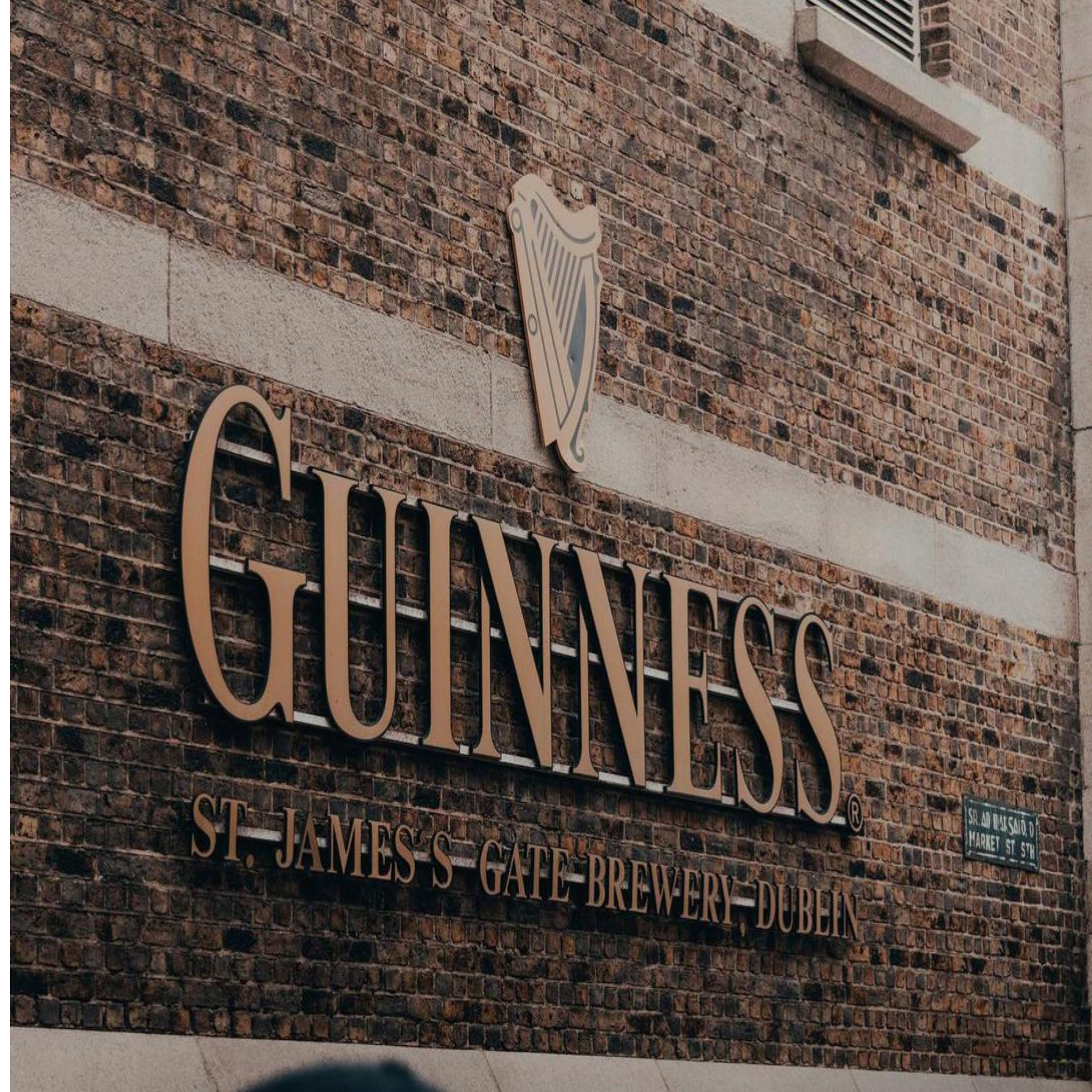
Winning in
whisk(e)y

Expanding tequila
portfolio

Recruiting with
innovation

Raise the bar on *execution*

*Continued
momentum of
Guinness*
is driving
growth in Europe



Asia Pacific
organic NSV +6%
driven by
Greater China
and *India*



Africa +9%
organic NSV
broad-based
growth across
Beer



Malta



Senator



Guinness

Scotch
gaining share
in 7 out of 10
largest measured
scotch 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

Tequila
global roll-out
delivering
strong growth



Guinness
6th consecutive half-yearly
double-digit growth



ESG: driving *performance & productivity*

Strong progress against 25 ESG targets

	<ul style="list-style-type: none"> Champion health literacy and tackle harm through DRINKIQ in every market where we live, work, source and sell Scale up our SMASHED partnership, and educate 10 million young people, parents, and teachers on the dangers of underage drinking Extend our UNITAR partnership, and promote changes in attitudes to drink driving reaching 5 million people Leverage Diageo marketing and innovation to make moderation the norm – reaching 1 billion people with dedicated Responsible Drinking messaging
	<ul style="list-style-type: none"> Champion gender diversity with an ambition to achieve 50% representation of women in leadership roles by 2030* Champion ethnic diversity with an ambition to increase representation of leaders from ethnically diverse backgrounds to 45% by 2030* We will use our creative and media spend to support progressive voices, measuring and increasing the % spend year on year Accelerate inclusion and diversity in our value chain measuring and increasing the percentage of Diageo suppliers from female and minority owned businesses year on year Provide business and hospitality skills to 200,000 people, increasing employability and improving livelihoods through Learning for Life and our other skills programmes Through the Diageo Bar Academy we will deliver 1.5 million training sessions providing skills and resources to build a thriving hospitality sector that works for all 50% of beneficiaries from our community programmes are women & our community programmes will be designed to enhance ethnic diversity and inclusion of underrepresented groups
	<ul style="list-style-type: none"> Reduce water use in our operations with a 40% improvement in water use efficiency in water stressed areas and 30% improvement across the company Replenish more water than we use for our operations for all our sites in water-stressed areas by 2026 Invest in improving access to clean water, sanitation, and hygiene (WASH) in communities near our sites and local sourcing areas in all of our water-stressed markets Engage in collective action in all of our Priority Water Basins to improve water accessibility, availability and quality and contribute to a net positive water impact
	<ul style="list-style-type: none"> Become Net Zero carbon in our direct operations (scope 1 & 2) Reduce our value chain (scope 3) carbon emissions by 50% Use 100% renewable electricity across all our direct operations
	<ul style="list-style-type: none"> Achieve zero waste in our direct operations and zero waste to landfill in our supply chain Ensure 100% of our packaging is widely recyclable (or reusable/compostable) Continue our work to reduce total packaging and increase recycled content in our packaging (delivering a 10% reduction in packaging weight + increasing the % recycled content of our packaging to 60%) Ensure 100% of our plastics is designed to be widely recyclable (or reusable/compostable) by 2025 and achieve 40% recycled content in our plastic bottles by 2025, and 100% by 2030 Provide all our local sourcing communities with agricultural skills and resources, building economic and environmental resilience (supporting 150,000 smallholder farmers) Develop regenerative agriculture pilot programmes in 5 key sourcing landscapes

Simplify & prioritise

Review of the road to 2030 underway

Maintain

Accelerate

Focus



Our ESG commitments will continue to protect our licence to operate; deliver efficiencies; strengthen brand equity and improve employee engagement.

H1 *key performance metrics*

Efficient growth

Organic net sales value

↓ -0.6%

(Excl LAC ↑ +2.5%)

Free cash flow

\$1.5_{bn}

↑ +\$0.5_{bn}

Organic operating margin

↓ -167_{bps}

(Excl LAC ↓ -53_{bps})

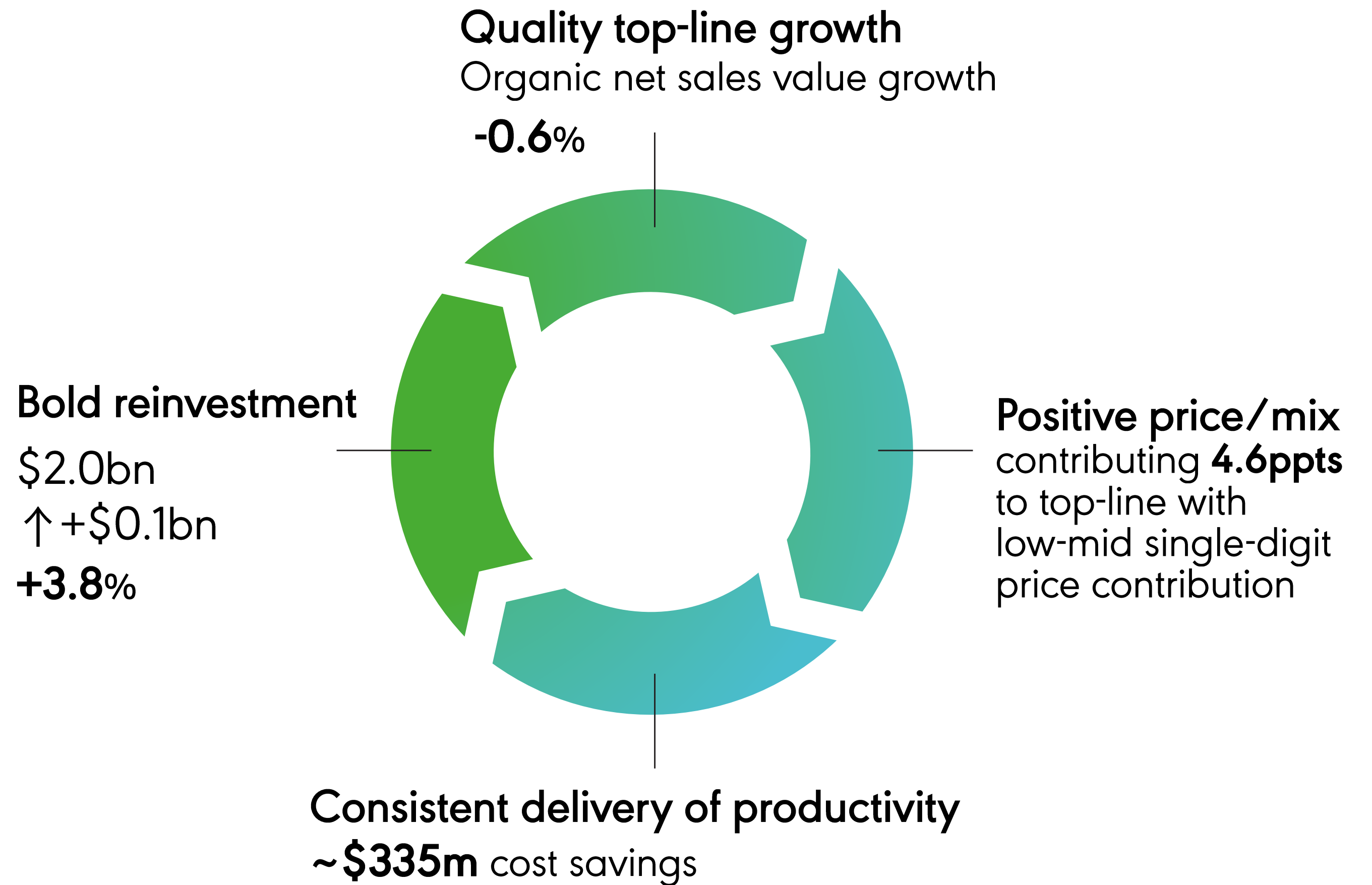
Pre-exceptional eps

108.1_{cents}

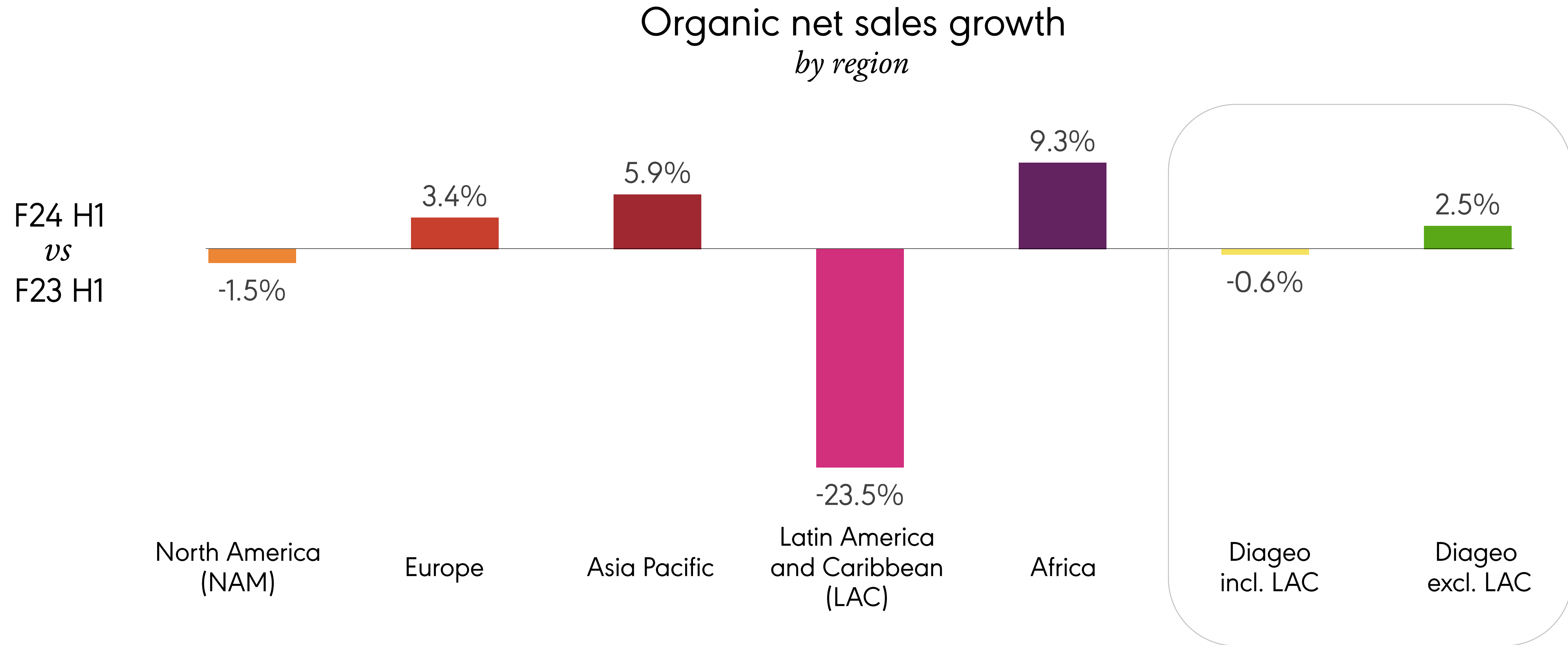
↓ -7.1%

Our growth algorithm supports *quality long-term growth*

1. Quality long-term top-line growth
2. Positive price/mix
3. Driving productivity
4. Increasing A&P

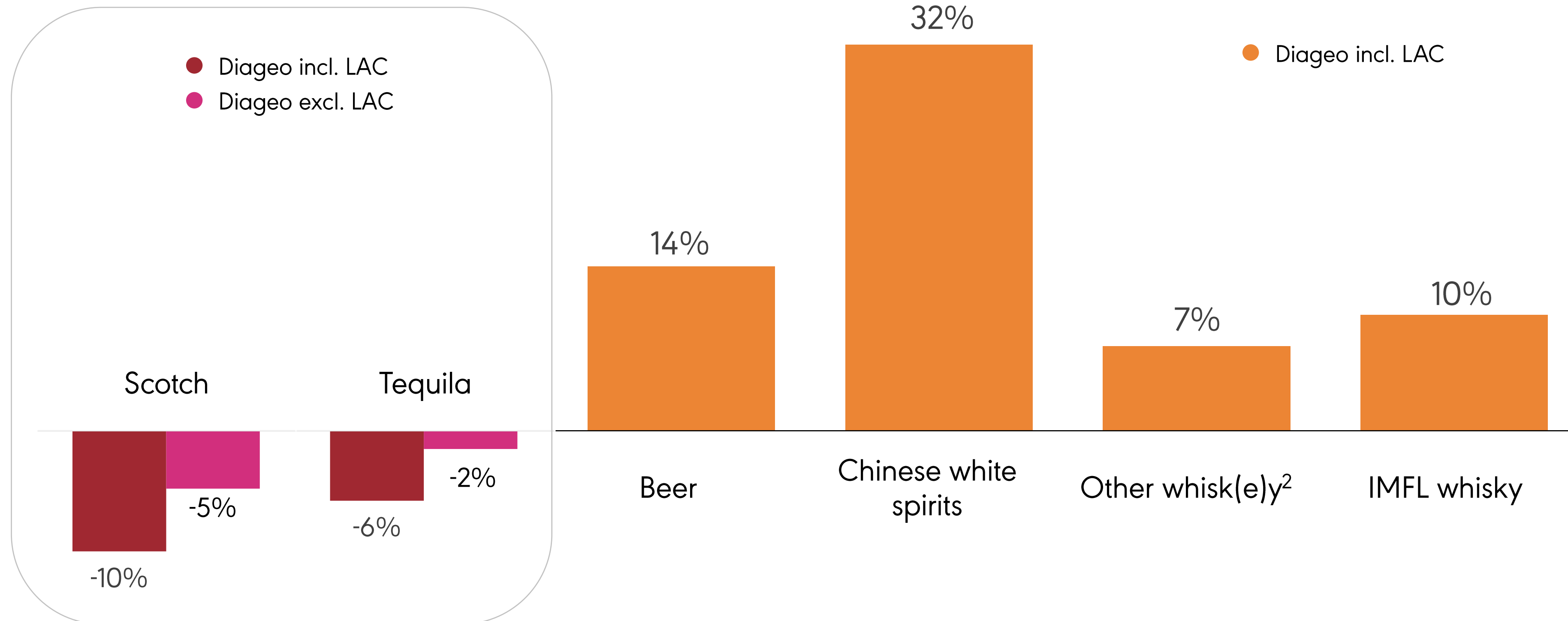


Resilience from our diversified footprint



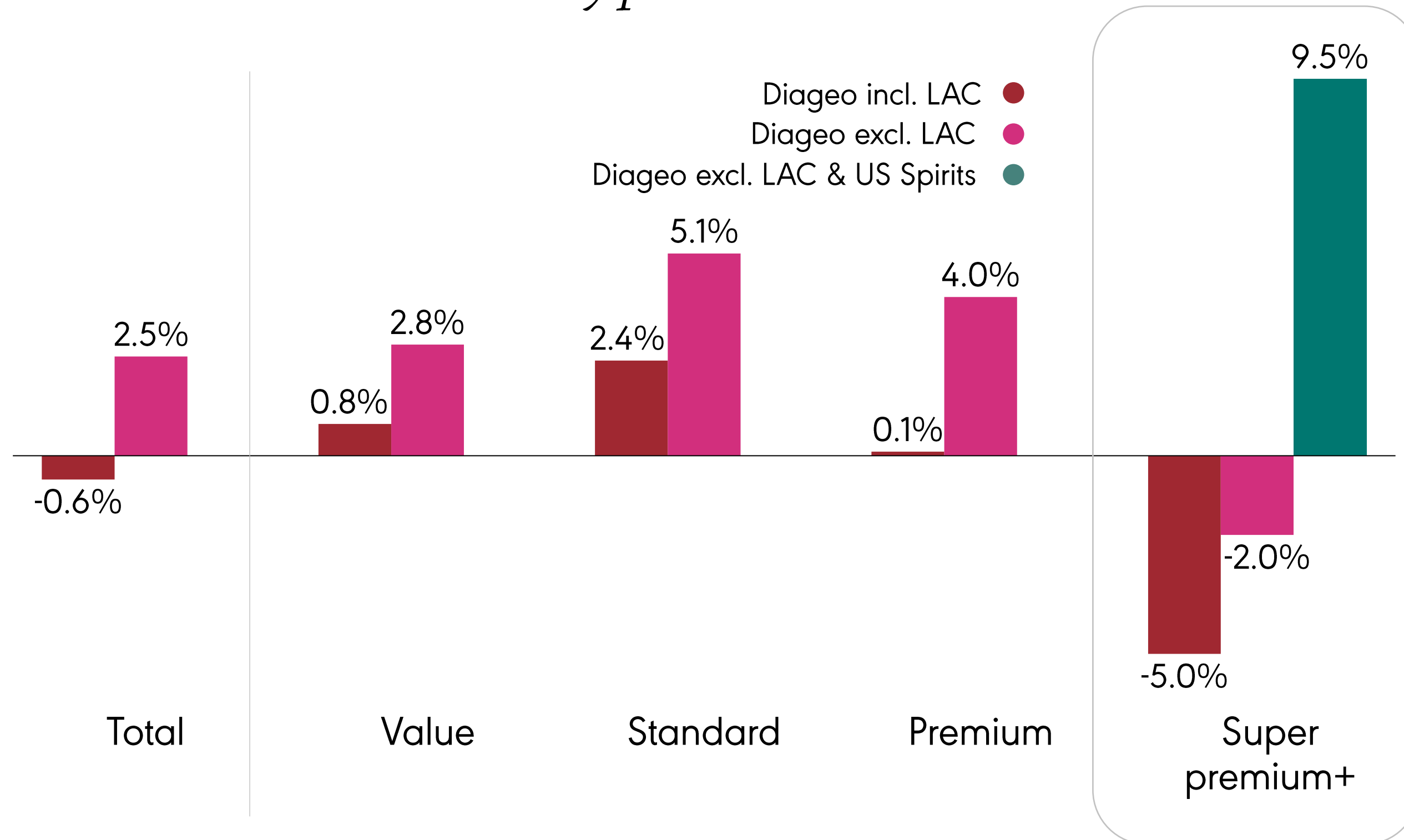
Our *broad portfolio* is a competitive advantage

F24 H1 Organic net sales growth
of key categories¹

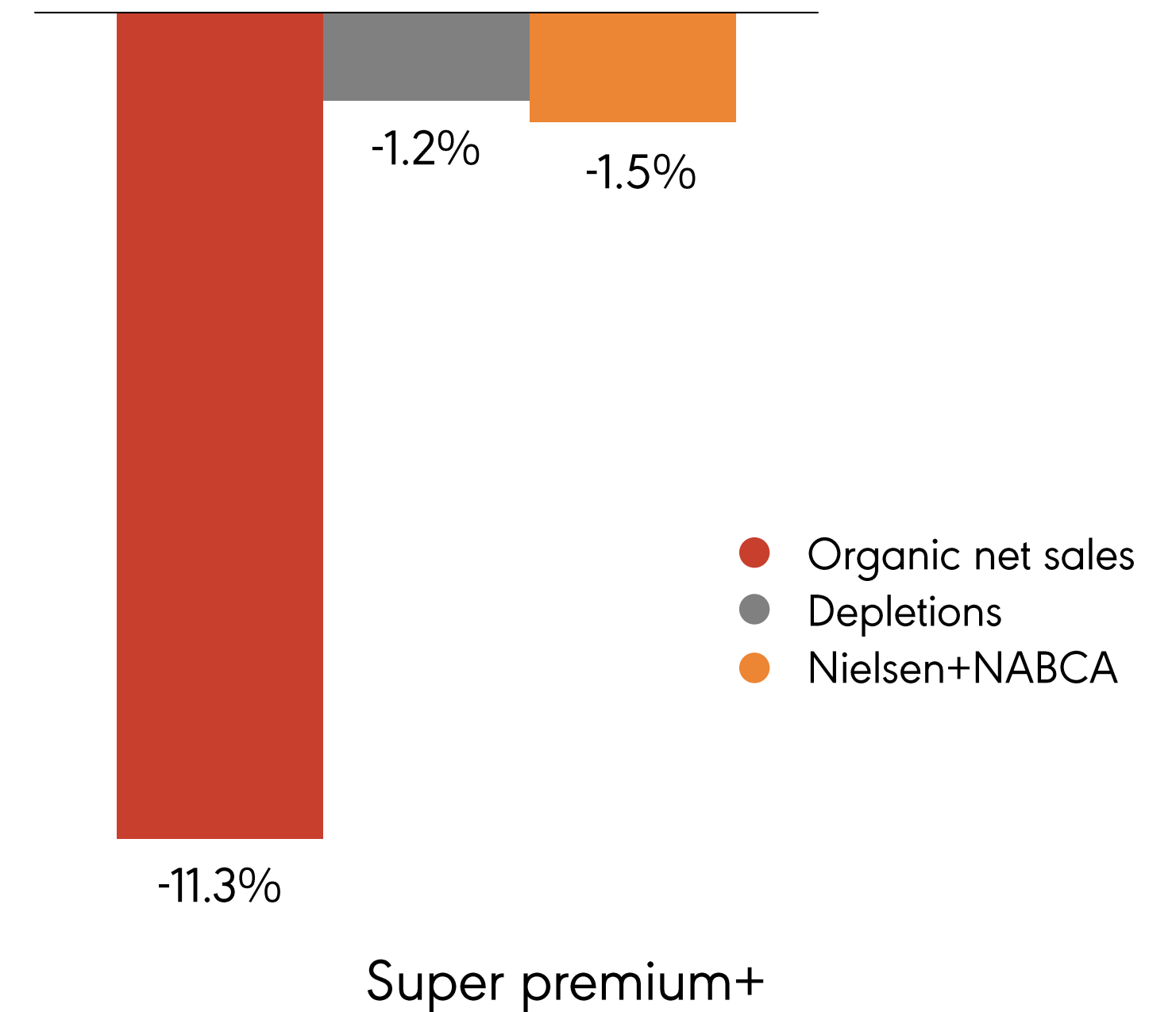


Standard and premium price tiers *growing faster* than value; Super premium+ impacted by US Spirits lapping inventory replenishment

F24 H1 Organic net sales vs F23 H1
*by price tier*¹

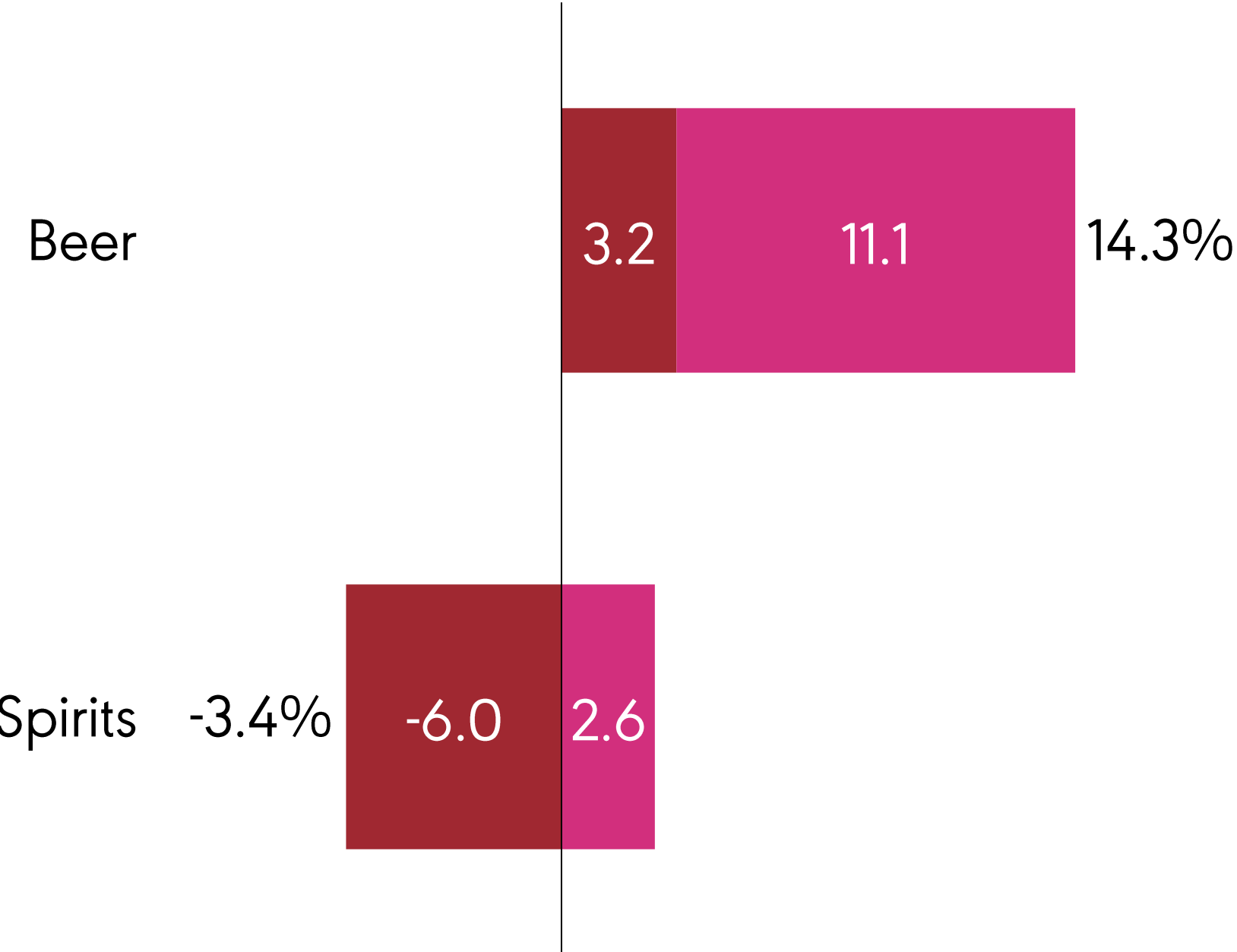


Diageo US Spirits Super premium+
Growth vs prior year^{1,2}



Leveraging Revenue Growth Management to drive *sustainable top-line* performance

Diageo growth driven by Price/Mix
*Percentage points F24 H1 vs F23 H1*¹

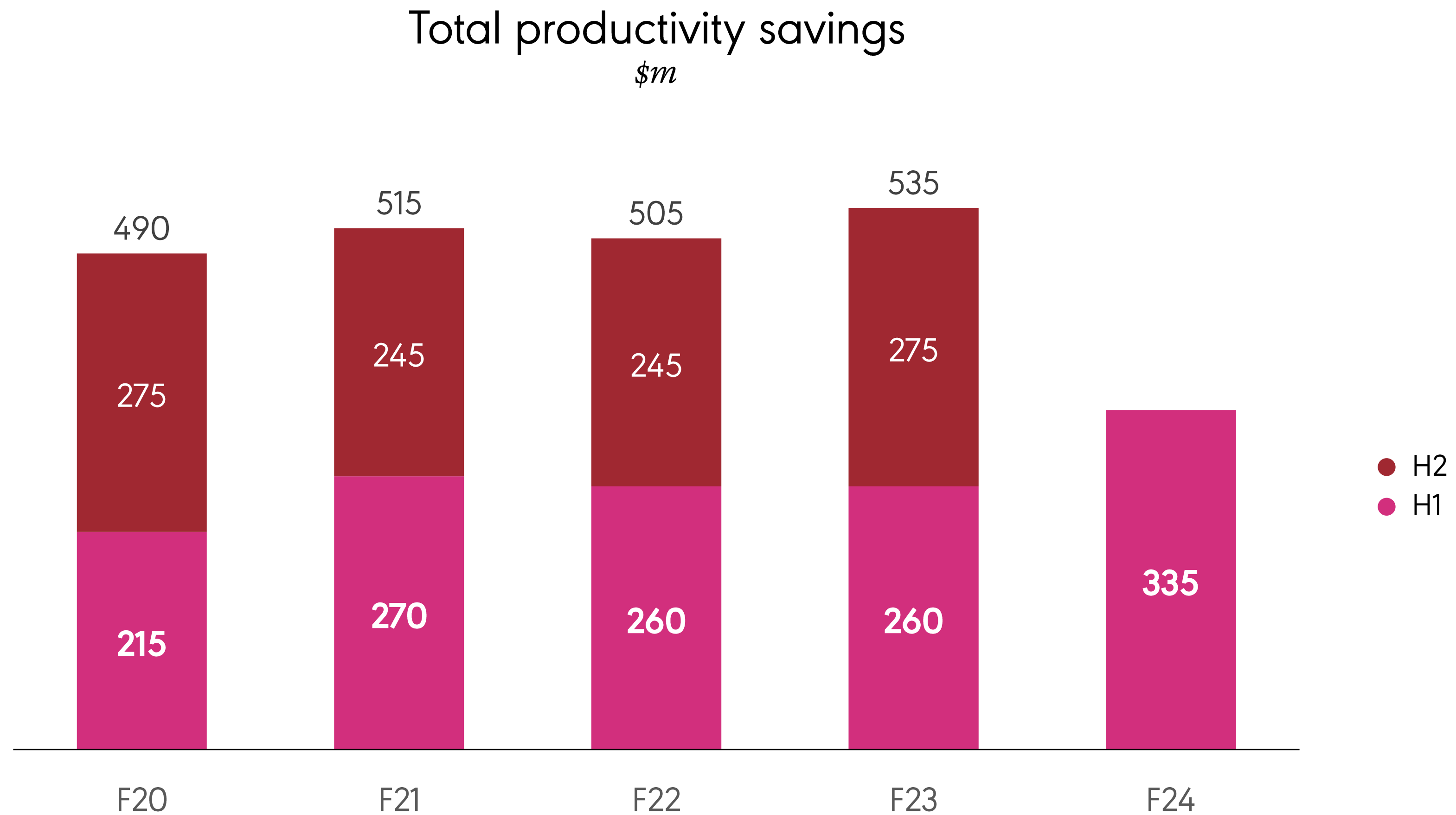


Spirits excl. LAC Volume Price/Mix
*Percentage points F24 H1 vs F23 H1*¹



Source: Diageo; Selected brands have been reclassified across price tiers consistent with Diageo's process of continuously reviewing and monitoring metrics of price segmentation
 1. Growth rates reflected are year-on-year. Super premium+ represents super premium, ultra premium and luxury segments

Continued *step up* in productivity in the first half of fiscal 24

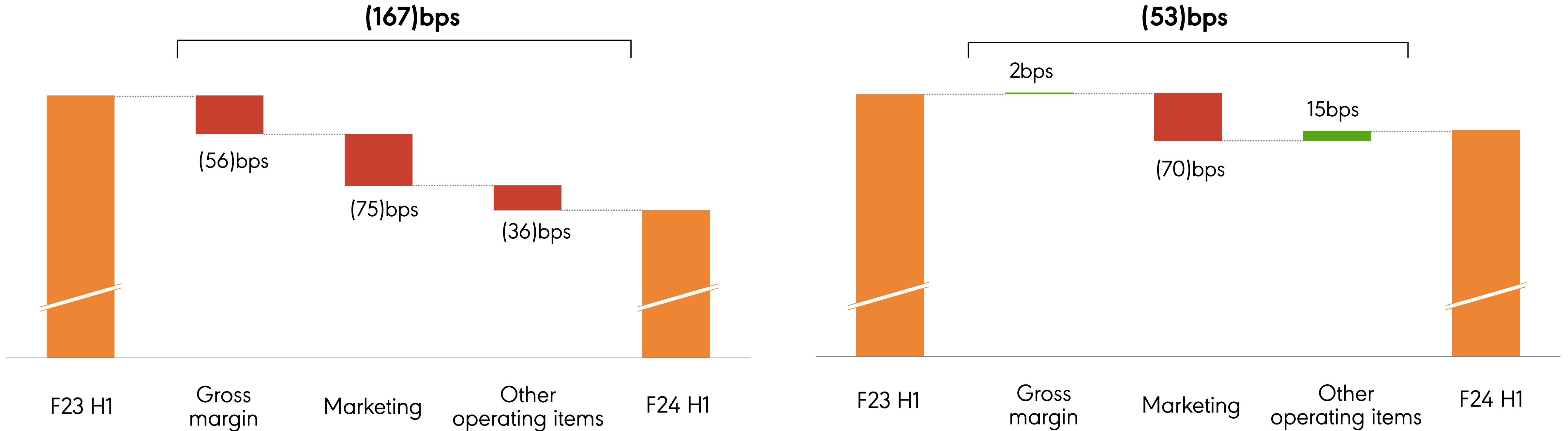


Operating margin contraction driven by LAC

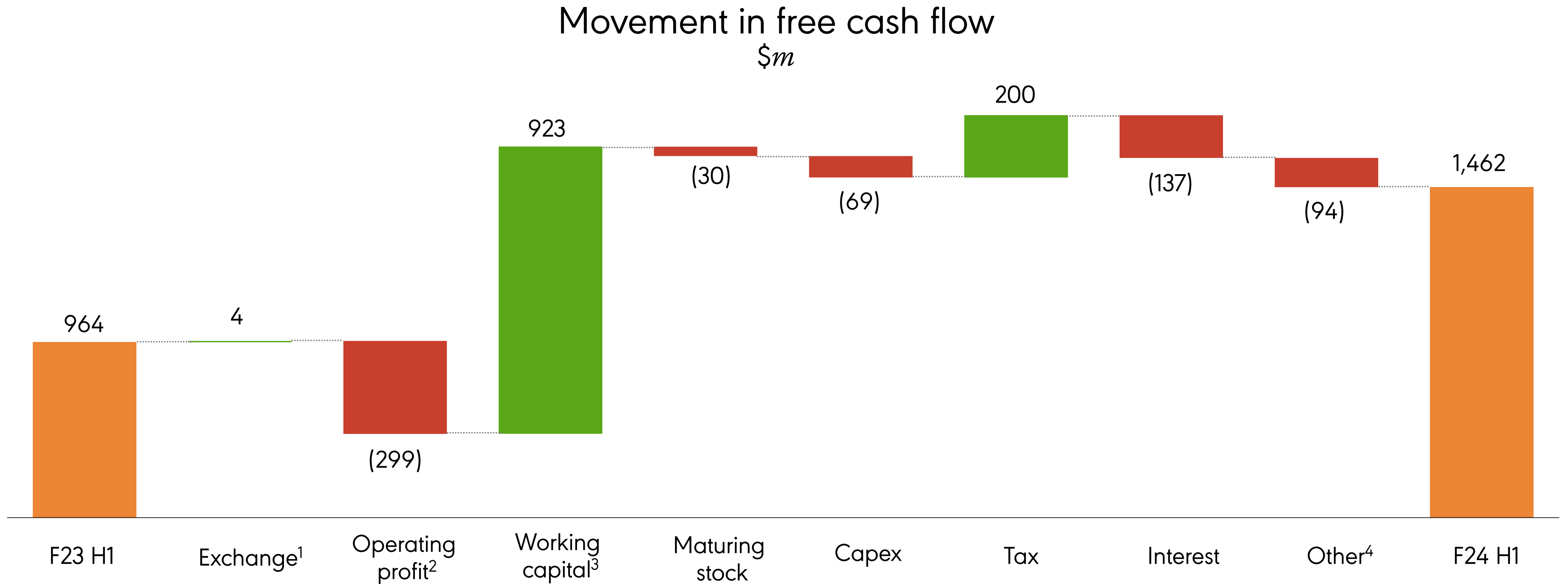
Excluding LAC positive gross margin and increased A&P

Movement in organic operating margin
incl. LAC

Movement in organic operating margin
excl. LAC



Strong working capital management *driving* free cash flow generation



Source: Diageo

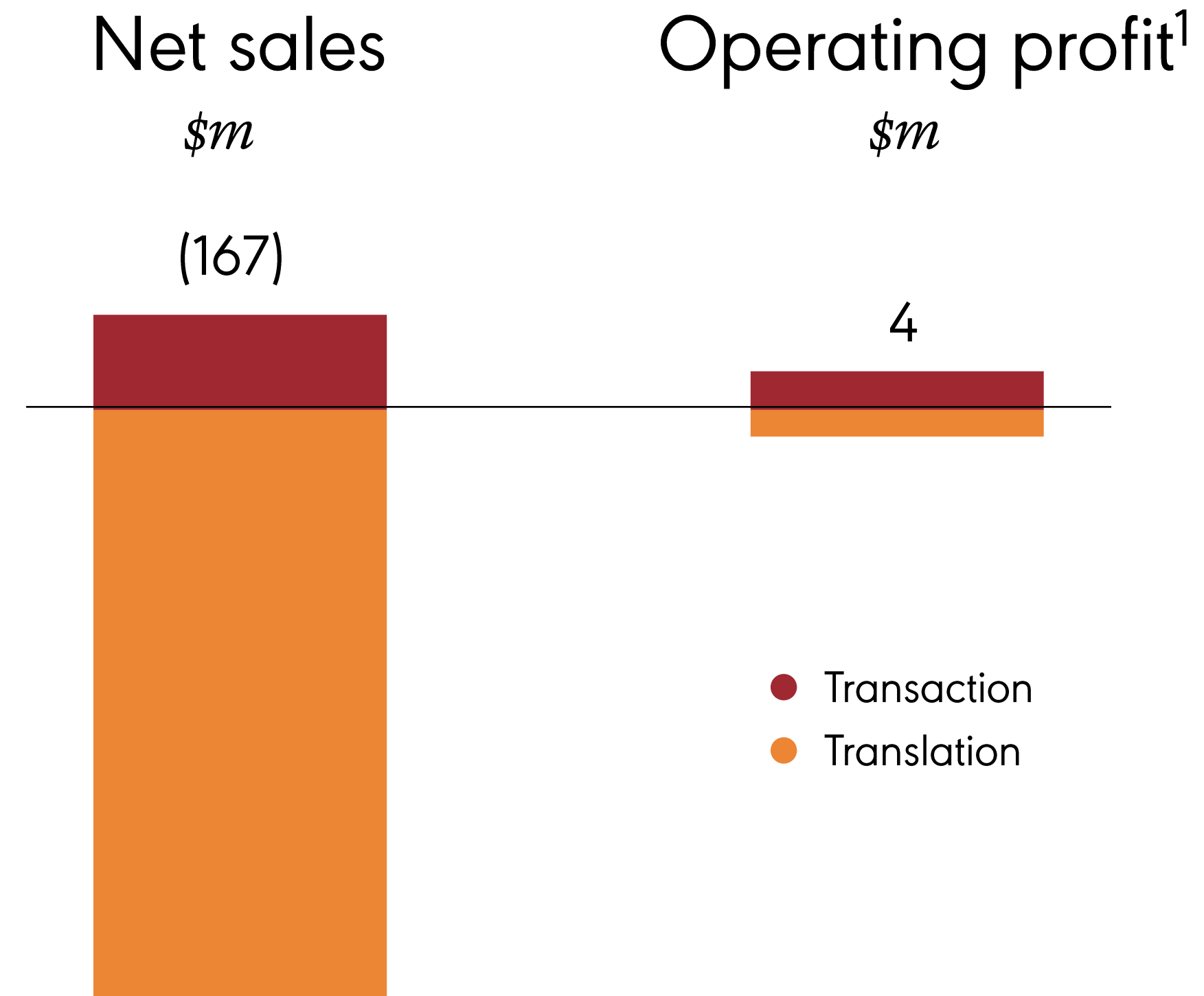
1. Exchange on operating profit before exceptional items

2. Operating profit excluding exchange, depreciation and amortisation, post employment charges and non-cash items but including operating exceptional items

3. Working capital excluding maturing stock

4. Other items include dividends received from associate and joint ventures, post employment payments and movements in loans and other investments

Foreign exchange benefit on operating profit, negative impact on net sales



Strong balance sheet drives *resilience* in our business

		F24 H1	F23 H1	Movement
Closing net debt ¹	\$m	(20,483)	(18,203)	(2,280)
Average Net Debt¹	\$m	(20,638)	(17,454)	(3,184)
Net interest charge	\$m	(454)	(333)	(121)
Net other finance charges	\$m	23	(12)	35
Net Finance Charges	\$m	(431)	(345)	(86)
Effective interest rate	%	4.4	3.8	0.6
Adjusted² Net Debt¹ / Adjusted³ EBITDA	x	2.9	2.5	0.4

Source: Diageo

1. Net debt is equivalent to net borrowings

2. Adjusted to include net debt and post employment plan benefit liabilities

3. Earnings before exceptional operating items, interest, tax, depreciation, amortisation and impairment
For additional information on non-GAAP measures please see financial/legal appendix

Consistent and disciplined approach to capital allocation

Leverage ratio policy

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

Organic
growth

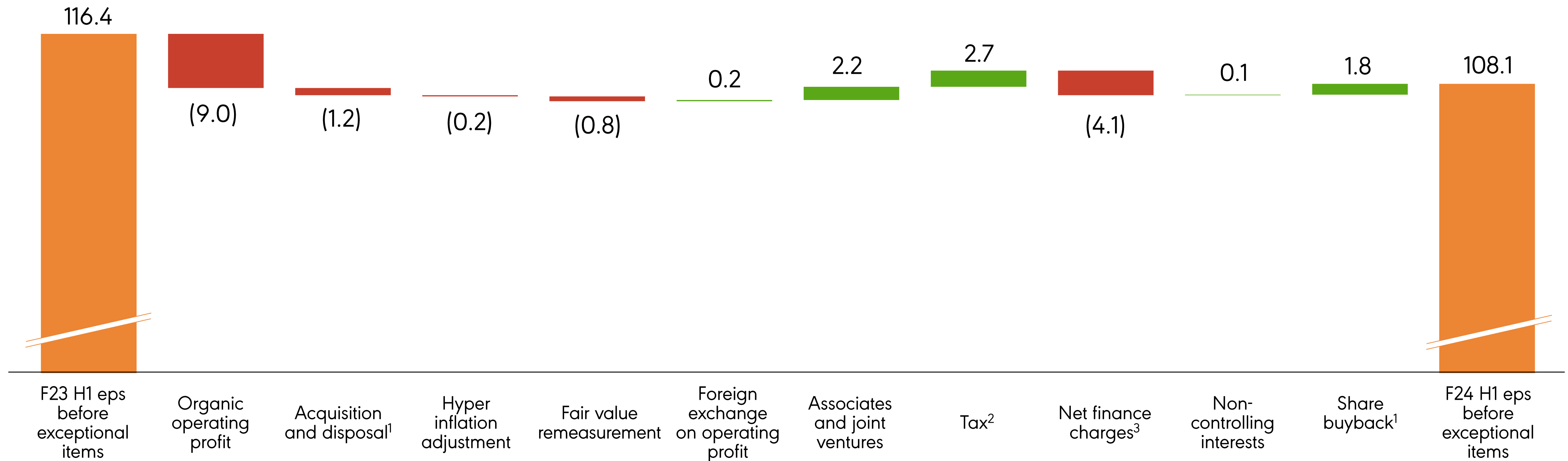
Dividends
1.8x to 2.2x
dividend cover

M&A and
portfolio
management

Return excess cash to shareholders

Decline in eps due to softer operating profit and higher finance charges

Movement in earnings per share before exceptional items
(cents)



Source: Diageo

1. Includes finance charges net of tax

2. Excludes tax related to acquisitions, disposals and share buybacks

3. Excludes finance charges related to acquisitions, disposals, share buybacks and includes finance charges related to hyperinflation adjustments

Expecting *gradual* *improvement* in H2 F24

H2 F24:

- Expect gradual improvement when compared to H1 F24
With -10% to -20% organic net sales decline in LAC
- Expect organic operating profit to decline compared to the prior year,
With the rate of decline expected to improve compared to H1 F24

Fiscal 25 outlook

- Organic net sales growth trajectory improving in fiscal 25 compared to fiscal 24
- Expect organic operating profit growth to be broadly in line with organic net sales growth
- As consumer environment improves

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

PURPOSE

Celebrating life, every day, everywhere

AMBITION

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

HOW WE WILL GET THERE

Strategy

Drive growth in our *largest categories*

Unleash the power of our portfolio & *expand footprint*

Innovate to *recruit into new occasions*

Raise the bar on *execution*

Enablers

Deep consumer understanding

Engaged talent acting with *speed & agility*

Spirit of Progress making our business better



DIAGEO

Celebrating life, every day, everywhere

Appendix: *Decrease* in operating profit¹ driven by *organic decline*

	F24 H1 \$m	F23 H1 \$m	Reported operating margin ²
Prior period operating profit before exceptional items¹	3,770	3,730	33.9%
Exchange rate movements	4	(295)	51bps
Fair value remeasurement & other	(22)	10	(56)bps
Acquisitions & disposals	(37)	(25)	(16)bps
Organic (decline)/growth	(205)	350	(167)bps
Current period operating profit before exceptional items¹	3,510	3,770	32.0%

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 that 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, forecast organic net sales growth and forecast organic operating profit growth to the most comparable GAAP measure as it is not possible to predict, without unreasonable effort, with reasonable certainty, the future impact of changes in exchange rates, acquisitions and disposals and potential exceptional items.

Volume

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

Organic movements

Organic information is presented using US dollar amounts on a constant currency basis excluding the impact of exceptional items, certain fair value remeasurement, hyperinflation 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 pages 232-239 of Diageo's Annual Report for the year ended 30 June 2023.

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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 forward-looking rates.

(b) Acquisitions and disposals

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

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

(c) Exceptional items

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

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

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

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(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.

Adjustment in respect of hyperinflation

The group's experience is that hyperinflationary conditions result in price increases that include both normal pricing actions reflecting changes in demand, commodity and other input costs or considerations to drive commercial competitiveness, as well as hyperinflationary elements and that for the calculation of organic movements, the distortion from hyperinflationary elements should be excluded.

Cumulative inflation over 100% (2% per month compounded) over three years is one of the key indicators within IAS 29 to assess whether an economy is deemed to be hyperinflationary. As a result, the definition of 'Organic movements' includes price growth in markets deemed to be hyperinflationary economies, up to a maximum of 2% per month while also being on a constant currency basis. Corresponding adjustments have been made to all income statement related lines in the organic movement calculations.

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Shareholder value metrics

- Dividends: Diageo internal information.
- Return of Capital (RoC): Diageo internal information.
- TSR: FactSet as of 31 December 2023. TSR based on time periods of 6 months, 1 year, 5 years and 10 years up to 31 December 2023. TSR for 1 year, 5 years and 10 years calculated as the annualised TSR performance of the stocks up to 31 December 2023. TSR based on trading currency.

Market share approach

- All analysis of data has been applied with a tolerance of +/- 3 bps.
- Percentages represent % of markets by total Diageo net sales contribution who have held or gained total trade share.
- Measured markets indicate a market where we have purchased any market share data.
- Effective fiscal 23 market share now reflects total on and off trade and data may include beer, wine, spirits or other elements.
- Measured market net sales value sums to 89% of total Diageo net sales value in the first half of fiscal 24.