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A DIAGEO Group Company

F18 FULL YEAR RESULTS ROADSHOW

29 MAY 2018

ANAND KRIPALU

MANAGING DIRECTOR & CHIEF EXECUTIVE OFFICER

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WHAT WE WILL COVER TODAY

FY18 REVIEW

PROGRESS WE HAVE MADE ON OUR STRATEGIC PRIORITIES

F18 FINANCIAL PERFORMANCE

CONFIDENCE IN THE FUTURE

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F18 - A YEAR FRAUGHT WITH EXTERNAL HEADWINDS

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Underlying* net sales
Up 1%

Prestige & Above underlying* net sales
Up 4%

Gross margin 47.5%
Up 465 bps

EBITDA margin 12.5%
Up 114 bps

Profit after tax 562 Cr
Up 231%

Slowdown in economy due to demonetisation

Supreme Court judgment on alcohol sale and service near national and state highways

Effect of GST on input costs

R2M Route to Market

Route to market changes in West Bengal, Jharkhand, Chhattisgarh

R2M Route to Market

Anticipated route to market changes in Haryana & Punjab

Underlying movement excludes the one off impact of operating model changes & one-offs

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OUR STRATEGIC PRIORITIES

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To be one of the best performing, most trusted and respected consumer goods company in India

5 Strategic Priorities

Strengthen & accelerate core brands	Evolve route to consumer	Drive productivity to invest in growth	Corporate citizenship	Winning organization

OUR STRATEGIC PRIORITIES

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- ✓ Focus on Prestige & above segment
- ✓ Fit for purpose operating model in Popular segment

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FOCUS ON PRESTIGE & ABOVE SEGMENT

	Consumer prices*		Focus brands	
Affluent	>2,000	Luxury		
Middle	1,000 – 2,000	Premium		
	400 - 850	Prestige		
Aspiring	< 350	Popular		

*Average consumer prices in India, 750ml bottle, Consumer prices in rupees

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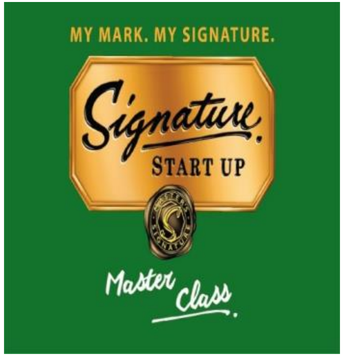
BY LEVERAGING THE FOLLOWING PILLARS

Invest in "Power Brands"

Purpose-led marketing campaigns



Innovation

Up-weighted marketing investment by 18% in FY18

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INVEST IN "POWER BRANDS" - MCDOWELL'S NO. 1 – YAARI JAM

No 1 Yaari Jam –a music platform in collaboration with Salim and Sulaiman Video

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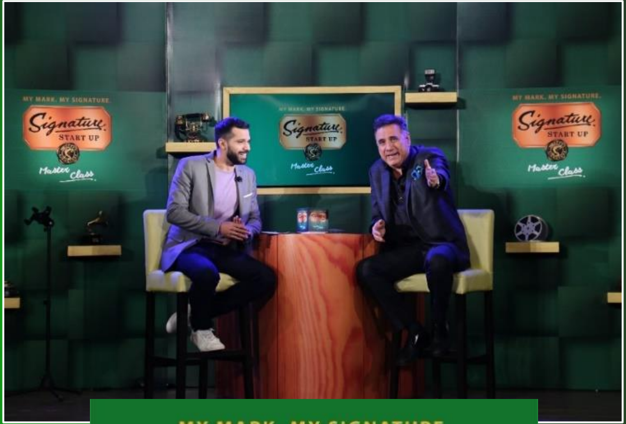
PURPOSE-LED MARKETING CAMPAIGNS - SIGNATURE MASTERCLASS

BRINGING TO LIFE OUR BRAND PURPOSE IN POPULAR CULTURE

EVENINGS OF INSPIRATION WITH MASTERS WHO CONVERTED THEIR PASSION TO A PAYCHECK



14 STORIES ACROSS A 14 CITY TOUR
• North – 6 • West – 4 • East – 2 • South 2

EXTENSIVE REGIONAL MEDIA AMPLIFICATION
- Outdoor in 50 cities covering 5L sft
- Supported by Radio/Print/Digital

I&A + CONTENT TIE-UP

YOUR STORY | INSPIRE INNOVATE IGNITE
the quint
terribly tiny tales™

MY MARK. MY SIGNATURE.
Signature
START UP
Master Class

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INNOVATION – A NEW OFFERING IN RUM SEGMENT

Launch activities

Trials at mass on-premise outlets

Brand building through "Hijack"

In-shop display

External visibility

AND OUR EFFORTS TO DRIVE PREMIUMIZATION HAVE RESULTED IN

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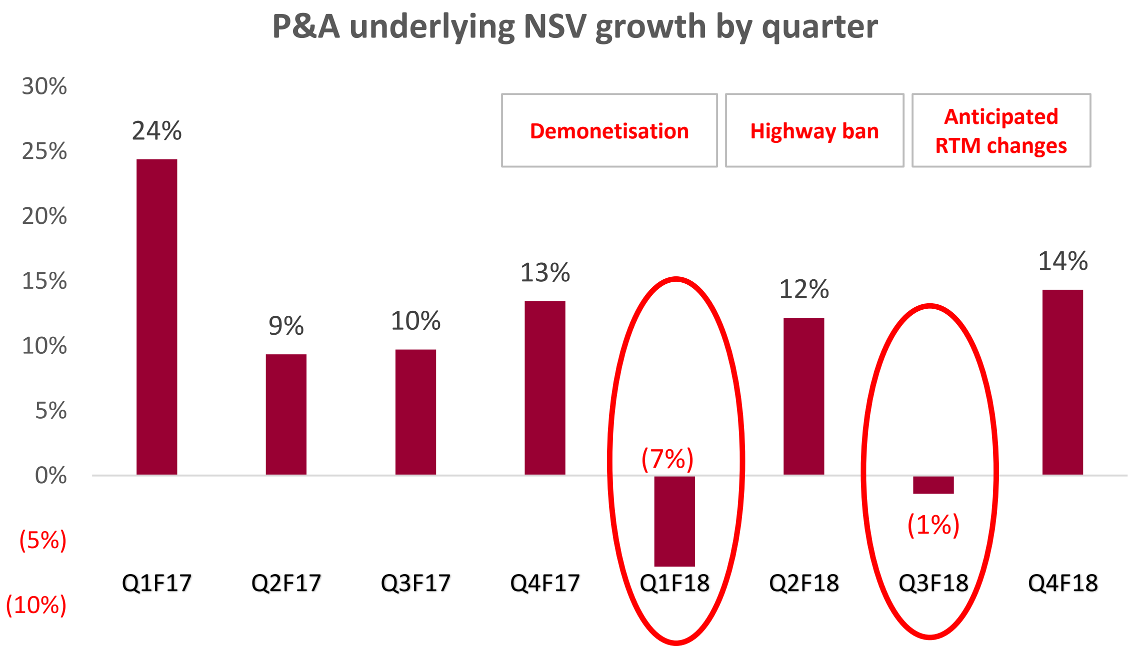

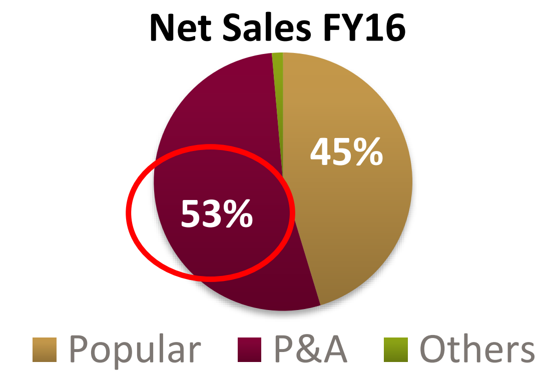

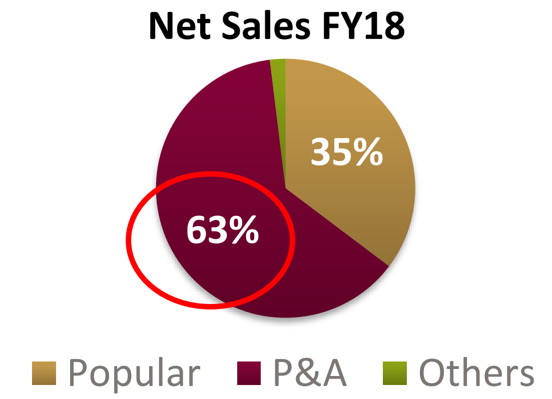

FIT FOR PURPOSE OPERATING MODEL IN POPULAR SEGMENT

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Operating in Popular segment through franchise model in 13 states

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Popular segment in 9 states successfully franchised in FY18

Franchise income on track in FY18

Out of retained Popular business, the priority states grew net sales by 2% during FY18

OUR STRATEGIC PRIORITIES

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ROUTE TO CONSUMER: KEY FOCUS AREAS

Leverage **Digital as an engine of growth**	Build extensive **brand imagery**	**Direct consumer reach through events**
Collaborate with start-ups Greater investment in digital media	On-premise/off-premise channels Other mediums	Bespoke consumer winning activations

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DIGITAL : AS AN ENGINE OF GROWTH

Key areas	Collaborate with **START UPs** to unlock growth opportunities	Higher spends on digital media to get greater **REACH**	Party & Night-Life **CONTENT eco-system**
Outcome	Identify & nurture start-ups for strategic partnerships	Higher proportion of media spends on digital platforms	www.liveinstyle.com A brand agnostic content hub with 620 F&B partners
Examples	HIPBAR, eazydiner, DRIVEU	Google, YouTube, hotstar	The Biere Club, hoppipola, shiro

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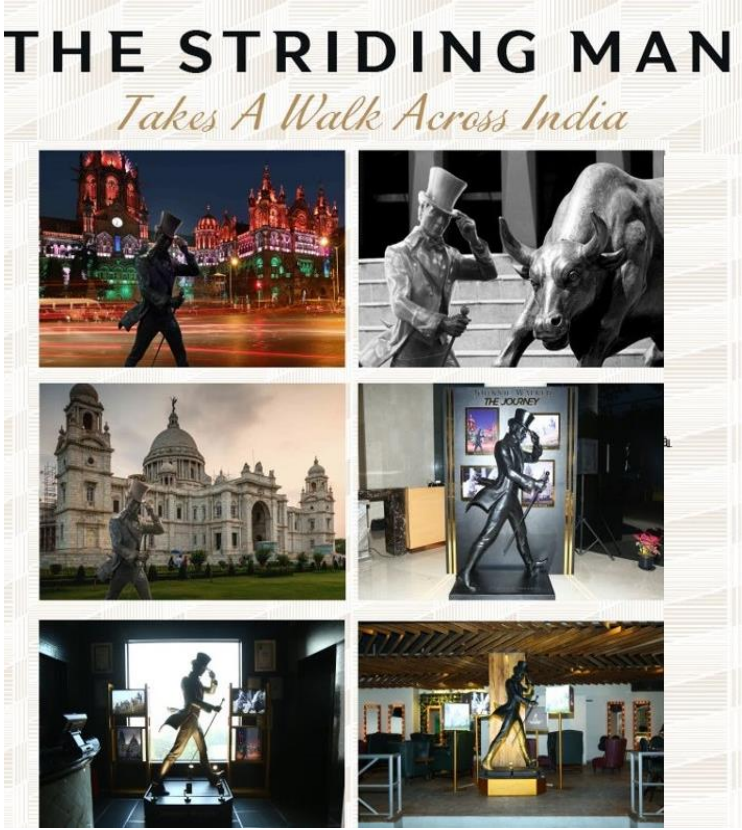
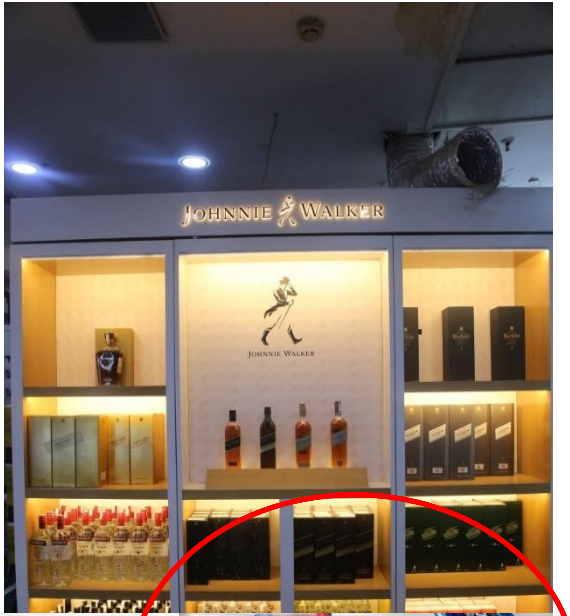
EXTENSIVE BRAND IMAGERY #JW PAINT THE WORLD BLACK





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EXTENSIVE BRAND IMAGERY #JW PAINT THE WORLD BLACK

Johnnie Walker house - Mumbai

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DIRECT CONSUMER REACH THROUGH EVENTS

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DRIVING PRODUCTIVITY ACROSS ALL LINES

Net Revenue Management	• Efficient commercial spends • Positive price / mix from P&A growth
COGS	• Tramlining and Brand Value Engineering • Manufacturing footprint optimisation
Marketing	• Efficiency in agency and point of sale costs • Analytics to calculate & improve ROI
Overheads	• Right size the organisation • Zero based budgeting
Interest costs	• Debt reduction of INR 807 Cr. during FY18 • Interest cost saving of INR 108 Cr. during FY18

Gross margin improvement +465 bps

EBITDA margin improvement +114 bps

PAT margin improvement +489 bps

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CORPORATE CITIZENSHIP

Leadership role in shaping the regulatory landscape

Highest compliance and governance standards

Building thriving communities

Alcohol in Society

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DON'T DRINK AND DRIVE CAMPAIGNS

IRTE Event –Kolkata Traffic Police

OUR MANIFESTO

Everyone at Diageo can be part of what we do to help people Drink Positive.

Drink Positive means drinking better, not more. It means being proud of how our products are made, marketed, and most of all, the enjoyment they bring. Sometimes it may mean choosing not to drink at all.

Drink Positive makes sense for our communities and it makes good business sense for Diageo.

HOW DO YOU HELP PEOPLE TO #DrinkPositive?

Celebrating life, every day, everywhere.

DIAGEO DRINKiQ.com

1ST DIAGEO BRAND TO SUCCESSFULLY ACTIVATE THE DRINK RESPONSIBLY CAMPAIGN AT SCALE IN INDIA

2 CITIES. 20 DAYS.
2 MILLION PLEDGES

CONTRIBUTED OVER 2 MILLION PLEDGES - HIGHEST EVER CONTRIBUTION FROM A SINGLE MARKET TO THE GLOBAL #JOINTHEPACT TARGET SINCE INCEPTION

TOTAL PLEDGES **2,036,848**

14,575,526	74,544,437	10,299,025
Reach	Impressions	Coverage in top print channels with PR value worth

JOHNNIE WALKER

*Total pledges include Likes, Shares on social and Button Clicks on LIS page
Data as on 15th November, 2017
Reach numbers only include JWTJ social handles

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BUILDING THRIVING COMMUNITIES

- 10 Water ATMs
- 10 Villages of Nagpur
- 150 Women Self Help Groups
- 12,500 litres/hour
- Rs. 5 for 20 litres
- Serving 1,14,608 people

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CREATING A WINNING ORGANISATION

Automation and simplification across systems and processes

Enhanced capabilities in Digital, Corporate Relations, Legal & Compliance

Investment in talent & diversity

Shared Service Centre

Integration with Diageo

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SANJEEV CHURIWALA

EXECUTIVE DIRECTOR & CHIEF FINANCIAL OFFICER

29 MAY 2018

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F18 – DELIVERY ACROSS ALL LINES OF THE P&L

Underlying* net sales up 1%

Prestige & Above underlying* net sales up 4%

Gross margin expansion 465 bps

EBITDA margin expansion 114 bps

Interest cost reduction 29%

Profit after tax 562 Cr

EPS Rs. 38.7 per share, up 231%

** Underlying movement excludes the one off impact of operating model changes & one-offs*

UNDERLYING* NET SALES GROWTH OF 1%

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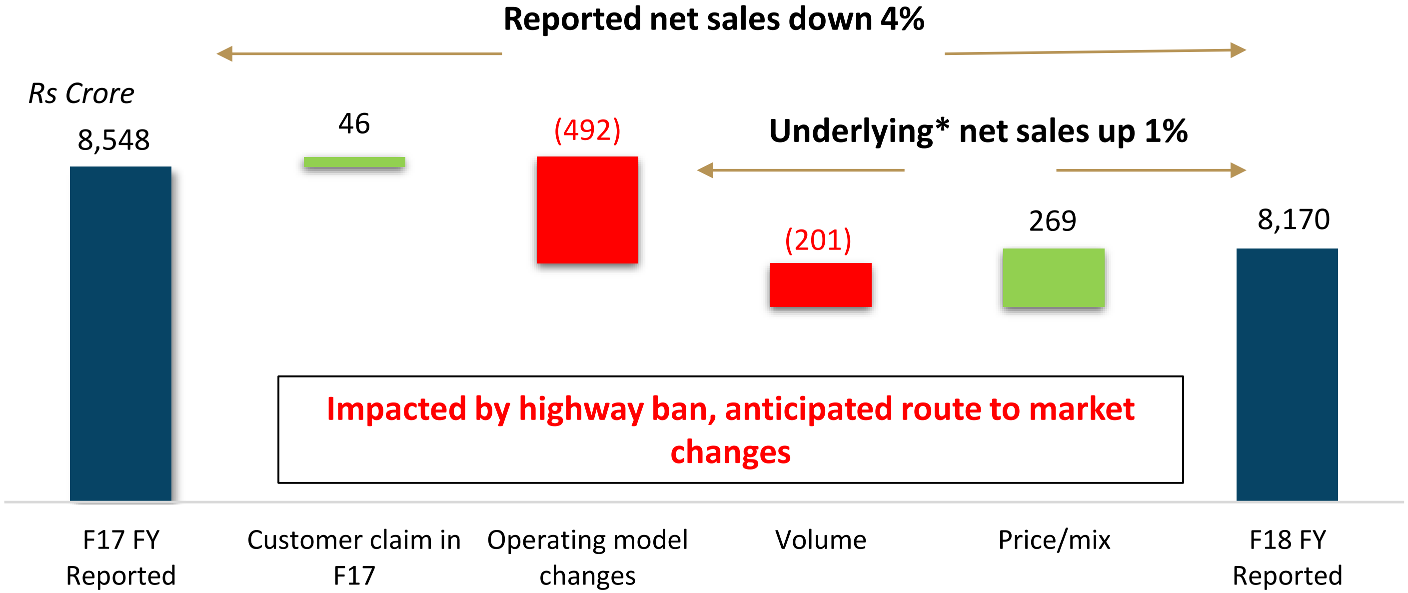

	Reported net sales % FY18	Underlying* net sales % FY18	Underlying* net sales % Q4F18
Prestige and Above	3	4	14
Popular	(16)	(4)	2
Total	(4)	1	9

** Underlying movement excludes the one off impact of operating model changes & one-off customer claim last year*

GROSS PROFIT GROWTH OF 6%, GROSS MARGIN EXPANSION OF 465BPS

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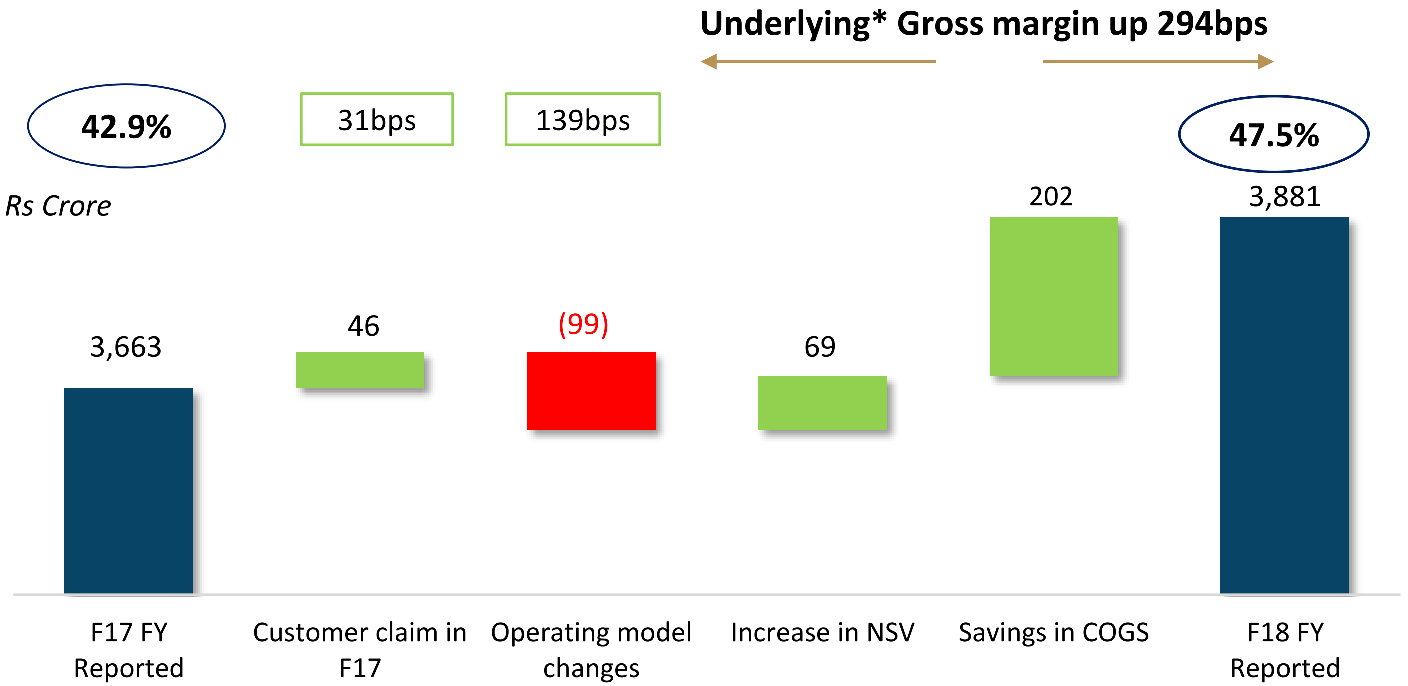
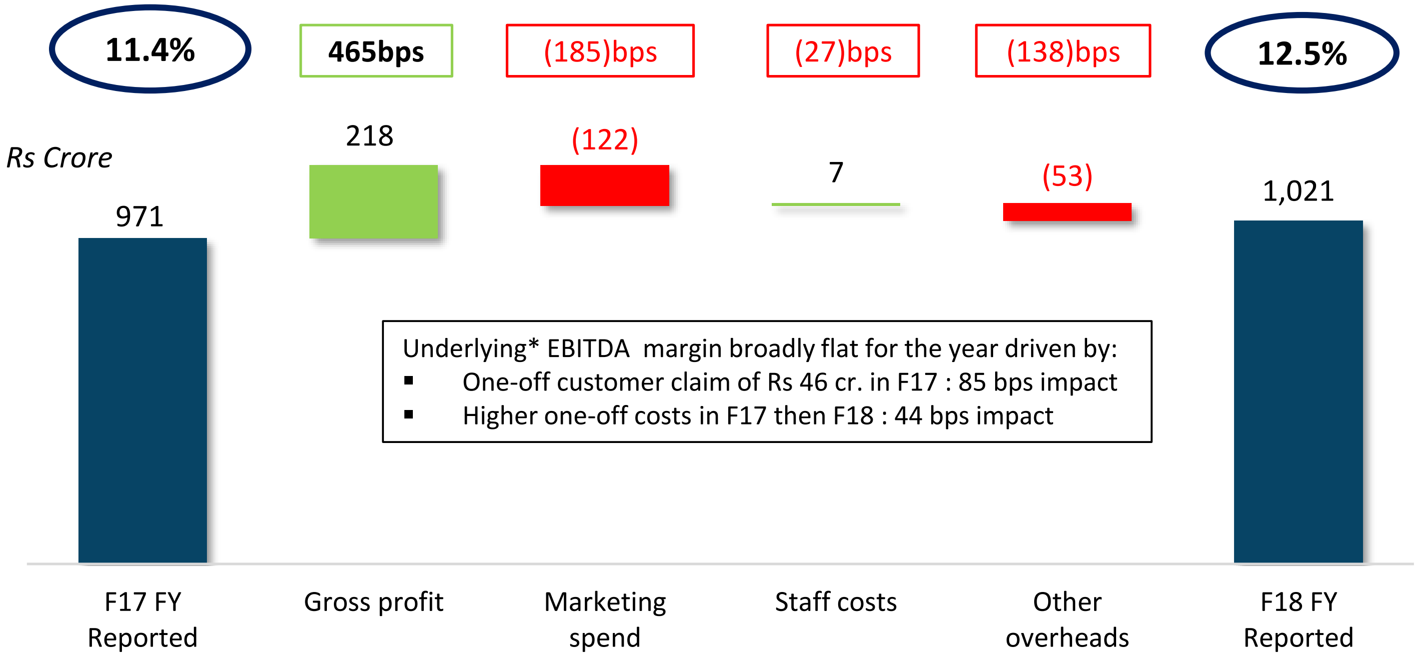


** Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.*

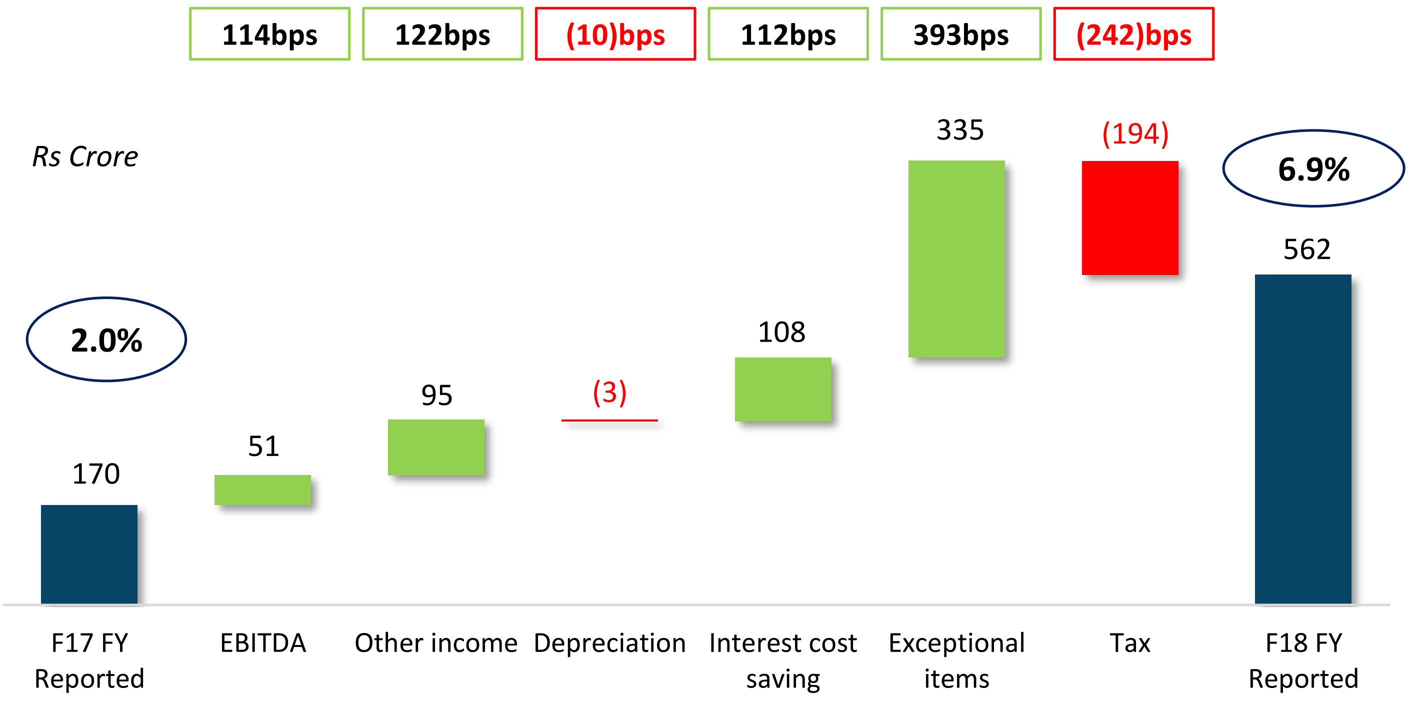
EBITDA GROWTH OF 5%, EBITDA MARGIN EXPANSION OF 114BPS; AS WE REINVEST IN OUR BRANDS



Underlying* EBITDA margin broadly flat for the year driven by:
- One-off customer claim of Rs 46 cr. in F17 : 85 bps impact
- Higher one-off costs in F17 then F18 : 44 bps impact

** Underlying movement excludes the one off impact of operating model changes, customer claim arising out of legacy commercial terms last year and restructuring costs.*

PAT GROWTH OF 231%,
PAT MARGIN IMPROVEMENT OF 489BPS



FURTHER DELEVERAGING THE BALANCE SHEET

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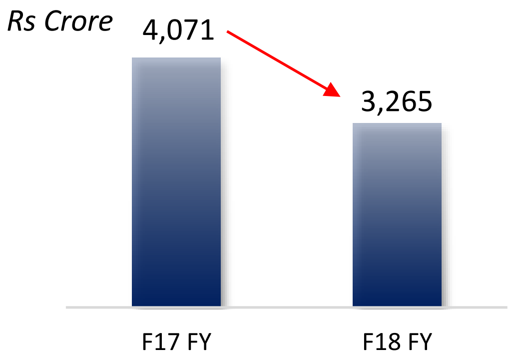
Net debt

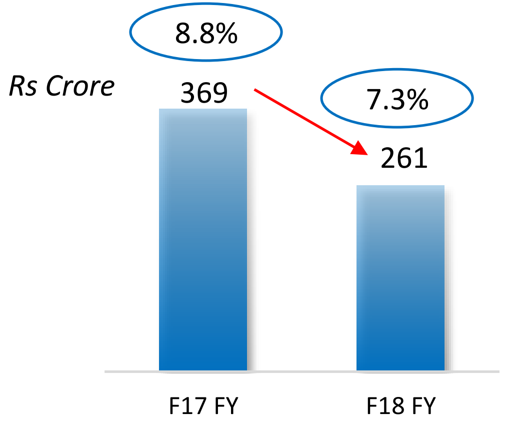
Reduction of Rs. 807 Cr.



Long-Term credit rating upgrade *to AA+ by CRISIL and ICRA*

Interest

Interest cost saving of Rs. 108 Cr.



Maiden NCD issuance in December 2017
Competitive rates & diversification of funding sources

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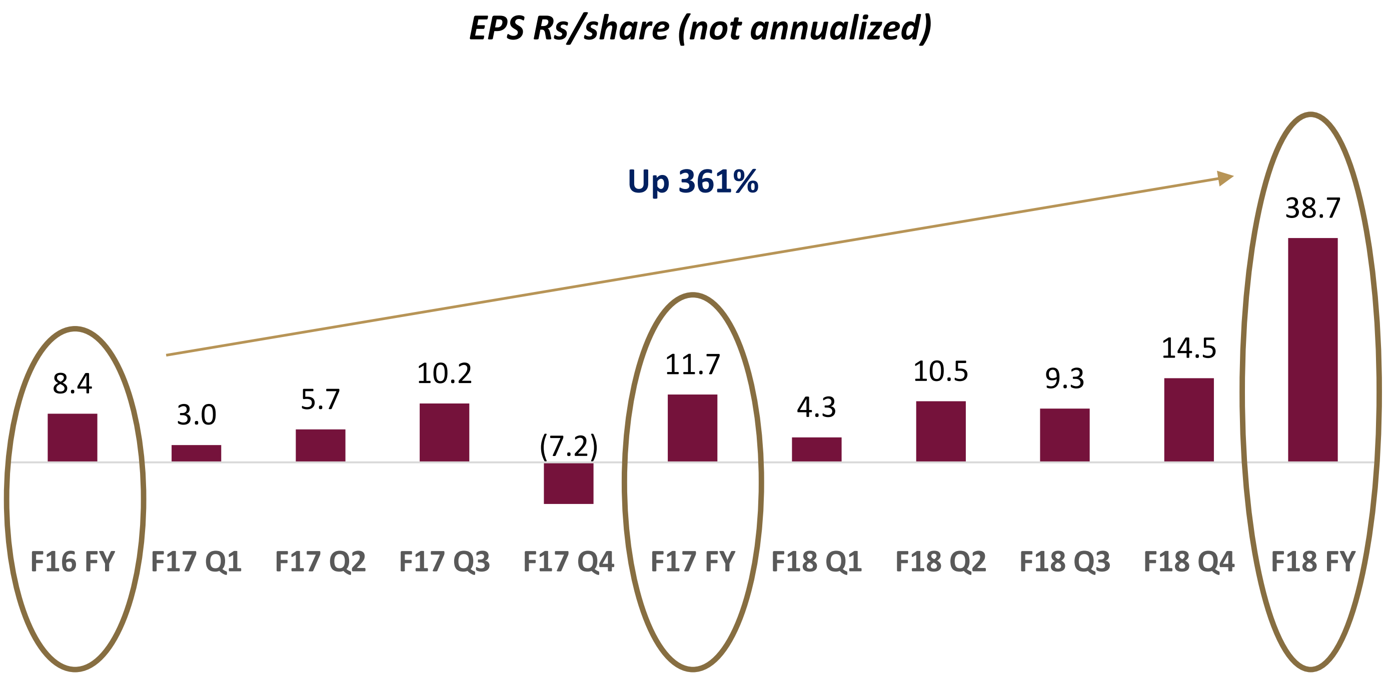
EPS ON THE RIGHT TRAJECTORY



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Attractive long term fundamentals

Our evolution in line with the consumer landscape

Progress and delivery of our strategy even while transforming the company

INDIA'S PER CAPITA CONSUMPTION IS ONE OF THE LOWEST IN ASIA PACIFIC

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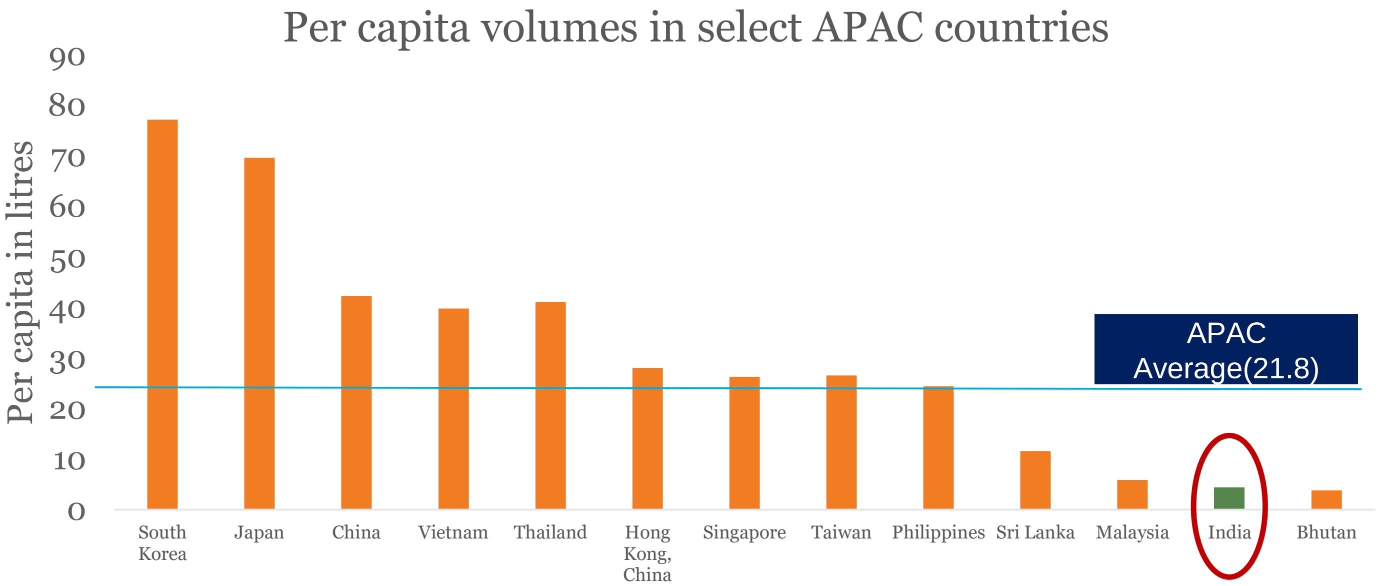

Source: Euromonitor, 2017

RISING INCOME LEVELS ARE RE-SHAPING THE CONSUMER LANDSCAPE

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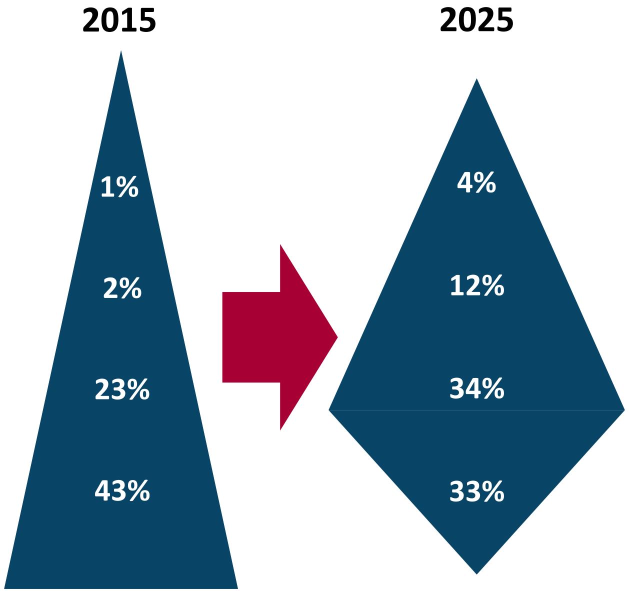
<u>Annual income per households</u>

>10 Lakh	Affluent
2 Lakh – 10 Lakh	Middle
0.9 Lakh – 2 Lakh	Aspiring



Salience of households

- Globally travelled
- Seek luxury experiences

- Brand conscious
- Willingness to pay for value

- Price conscious
- Entering consumption cycle

Evolving consumer landscape

- High % of millennials
- Changing attitudes leading to higher spending habits

Source: McKinsey, excludes consumers not buying branded goods

DELIVERY OF OUR STRATEGY-
ALL LINES OF OUR P&L ARE MOVING IN THE RIGHT DIRECTION

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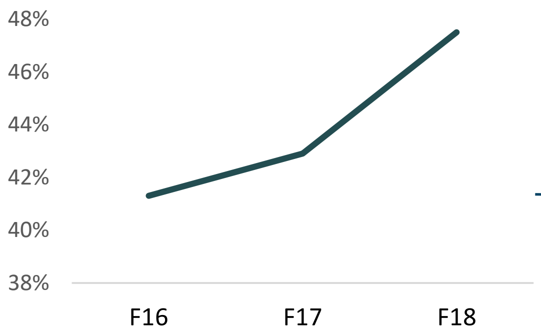
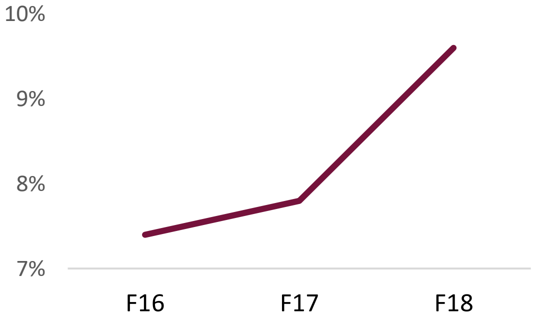
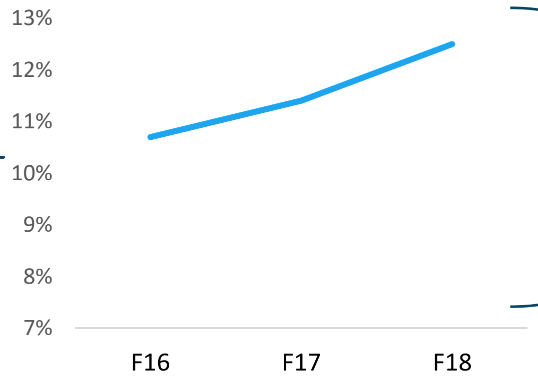
Gross Margin



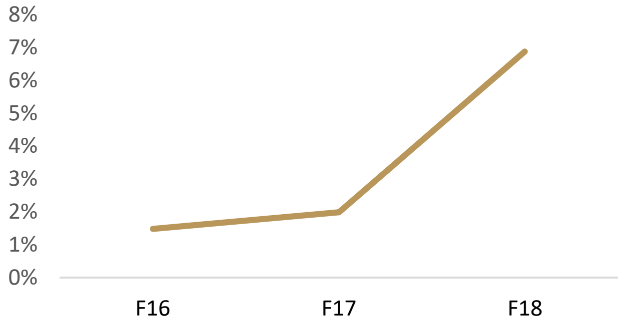
A&P (% of Sales)



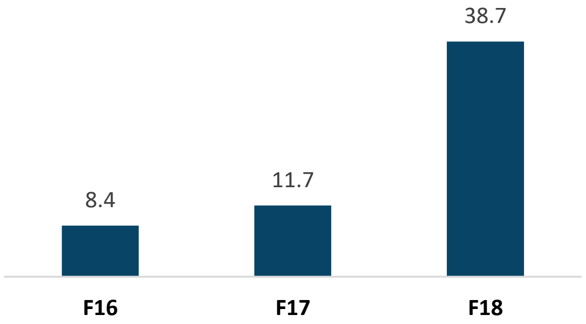
EBITDA margin



PAT margin



EPS (Rs/share)



DIAGEO

CELEBRATING LIFE, EVERY DAY, EVERYWHERE