









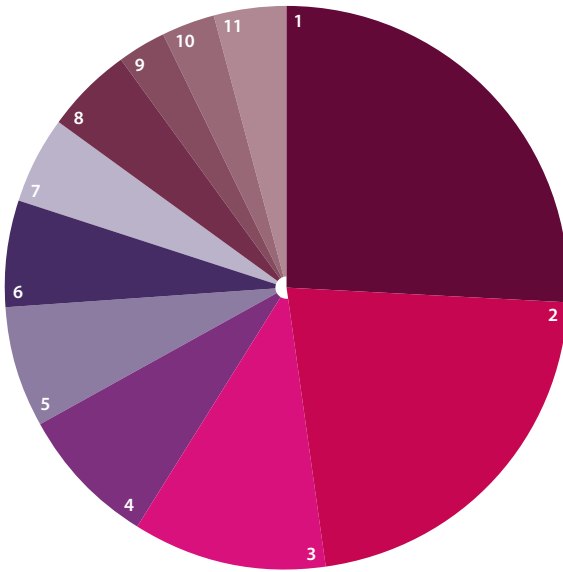


# Highlights

'The breadth and depth of our range of great brands have enabled us to manage through the difficult trading environment. The heritage and the strong characteristics of our brands along with their positioning will help Diageo to emerge stronger.'

Paul Walsh  
Chief executive

2009 net sales by category



- 1 26% — Scotch
- 2 22% — Beer
- 3 11% — Vodka
- 4 8% — Ready to drink
- 5 7% — Whiskey
- 6 6% — Rum
- 7 5% — Liqueur
- 8 5% — Wine
- 9 3% — Gin
- 10 3% — Tequila
- 11 4% — Other

180

Operating markets (approx.)

18

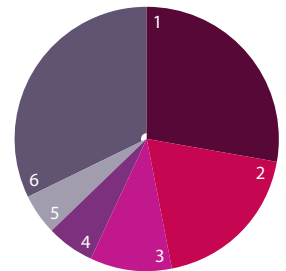
FTSE ranking at 27 August 2009



Diageo has 8 of the world's top 20 premium spirits brands by volume\*

- 1 Smirnoff
- 2 Johnnie Walker
- 3 Captain Morgan
- 4 Baileys
- 5 José Cuervo
- 6 J&B
- 7 Crown Royal
- 8 Gordon's

Global volume share of premium spirits\*



- 1 28% — Diageo
- 2 19% — Pernod Ricard
- 3 10% — Bacardi
- 4 6% — Brown-Forman
- 5 5% — Fortune Brands
- 6 32% — Other

\* Source: Impact Databank Top 100 Premium Spirits February 2009.

## Outstanding brands



**No1**

José Cuervo is the world's leading tequila

**4.5m**  
9 litre cases



**No1**

Baileys is the world's leading liqueur

**6.7m**  
9 litre cases

\* Figures are volumes for the year ended 30 June 2009 excluding ready to drink.

Position source: Impact Databank September, December 2008 and February 2009.



**No3**

J&B is the No3 scotch whisky in the world

**5.2m**  
9 litre cases



**No1**

Johnnie Walker is the world's leading scotch whisky

**14.3m**  
9 litre cases



**No1**

Smirnoff is the world's leading premium spirit

**24.5m**  
9 litre cases



**No1**

Guinness is the world's leading stout

**11.1m**  
9 litre case equivalent units



**No2**

Captain Morgan is the No2 rum in the world

**8.4m**  
9 litre cases

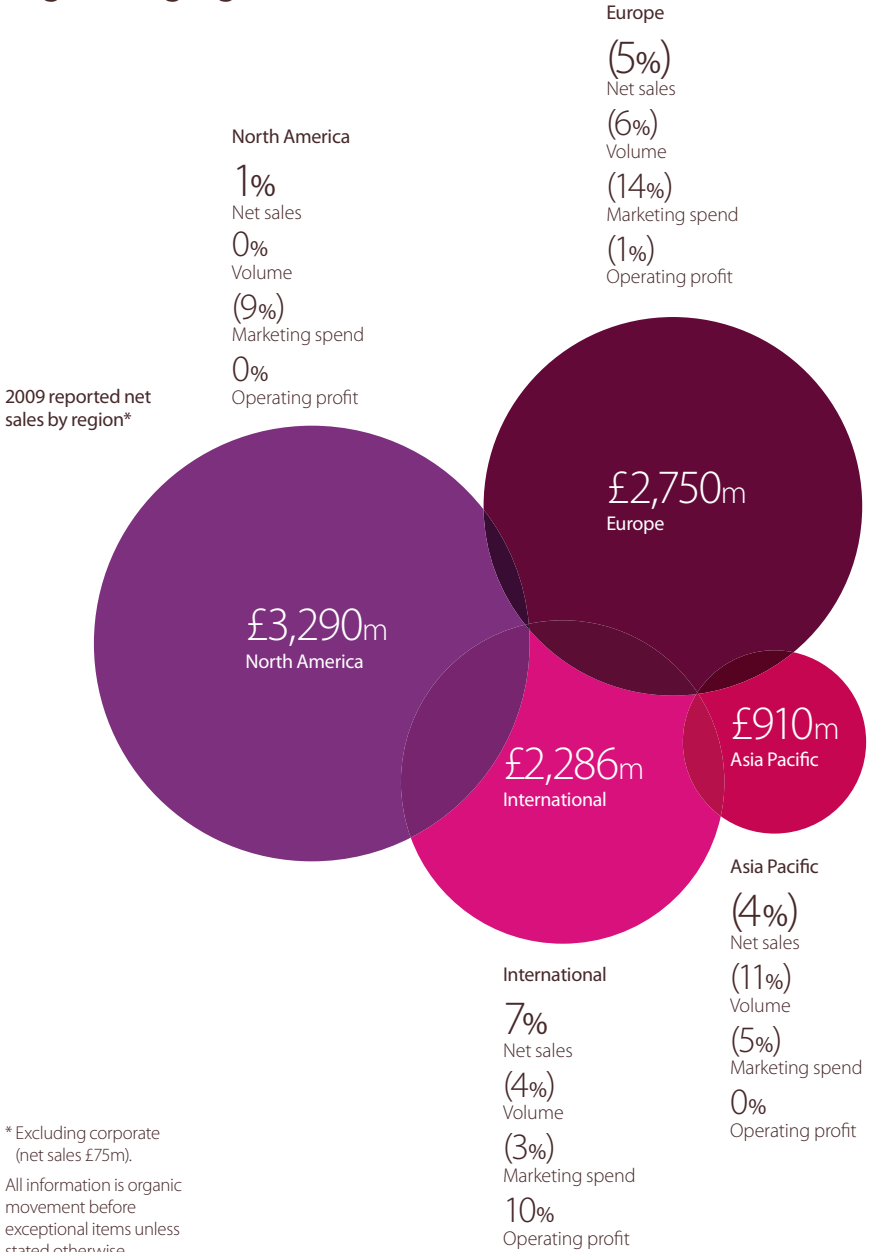


**No1**

Tanqueray is the leading imported gin in the US

**1.9m**  
9 litre cases

## Regional highlights



## North America

- Despite the difficult economic environment, North America delivered net sales growth.
- Total spirits volume grew 1% with 3 percentage points of price/mix. Smirnoff vodka, Captain Morgan and José Cuervo positioned in the more resilient premium segment contributed most to net sales growth.
- Vodka remained the largest and most resilient of the major categories in the United States. Diageo out-performed the category as a whole, growing net sales 16% led by Smirnoff in the premium segment and Ciroc and Ketel One vodka at higher price points.
- Stock levels of beer and malt based ready to drink brands were reduced adversely impacting mix.
- Stock levels of spirits have reduced across the supply chain.
- Innovation launches contributed significantly to overall performance as the focus on premium spirits line extensions and pre-mixed cocktails capitalised on consumer shifts.
- Ketel One vodka performed ahead of expectations.
- Marketing spend decreased as a result of media efficiencies and a refocus away from beer and ready to drink, however Diageo share of voice in spirits improved.
- Net sales growth of 7% in Canada was led by strong performances of Captain Morgan rum of 19% and Smirnoff vodka of 10%.

## Europe

- The region was severely impacted by the economic downturn, with conditions in Spain and Ireland deteriorating significantly.
- Great Britain out-performed a declining total beverage alcohol market, growing net sales despite the difficult trading environment.
- Russia net sales grew 1% following a strong first half although the worsening economic conditions in the second half led to consumers trading down, driving negative mix. In response to this trend, smaller bottle sizes at lower price points were introduced.
- In a declining beer category, Guinness performed well with flat net sales across the region and grew share in the on-trade in Great Britain and Ireland supported by the 250th Anniversary and 'Alive Inside' campaigns.

## International

- Volume growth in Africa and price increases in both Africa and Latin America drove net sales growth of 7%.
- Volume and net sales growth in Venezuela, Mexico and Brazil, the three largest markets in Latin America offset declines in the duty free channel in Latin America and in the Caribbean.
- Strong growth in beer with volume up 5% and net sales up 17%.
- Pressure on the Global Travel business due to declining passenger numbers and customer de-stocking.
- Marketing spend efficiencies in Latin America and the transition of spend on ready to drink, cider and beer brands into the new South Africa joint venture offset increases on beer and ready to drink elsewhere in Africa.

## Asia Pacific

- Net sales declines were primarily driven by the impact of the excise duty increase on ready to drink products in Australia.
- Declining consumer confidence and supply chain inventory reductions have impacted performance particularly in China and South East Asia.
- Top and bottom line growth in Korea and share gains for Windsor following the return to in-market company distribution.
- Price/mix benefit of 7 percentage points came from the return to in-market distribution in Korea and strong price increases on scotch brands offset by negative product mix from lower volume in the higher net sales per case ready to drink segment.
- Marketing spend decreased 5% although investment behind spirits grew 7% reflecting the importance of this category to future growth of the region.

# Corporate responsibility overview

## What sustainability means to Diageo

A sustainable business is one whose success is enduring. We believe that such long-term achievement involves playing a full part in the communities in which we operate. Our sustainability as a business depends not only on our economic performance, but also on the way we manage our social and environmental impacts.

To achieve success, we need great relationships with our employees, business partners and other stakeholders. We need to operate in prosperous, healthy communities in which our brands meet consumers' needs, and we need reliable supplies of ingredients and other materials, and a healthy environment in which to operate.

The huge variety of issues we face requires us to focus our resources and expertise where we can make the most positive difference. Our priority areas are those of concern to our stakeholders, those that present significant business risks, and those that support our immediate communities or business partners. All our actions must be closely aligned with Diageo's values.



'Sustainability is good business because it protects the firm and its cash flow, and ultimately as a commercial enterprise that's what it's about for the long haul.'

Paul Walsh  
Chief executive



➕ Download the corporate citizenship report at [www.diageoreports.com](http://www.diageoreports.com)

## Playing a full role in society

As a leading drinks producer, we want to make a real contribution to creating a more positive role for alcohol in society. We aim to set world-class standards for responsible marketing and in 2008 we refreshed the Diageo Marketing Code. Working directly or in partnership with others, we are running over 130 responsible drinking initiatives in over 40 countries. These include anti-drink-drive campaigns and support for programmes that combat underage drinking. In 2008 we launched [www.DRINKiQ.com](http://www.DRINKiQ.com), a website that aims to encourage sharing of best practice tools, information, and initiatives to promote responsible drinking. The website is available in a global version and in 16 dedicated country sites.

We have a long-standing record of community investment. Diageo has committed one per cent of its operating profit to social investment and community projects. In Africa, we focus on providing clean water to one million people per year – the total number of beneficiaries to date is 3.2 million. In Latin America, we have launched a Learning for Life programme to assist disadvantaged people in gaining the skills they need to compete in society. We aim to have improved the lives of 50,000 people by 2011. And in Asia, we have launched our first regional corporate citizenship report, which contains case studies of responsible drinking and social development programmes.

## Managing environmental impacts

We depend on a healthy and stable environment for the water and natural ingredients we need to make our brands.

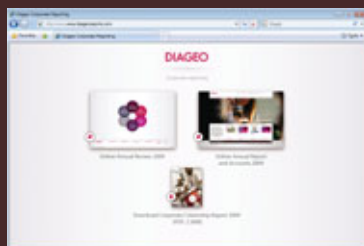
We launched a new environmental policy this year that makes clear our commitment to working toward increased sustainability throughout the value chain, and we take every opportunity to involve our employees in this area. To mark the United Nations World Environment Day in June 2009, teams of Diageo volunteers led numerous activities such as tree planting, and beach and river cleanups.

## Contributing to economic growth

Because our business thrives in prosperous, well-governed markets, we do all we can to develop and support such economies. Our businesses and their supply chains are a source of economic opportunity and development, providing jobs and developing the skills of our people, and generating tax revenue for governments. We also invest in capital projects that contribute to economic development.

Diageo was hailed as the best global business in Africa at this year's Africa Business Awards. The success of our operations on the continent provides a clear example of the positive economic impact that business can have. We brew or distill in 22 sub-Saharan countries and Diageo employees there represent a fifth of our global workforce.

# Shareholder information



➔ **Go online and visit all our 2009 reports and our annual review at [www.diageoreports.com](http://www.diageoreports.com)**

## Final dividend 2009

Final dividend payable	22.20p per ordinary share
Ex dividend date	9 September
Record date	11 September
Dividend payment date	19 October
Dividend payment date (US ADR holders)	23 October

➔ **For more information go to [www.diageoregistrars.com](http://www.diageoregistrars.com)**

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Diageo encourages its shareholders to help it to minimise its environmental impact by registering to receive shareholder communications electronically by email and via the Internet. Receiving documents electronically helps us reduce our printing, paper and postage costs. We believe shareholders also receive information more quickly and simply.

To receive communications and documents electronically, register your email address at [www.diageoregistrars.com](http://www.diageoregistrars.com) and we will send you an email letting you know that the shareholder documents are available online at our website ([www.diageo.com](http://www.diageo.com)) for you to view or download. Next year, shareholders that have not registered an email address or requested to receive paper copies of the Annual Report and other shareholder documents will receive a postcard letting them know that the shareholder documents are available online at our website.