



Another year of *strong performance*

Like everyone at Diageo, I will miss Ivan's kindness, wisdom and counsel in the months and years ahead. It was an extraordinary privilege to know, work with and learn from Ivan over the last four years, and to benefit from his experience and generosity of spirit. Together with all my colleagues, I am determined that we will build on and do justice to his legacy.

Fiscal 23 performance

Diageo today is a business built to deliver resilient performance, even in turbulent times. We are geographically diverse, with a product portfolio built on long-term investment in our brands, and a culture that delivers everyday efficiency while pursuing opportunities with focus and agility.

Those underlying strengths are reflected in our performance over the last year. We drove strong growth in four of our five regions, with Europe and Asia Pacific growing double-digit.

Even with North America sales flat, following a period of very rapid growth, we have still been able to deliver overall organic net sales value growth of 6.5% within our medium-term guidance, and organic operating margin expanded by 15bps.

Our pre-exceptional earnings per share rose 7.6% in fiscal 23 to 163.5 pence. And, we have once again been able to increase the dividend by 5% to a full-year dividend of 80.00 pence.

Fiscal 23 also saw standout performance from our scotch, tequila and beer categories. Scotch grew 12%, tequila grew 19% and beer was up 9% respectively. Johnnie Walker, the world's leading international spirit brand, delivered another year of strong double-digit growth, increasing 15%. Tequila continues to have strong consumer momentum and our global market share of tequila rose 120bps to just over 23% of retail sales value. We also launched our strategy to ignite a new 'Golden Age for Guinness', with immediate results: organic net sales were up 16% in the

Reported volume movement

(7.4)% ↓

2022: 10.3%

Organic volume movement

(0.8)% ↓

2022: 10.3%

Reported net sales movement

10.7% ↑

2022: 21.4%

Organic net sales movement

6.5% ↑

2022: 21.4%

Reported operating profit movement

5.1% ↑

2022: 18.2%

Organic operating profit movement

7.0% ↑

2022: 26.3%

period, and in December 2022, Guinness became the number one beer brand by value share in the on-trade in Great Britain.⁽¹⁾

We have also continued to benefit from sustained investment in our brand portfolio, with our premium-plus brands now accounting for 57% of net sales growth. Our premium-plus brands now account for 63% of Diageo's net sales, up 7ppts from fiscal 19.

While I am pleased that our business can deliver this performance even in the face of significant turbulence in major markets, the prospect of ongoing volatility in our operating environment means that there is no room for complacency. We will continue to deliver investment in our brands for the long-term hand-in-hand with efficiency in our day-to-day operations. At the same time, I want to see our execution focus sharpen as we sustain high-quality growth and continue to build market share.

Engine for growth

We are confident that Diageo remains well-positioned to deliver our medium-term guidance of consistent organic net sales growth in the range of 5% to 7% and sustainable organic operating profit of 6% to 9%. To achieve this, winning quality market share remains a primary focus and it is one of the key areas of opportunity I see for improvement in fiscal 24. With our advantaged portfolio of brands, core capabilities and competitive advantages, I believe we can drive market share gains of at least two-thirds of our total net sales value. I'm pleased that we gained or held share in markets that total 70% of our net sales value in fiscal 23.⁽²⁾

Productivity, our culture of everyday efficiency and smart investment will be critical to deliver our medium-term guidance. Notably, we unlocked a further £450 million of productivity savings during fiscal 23.

Even as the leading company in international spirits, as of 2022, we only held a ~4.7% share of the TBA market.⁽³⁾ This is up from 4% in 2020 when we set our ambition to deliver a 50% increase by 2030. The opportunity is significant. We are a company with a diversified geographic footprint and advantaged portfolio in a very large and attractive industry. Our business is set up for consistent, sustainable long-term growth driven by premiumisation and active portfolio management.

(1) CGA, 4 weeks to 3 December 2022

(2) Internal estimates incorporating Nielsen, Association of Canadian Distillers, Dichter & Neira, Frontline, INTAGE, IRI, ISCAM, NABCA, Scentia, State Monopolies, TRAC, IPSOS and other third-party providers. All analysis of data has been applied with a tolerance of +/- 3 bps. Percentages represent percent of markets by total Diageo net sales contribution that have held or gained total trade share fiscal year to date. 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 fiscal 23

(3) IWSR, 2022

Doing business the right way

Doing business the right way remains at the heart of our plans for growth, and we have made good progress in the past year on our 'Society 2030: Spirit of Progress' ESG action plan to build a responsible, inclusive and sustainable business as we grow.

We want to change the way people drink for the better, recognising that there is no drink of moderation, only the practice of moderation. This is why we promote moderate drinking and invest in education and programmes to discourage the harmful use of alcohol. Increasingly we are fully integrating our work to promote responsible drinking into our brand messages, such as in Captain Morgan's 'Enjoy Slow' campaign last year.

We continue to build a strong, diverse leadership team to better reflect the consumers we serve. 44% of our leaders globally are female, maintaining our progress against our 2030 ambition to reach 50%, while 43% of our leadership are now ethnically diverse, an increase of 2% from fiscal 22.

We have also made significant headway on our objective to embed sustainability in our business. We have continued our progress towards our net zero carbon goal in our direct operations by 2030, with an absolute Scope 1 and 2 greenhouse gas emission reduction of 5.4% in fiscal 23. This was partly the result of our continuing investments in renewable energy, which now accounts for 45% of our total energy use, an increase of 1.9% from fiscal 22.

Our other major sustainability focus is on water stewardship. In the last year, we have reduced the amount of water it takes to make each litre of our brands by 2.6% in our water-stressed areas.

We also completed water efficiency projects that will deliver future benefit in several water-stressed areas including Kenya, Uganda and Nigeria. Beyond our own operations, we are working in partnership with CARE to empower women and make them stewards of our investments in water sanitation in the communities in which we live and work around the world.

Looking forward

I am very proud to become the Chief Executive of Diageo at a moment of enormous potential for our business. We believe the TBA market is the most exciting and creative consumer category in the world. Within it, spirits continue to gain share, and premiumisation is proving to be a resilient trend.

Diageo is well-placed to take advantage of these opportunities. Our geographic reach offers not just resilience through diversification, but also exposure to consumers looking to 'drink better, not more' around the world. Our long-term investment in building and actively shaping our portfolio gives us an advantaged position in the market, and our deep understanding of our consumers allows us to strengthen our relationship with them as we innovate to meet their needs and expectations. Underpinning these advantages, our core capabilities in digital, world-class brand building, supply chain and everyday efficiency allow us to execute effectively and with precision, while our 'Society 2030: Spirit of Progress' ESG action plan ensures that our business will become more responsible, diverse and sustainable as it grows.

These are strengths that we will build on in the year ahead. With the potential we see across our business and our brands, we are confident that we will continue to navigate successfully through a volatile external environment while delivering our medium-term guidance: consistent organic net sales growth in the range of 5% to 7% and sustainable organic operating profit of 6% to 9%. At the same time, we remain focussed on investing in our brands to meet our ambition of increasing Diageo's share of the total beverage alcohol market by 50%, from 4% to 6%, over the decade to 2030.

Debra Crew
Chief Executive