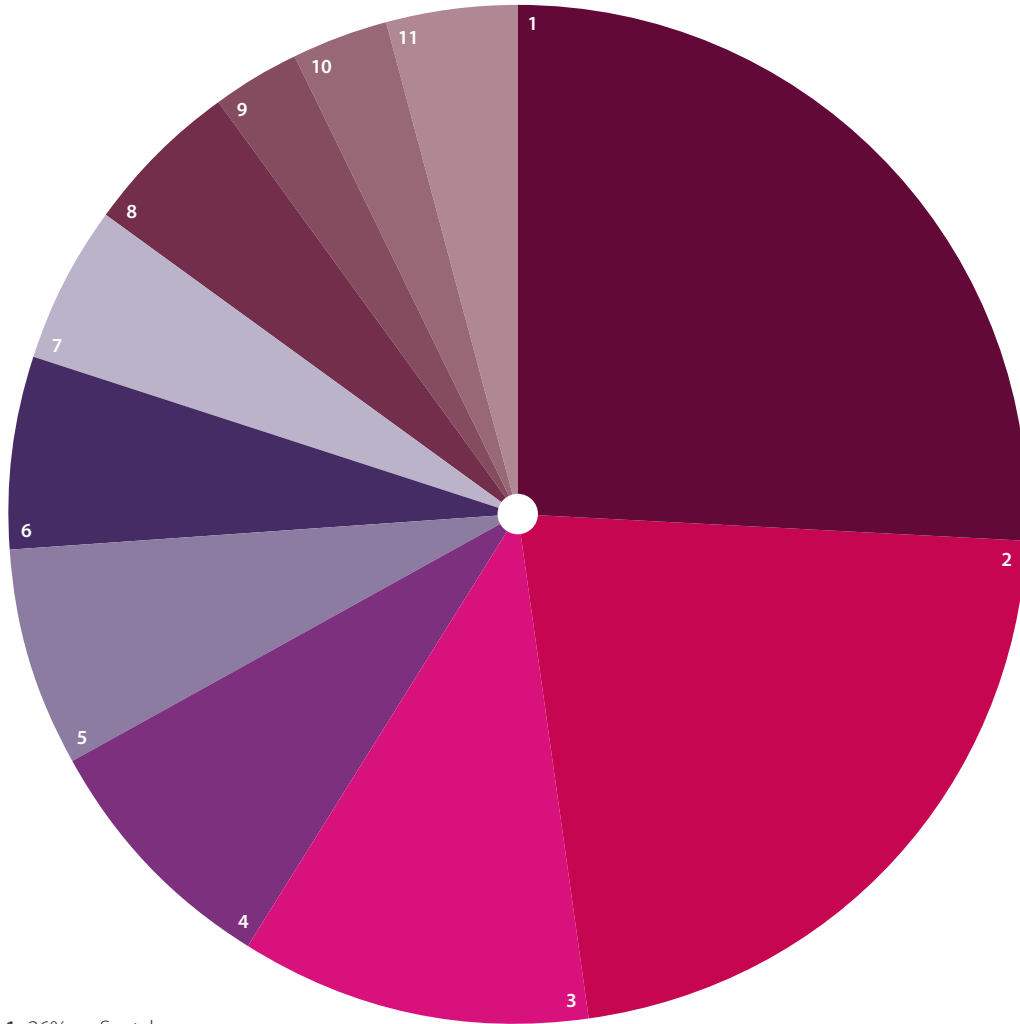


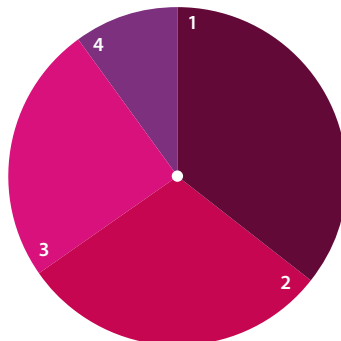
Chief executive's review

2009 net sales by category



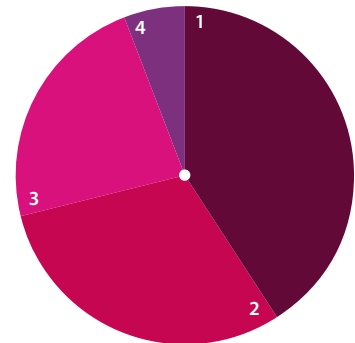
- 1 26% — Scotch
- 2 22% — Beer
- 3 11% — Vodka
- 4 8% — Ready to drink
- 5 7% — Whiskey
- 6 6% — Rum
- 7 5% — Liqueur
- 8 5% — Wine
- 9 3% — Gin
- 10 3% — Tequila
- 11 4% — Other

2009 net sales by region*



- 1 £3,290m — North America
- 2 £2,750m — Europe
- 3 £2,286m — International
- 4 £910m — Asia Pacific

2009 operating profit before exceptional items by region*



- 1 £1,156m — North America
- 2 £856m — Europe
- 3 £645m — International
- 4 £164m — Asia Pacific

* Excluding Corporate (Net sales £75m; costs £208m)



Our performance demonstrates the resilience of the business

This has been a very tough year, yet it is one from which Diageo emerges with considerable credit. Most importantly, we were alert to the impact the economic environment had on our consumers and customers. The gradual consumer slowdown of the early part of the fiscal year became much more pronounced from the Autumn of 2008 onwards. We moved quickly to review our business and the way in which it was configured. We took action quickly to maximise the benefit of our brand range, reduce our cost base and refocus marketing spend as consumer trends changed. The changes we put in place were far-reaching and had significant consequences for some of our people. It is right that I should pay tribute to those affected for the way they have conducted themselves and continued to serve our business well, even in the most difficult of circumstances.

In addition to changing our organisation we also made major changes to our marketing activities. We benefited from the decline in media rates to secure better value from the money we spend. Yet we continued to put resources behind our brands. The resilience of our performance is, in part, the result of that consistent investment. It underpins our brand and market positions and has helped us build their depth and breadth.

While the economic downturn has affected all markets, the response of customers and consumers has not been uniform. Therefore the impact on our business has been varied. By region, International, North America and Asia Pacific have been stronger than Europe. Of our core global priority brands, Smirnoff, Captain Morgan, José Cuervo and Guinness each grew organic net sales. Those efforts were supported by a strong year for innovation. Similarly, two of our largest local priority brands, Buchanan's and Windsor, and category brands, Cîroc, Cacique and Harp all also grew organic net sales. Conversely, Johnnie Walker faced a tougher market environment. It sits at a relatively higher price point and has seen more impact from de-stocking. The consumer downturn in Spain, and de-stocking in a number of markets also affected the performance of Baileys.

In this most difficult year I am particularly pleased that we have driven value from brand additions. Ketel One vodka, Zacapa rum and Rosenblum Cellars wine have all performed strongly. Each offers an example of Diageo's ability to develop relationships with those who have grown the brands – sometimes over long periods – and deploy Diageo expertise to advantage and grow the brands. These additions strengthen our business.

I am proud of the speed at which the organisation dealt with the new realities. We moved quickly to create a business which is well positioned to manage through these unpredictable times. The months to come will continue to be very challenging. But the considerable strengths demonstrated throughout this report give me great confidence. I believe that Diageo will continue to be resilient and that our business will emerge from the downturn still stronger.

Paul S Walsh
Chief executive