

DIAGEO

DIAGEO CAPITAL PLC

(INCORPORATED WITH LIMITED LIABILITY IN SCOTLAND
WITH REGISTERED NUMBER SC040795)

\$600,000,000 5.500% NOTES DUE 2016

\$1,000,000,000 1.500% NOTES DUE 2017

\$1,250,000,000 5.750% NOTES DUE 2017

\$650,000,000 1.125% NOTES DUE 2018

\$200,000,000 4.850% NOTES DUE 2018

\$696,000,000 4.828% NOTES DUE 2020

\$1,350,000,000 2.625% NOTES DUE 2023

\$600,000,000 5.875% NOTES DUE 2036

\$500,000,000 3.875% NOTES DUE 2043

EACH GUARANTEED AS TO THE PAYMENT OF PRINCIPAL AND INTEREST BY

DIAGEO PLC

(INCORPORATED WITH LIMITED LIABILITY IN ENGLAND AND WALES
WITH REGISTERED NUMBER 23307)

Diageo Capital plc (the "**Issuer**") has previously issued: (1) \$600,000,000 5.500% notes due 2016 (the "**2016 Notes**"); (2) \$1,000,000,000 1.500% notes due 2017 (the "**May 2017 Notes**"); (3) \$1,250,000,000 5.750% notes due 2017 (the "**October 2017 Notes**"); (4) \$650,000,000 1.125% notes due 2018 (the "**April 2018 Notes**"); (5) \$200,000,000 4.850% notes due 2018 (the "**May 2018 Notes**"); (6) \$696,000,000 4.828% notes due 2020 (the "**2020 Notes**"); (7) \$1,350,000,000 2.625% notes due 2023 (the "**2023 Notes**"); (8) \$600,000,000 5.875% notes due 2036 (the "**2036 Notes**"); and (9) \$500,000,000 3.875% notes due 2043 (the "**2043 Notes**"), with such Notes guaranteed by Diageo plc ("**Diageo**"). The 2016 Notes, May 2017 Notes, October 2017 Notes, April 2018 Notes, May 2018 Notes, 2020 Notes, 2023 Notes, 2036 Notes and 2043 Notes are referred to together as the "**Notes**" and each as a "**Series of Notes**".

The Notes have been issued under an indenture dated 3 August 1998 between the Issuer, Diageo and The Bank of New York Mellon (as successor trustee pursuant to an Agreement of Resignation, Appointment and Acceptance dated 16 October 2007 between, amongst others, the Issuer, Diageo, The Bank of New York and Citibank, N.A.) (the "**Indenture**").

This Prospectus comprises a prospectus for the purposes of Article 5.3 of Directive 2003/71/EC, as amended (including by Directive 2010/73/EU), and includes any relevant implementing measure in a relevant Member State of the European Economic Area (the "**Prospectus Directive**") and for the purpose of giving information with regard to the Issuer and Diageo (each an "**Obligor**" and together the "**Obligors**"), their respective subsidiaries, the Notes and the guarantee of the Notes given by Diageo, which, according to the particular nature of the Obligors and the Notes, is necessary to enable investors to make an informed assessment of the assets and liabilities, financial position, profit and losses and prospects of the Obligors and of the rights attaching to the Notes.

The Issuer has filed with the US Securities and Exchange Commission (the "**SEC**") a registration statement on Form F-3 relating to each Series of Notes which is the subject of this Prospectus under the US Securities

Act of 1933 (the "**US Securities Act**"). The Obligors are subject to certain requirements of the US Securities Act in respect of the Notes.

Following the issue of each Series of Notes, application was made to list such Series of Notes on the New York Stock Exchange. It is expected that all of the Notes will be delisted from the New York Stock Exchange in June 2016.

Application has been made to the Financial Conduct Authority in its capacity as the United Kingdom competent authority under the Financial Services and Markets Act 2000, as amended ("**FSMA**") (the "**UK Listing Authority**") for the Notes to be admitted to the Official List of the UK Listing Authority and to the London Stock Exchange plc (the "**London Stock Exchange**") for the Notes to be admitted to trading on the London Stock Exchange's regulated market. The London Stock Exchange's regulated market is a regulated market for the purposes of Directive 2004/39/EC.

The Notes have been issued in fully registered form in denominations of \$1,000 and integral multiples thereof. Each Series of Notes is represented by one or more global securities registered in the name of a nominee of The Depository Trust Company ("**DTC**"). Beneficial interests in the Notes are held through DTC and its participants, including Euroclear Bank S.A./N.V. ("**Euroclear**") and Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**"). See Part 5 ("*Provisions Relating to the Notes Whilst in Global Form*") of this Prospectus.

As at the date of this Prospectus, Diageo's long term senior debt ratings are A3 by Moody's Investors Service Ltd, A- by Standard & Poor's Credit Market Services Europe Limited, a division of the McGraw-Hill Companies Inc ("**Standard & Poor's**") and A- by Fitch Ratings Ltd ("**Fitch**"). Each of Standard & Poor's and Fitch is established in the European Union and is registered under Regulation (EC) No. 1060/2009 as amended (the "**CRA Regulation**"). Each Series of Notes has not been separately rated.

THIS DOCUMENT DOES NOT CONSTITUTE, AND MAY NOT BE USED FOR THE PURPOSES OF, AN OFFER TO SELL OR AN INVITATION OR THE SOLICITATION OF AN OFFER OR INVITATION TO SUBSCRIBE FOR OR BUY ANY NOTES BY ANY PERSON IN ANY JURISDICTION.

The date of this Prospectus is 24 May 2016.

Each Obligor accepts responsibility for the information contained in this Prospectus. To the best of the knowledge of each Obligor (who have taken all reasonable care to ensure that such is the case), the information contained in this Prospectus is in accordance with the facts and does not omit anything likely to affect the import of such information.

This Prospectus should be read and construed with any amendment or supplement hereto and with any other documents incorporated herein by reference (see "*Documents Incorporated by Reference*" below).

No person has been authorised by the Obligors to give any information or to make any representation not contained in or not consistent with this Prospectus or any information supplied by the Obligors or such other information as is in the public domain and, if given or made, such information or representation should not be relied upon as having been authorised by the Obligors.

The distribution of this Prospectus in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus comes are required by the Obligors to inform themselves about and to observe any such restrictions. Any failure to comply with these restrictions may constitute a violation of the securities laws of any such jurisdiction.

This Prospectus does not constitute an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by any of the Obligors that any recipient of this Prospectus should purchase any Notes. Each recipient of this Prospectus shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of each Obligor. This Prospectus may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction.

Each investor in any Notes must determine the suitability of that investment in light of its own circumstances. In particular, each investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the relevant Series of Notes, the merits and risks of investing in the relevant Series of Notes and the information contained or incorporated by reference in this Prospectus or any applicable supplement;
- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the relevant Series of Notes and the impact such investment will have on its overall investment portfolio;
- have sufficient financial resources and liquidity to bear all of the risks of an investment in the relevant Series of Notes, including where principal or interest is payable in one or more currencies, or where the currency for principal or interest payments is different from the potential investor's currency;
- understand thoroughly the terms of the relevant Series of Notes and be familiar with the behaviour of any relevant indices and financial markets; and
- be able to evaluate (either alone or with the help of a financial adviser) possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

The Notes are complex financial instruments and such instruments may be purchased as a way to reduce risk or enhance yield with an understood, measured, appropriate addition of risk to their overall portfolios. An investor should not invest in Notes which are complex financial instruments unless it has the expertise (either alone or with the help of a financial adviser) to evaluate how the Notes will perform under changing conditions, the resulting effects on the value of such Instruments and the impact this investment will have on the investor's overall investment portfolio.

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each investor in the Notes should consult its legal advisers to determine whether and to what extent: (i) the Notes are legal investments for it; (ii) the Notes can be used as collateral for various types of borrowing; and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Notes under any applicable risk-based capital or similar rules.

DOCUMENTS INCORPORATED BY REFERENCE

The following documents shall be deemed to be incorporated in, and to form part of, this Prospectus:

1. the audited annual financial statements (on a consolidated basis and including the auditor's report thereon and notes thereto) of Diageo in respect of the financial years ended 30 June 2015 (as set out at pages 85 to 139 of the Annual Report of Diageo for the year ended 30 June 2015 and 30 June 2014 (as set out at pages 84 to 138 of the Annual Report of Diageo for the year ended 30 June 2014));
2. the unaudited interim results of Diageo for the six months ended 31 December 2015;
3. the Annual Report on Form 20-F of Diageo in respect of the year ended 30 June 2015, excluding the exhibits set out at pages 261 to 262 therein referred to as being incorporated by reference; and
4. the Form 6-K filed with the U.S. Securities and Exchange Commission on 4 February 2016 relating to, *inter alia*, the unaudited interim results of Diageo for the six months ended 31 December 2015,

save that any statement contained in this Prospectus or in any of the documents incorporated by reference in, and forming part of, this Prospectus shall be deemed to be modified or superseded for the purpose of this Prospectus to the extent that a statement contained in any document subsequently incorporated by reference modifies or supersedes such statement provided that such modifying or superseding statement is made by way of supplement to the Prospectus pursuant to Article 16 of the Prospectus Directive.

Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The financial statements for Diageo as detailed in paragraph 1 were prepared in accordance with applicable law and International Financial Reporting Standards as adopted by the European Union ("IFRS").

The parts of the above mentioned documents which are not incorporated by reference into this Prospectus are either not relevant for investors or covered elsewhere in the Prospectus.

Copies of documents deemed to be incorporated by reference in this Prospectus may be obtained: (i) by a request in writing to the Issuer at its registered office as set out at the end of this Prospectus and marked for the attention of Company Secretariat; and (ii) from the website of the Regulatory News Service operated by the London Stock Exchange at: <http://www.londonstockexchange.com/exchange/news/market-news/market-news-home.html>.

FORWARD-LOOKING STATEMENTS

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to Diageo, anticipated cost savings or synergies, expected investments, the completion of Diageo's strategic transactions and restructuring programmes, anticipated tax rates, expected cash payments, outcomes of litigation, anticipated deficit reductions in relation to pension schemes and general economic conditions. By their nature, 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, among others, competitive pricing and activities, economic slowdown, industry consolidation, access to credit markets, recruitment levels, reputational risks, commodity prices, continued availability of raw materials, prioritisation of projects, consumption levels, costs, the ability to maintain and manage key customer relationships and supply chain sources, currency values, interest rates, the ability to integrate acquisitions and complete planned restructuring activities, physical risks, environmental risks, the ability to manage regulatory, tax and legal matters and resolve pending matters within current estimates, legislative, fiscal and regulatory developments, political, economic and social conditions in the geographic markets where the Obligors operate and new or changed priorities of the board of directors of each of the Obligors.

SUPPLEMENTAL PROSPECTUS

Each Obligor will, in the event of any significant new factor, material mistake or inaccuracy relating to information included in the Prospectus, prepare a further supplement to this Prospectus or publish a new Prospectus where required to do so by section 87G of FSMA.

PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references in this document to "U.S.\$", "\$" and "U.S. dollars" are to United States dollars, those to "Sterling" and "£" are to pounds sterling and those to "euro", "Euro", "€" and "EUR" are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Communities, as amended.

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PART 1: SUMMARY

Summaries are made up of disclosure requirements known as “**Elements**”. These Elements are numbered in Sections A – E (A.1 – E.7). This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements. Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of ‘Not applicable’.

Section A - Introduction and warnings	
A.1	This summary must be read as an introduction to this Prospectus. Any decision to invest in the Notes should be based on consideration of this Prospectus as a whole by the investor, including the documents incorporated by reference. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the national legislation of the EU Member States, have to bear the costs of translating this Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in such Notes.
A.2	Not applicable; consent will not be given by the Issuer for the use of this Prospectus for subsequent resale or final placement of securities by financial intermediaries.

Section B – The Issuer and the Guarantor		
B.1	Legal and commercial names	The issuer’s legal and commercial name is Diageo Capital plc (the “ Issuer ”). The guarantor’s legal and commercial name is Diageo plc (“ Diageo ”).
B.2	Domicile and legal form	The Issuer is a public limited company incorporated in Scotland on 10 August 1964 with registered number SC040795. Diageo is a public limited company incorporated in England and Wales on 21 October 1886 with registered number 23307.
B.4b	A description of any known trends affecting the Issuer and the Guarantor and the	The Issuer and Diageo operate in the global beverage alcohol industry. The global beverage alcohol market is large and diverse, with an estimated six billion equivalent units of alcohol sold each year, generating £300 billion of net sales. It is also one of the most regulated in the world, and beverage alcohol companies operate in the context of a range of stakeholder expectations and demands. However, there are

	industry in which they operate	no specific and known trends currently affecting the Issuer, Diageo and the industry in which they operate.																																							
B.5	Description of the Group	<p>Diageo's shares are admitted to listing on the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange.</p> <p>The Issuer is a wholly owned subsidiary of Diageo, hence all of its shares are owned by Diageo.</p>																																							
B.9	Profit forecasts or estimates	Not applicable; neither the Issuer nor Diageo has made any profit forecasts or estimates.																																							
B.10	Qualifications in the audit report	Not applicable; none of the audit reports on either the Issuer's or Diageo's consolidated financial statements for either of the financial years ended 30 June 2014 or 30 June 2015 included any qualifications.																																							
B.12	Selected historical key financial information of the Issuer and the Guarantor	<p>The following summary financial data as of, and for each of the financial years ended, 30 June 2014 and 30 June 2015 has been extracted, without any material adjustment, from the Issuer's audited consolidated financial statements in respect of those dates and/or relevant periods, as applicable. There has been no material adverse change in the prospects of the Issuer since the date of its last published audited financial statements and no significant change in the Issuer's financial condition and operating results subsequent to the period covered by the historical key financial information.</p> <p>Diageo Capital plc for the year ended 30 June</p> <p>Profit and loss account</p> <table> <thead> <tr> <th></th> <th style="text-align: right;">2015 <i>(audited)</i></th> <th style="text-align: right;">2014 <i>(audited)</i></th> </tr> <tr> <th></th> <th style="text-align: right;">_____</th> <th style="text-align: right;">_____</th> </tr> <tr> <th></th> <th colspan="2" style="text-align: center;"><i>£m</i></th> </tr> </thead> <tbody> <tr> <td>Interest income</td> <td style="text-align: right;">384</td> <td style="text-align: right;">323</td> </tr> <tr> <td>Interest expense</td> <td style="text-align: right;">(376)</td> <td style="text-align: right;">(325)</td> </tr> <tr> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>Net interest income/(expense)</td> <td style="text-align: right;">8</td> <td style="text-align: right;">(2)</td> </tr> <tr> <td>Other operating income</td> <td style="text-align: right;">8</td> <td style="text-align: right;">11</td> </tr> <tr> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>Profit on ordinary activities before taxation</td> <td style="text-align: right;">16</td> <td style="text-align: right;">9</td> </tr> <tr> <td>Taxation on profit on ordinary activities</td> <td style="text-align: right;">-</td> <td style="text-align: right;">(19)</td> </tr> <tr> <td></td> <td style="text-align: right;">_____</td> <td style="text-align: right;">_____</td> </tr> <tr> <td>Profit /(loss) for the financial year</td> <td style="text-align: right;">16</td> <td style="text-align: right;">(10)</td> </tr> </tbody> </table>		2015 <i>(audited)</i>	2014 <i>(audited)</i>		_____	_____		<i>£m</i>		Interest income	384	323	Interest expense	(376)	(325)		_____	_____	Net interest income/(expense)	8	(2)	Other operating income	8	11		_____	_____	Profit on ordinary activities before taxation	16	9	Taxation on profit on ordinary activities	-	(19)		_____	_____	Profit /(loss) for the financial year	16	(10)
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Balance sheet		
	2015	2014
	(audited)	(audited)
	_____	_____
	<i>£m</i>	
Total assets	6,749	5,814
Total liabilities	(6,708)	(5,751)
Shareholders' funds	(41)	(63)
<p>The following summary financial data as of, and for each of the financial years ended, 30 June 2014 and 30 June 2015 has been extracted, without any material adjustment, from Diageo's audited consolidated financial statements in respect of those dates and/or relevant periods, as applicable. There has been no material adverse change in the prospects of Diageo since the date of its last published audited financial statements and no significant change in Diageo's financial condition and operating results subsequent to the period covered by the historical key financial information.</p>		
Diageo plc for the year ended 30 June		
Selected Income Statement Data		
	2015	2014
	(audited)	(audited)
	_____	_____
	<i>£m</i>	
Net sales		
North America	3,455	3,444
Europe	2,617	2,814
Africa	1,415	1,430
Latin America and Caribbean	1,033	1,144
Asia Pacific	2,213	1,347
Corporate	80	79
Total net sales	10,813	10,258
Operating profit before exceptional items		
North America	1,448	1,460
Europe	804	853
Africa	318	340
Latin America and Caribbean	263	328
Asia Pacific	356	283
Corporate	(123)	(130)
Total operating profit before exceptionals	3,066	3,134
Exceptional items	(269)	(427)

		<table> <tbody> <tr> <td>Operating profit</td> <td>2,797</td> <td>2,707</td> </tr> <tr> <td>Non-operating items</td> <td>373</td> <td>140</td> </tr> <tr> <td>Net finance charges</td> <td>(412)</td> <td>(388)</td> </tr> <tr> <td>Share of after tax results of associates</td> <td>175</td> <td>252</td> </tr> <tr> <td></td> <td><hr/></td> <td><hr/></td> </tr> <tr> <td>Profit before taxation</td> <td>2,933</td> <td>2,711</td> </tr> <tr> <td>Taxation</td> <td>(466)</td> <td>(447)</td> </tr> <tr> <td>Profit from continuing operations</td> <td>2,467</td> <td>2,264</td> </tr> <tr> <td>Discontinued operations</td> <td>-</td> <td>(83)</td> </tr> <tr> <td></td> <td><hr/></td> <td><hr/></td> </tr> <tr> <td>Profit for the year</td> <td>2,467</td> <td>2,181</td> </tr> </tbody> </table> <p>Selected Balance Sheet Data</p> <table> <thead> <tr> <th></th> <th style="text-align: right;">2015</th> <th style="text-align: right;">2014</th> </tr> <tr> <th></th> <th style="text-align: right;">(audited)</th> <th style="text-align: right;">(audited)</th> </tr> <tr> <th></th> <th style="text-align: right;"><hr/></th> <th style="text-align: right;"><hr/></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: center;"><i>£m</i></td> </tr> <tr> <td>Total assets</td> <td style="text-align: right;">25,804</td> <td style="text-align: right;">22,964</td> </tr> <tr> <td>Total liabilities</td> <td style="text-align: right;">(16,548)</td> <td style="text-align: right;">(15,374)</td> </tr> <tr> <td>Total equity</td> <td style="text-align: right;">(9,256)</td> <td style="text-align: right;">(7,590)</td> </tr> </tbody> </table> <p>Selected Cash Flow Data</p> <table> <thead> <tr> <th></th> <th style="text-align: right;">2015</th> <th style="text-align: right;">2014</th> </tr> <tr> <th></th> <th style="text-align: right;">(audited)</th> <th style="text-align: right;">(audited)</th> </tr> <tr> <th></th> <th style="text-align: right;"><hr/></th> <th style="text-align: right;"><hr/></th> </tr> </thead> <tbody> <tr> <td></td> <td></td> <td style="text-align: center;"><i>£m</i></td> </tr> <tr> <td>Net cash from operating activities</td> <td style="text-align: right;">2,551</td> <td style="text-align: right;">1,790</td> </tr> <tr> <td>Net cash outflow from investing</td> <td style="text-align: right;">(894)</td> <td style="text-align: right;">(1,089)</td> </tr> <tr> <td>Net cash outflow from financing</td> <td style="text-align: right;">(1,734)</td> <td style="text-align: right;">(1,622)</td> </tr> <tr> <td>Net decrease in cash</td> <td style="text-align: right;">(77)</td> <td style="text-align: right;">(921)</td> </tr> </tbody> </table>	Operating profit	2,797	2,707	Non-operating items	373	140	Net finance charges	(412)	(388)	Share of after tax results of associates	175	252		<hr/>	<hr/>	Profit before taxation	2,933	2,711	Taxation	(466)	(447)	Profit from continuing operations	2,467	2,264	Discontinued operations	-	(83)		<hr/>	<hr/>	Profit for the year	2,467	2,181		2015	2014		(audited)	(audited)		<hr/>	<hr/>			<i>£m</i>	Total assets	25,804	22,964	Total liabilities	(16,548)	(15,374)	Total equity	(9,256)	(7,590)		2015	2014		(audited)	(audited)		<hr/>	<hr/>			<i>£m</i>	Net cash from operating activities	2,551	1,790	Net cash outflow from investing	(894)	(1,089)	Net cash outflow from financing	(1,734)	(1,622)	Net decrease in cash	(77)	(921)
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B.13	A description of any recent events relevant to the evaluation of the Issuer's and/or the Guarantor's solvency	Not applicable; there have been no recent events particular to the Issuer or Diageo which are to a material extent relevant to the evaluation of the Issuer's and/or Diageo's solvency.																																																																														
B.14	If the Issuer or the Guarantor is part of a group, a description of	Diageo's shares are admitted to listing on the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. The Issuer is a wholly owned subsidiary of Diageo, hence all of its shares are owned by Diageo.																																																																														

	the group and the Issuer's and the Guarantor's position within the group. If the Issuer or the Guarantor is dependent upon other entities within the group, this must be clearly stated	<p>Diageo is organised as a holding company, and substantially all of its operations are carried on through subsidiaries. Diageo had guaranteed a total of £8,966 million of debt as of 30 June 2015, as well as £311 million in lease payments. Diageo's ability to meet its financial obligations is dependent upon the availability of cash flows from its domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments. Diageo's subsidiaries are not guarantors of the Notes. Moreover, these subsidiaries and affiliated companies are not required and may not be able to pay dividends to Diageo. Claims of the creditors of Diageo's subsidiaries have priority as to the assets of such subsidiaries over the claims of Diageo.</p> <p>The Issuer's only material assets will be the obligations of other members of the Diageo Group to repay funds that it on-lends to them or the advance of funds from other members of the Diageo Group to it. Therefore, the Issuer is dependent on those other members of the Diageo Group to satisfy its obligations in full on a timely basis.</p>
B.15	A description of the Issuer's and the Guarantor's principal activities	<p>The principal activity of Diageo is to act as the ultimate holding company of the Diageo Group. The Diageo Group is engaged in the global beverage alcohol industry.</p> <p>The principal activity of the Issuer is to act as a financing company of the Diageo Group.</p>
B.16	Whether the Issuer is directly or indirectly owned or controlled	<p>Diageo's shares are admitted to listing on the Official List of the Financial Conduct Authority and to trading on the Main Market of the London Stock Exchange. The Issuer is directly owned and controlled by Diageo. Diageo holds the entire issued share capital of the Issuer.</p>
B.17	Credit ratings	<p>As at the date of this Prospectus, Diageo's long term senior debt ratings are A3 by Moody's Investors Service Ltd, A- by Standard & Poor's and A- by Fitch. Each of Standard & Poor's and Fitch is established in the European Union and is registered under the CRA Regulation. Each Series of Notes has not been separately rated.</p>
B.18	A description of the guarantee	<p>Diageo has fully and unconditionally guaranteed the payment of the principal of, premium, if any, and interest on the Notes, including any additional amounts which may be payable by the Issuer. Diageo guarantees the payment of such amounts when such amounts become due and payable, whether at the stated maturity of the Notes, by declaration or acceleration, call for redemption or otherwise.</p>

Section C – Securities		
C.1	Type and the class of the Notes	(1) \$600,000,000 5.500% notes due 2016 (ISIN: US25243YAJ82) (the “ 2016 Notes ”); (2) \$1,000,000,000 1.500% notes due 2017 (ISIN: US25243YAR09) (the “ May 2017 Notes ”); (3) \$1,250,000,000 5.750% notes due 2017 (ISIN: US25243YAM12) (the “ October 2017 Notes ”); (4) \$650,000,000 1.125% notes due 2018 (ISIN: US25243YAT64) (the “ April 2018 Notes ”); (5) \$200,000,000 4.850% notes due 2018 (ISIN: US25243EAF07) (the “ May 2018 Notes ”); (6) \$696,000,000 4.828% notes due 2020 (ISIN: US25243YAP43) (the “ 2020 Notes ”); (7) \$1,350,000,000 2.625% notes due 2023 (ISIN: US25243YAU38) (the “ 2023 Notes ”); (8) \$600,000,000 5.875% notes due 2036 (ISIN: US25243YAH27) (the “ 2036 Notes ”); and (9) \$500,000,000 3.875% notes due 2043 (ISIN: US25243YAV11) (the “ 2043 Notes ”), with such Notes guaranteed as to the payment of principal and interest by Diageo (together, the “ Notes ” and each a “ Series of Notes ”).
C.2	Currency of the Notes	The Notes are denominated in U.S. dollars.
C.5	Restrictions on the free transferability of the Notes	The Notes are freely transferable.
C.8	Rights attached to the Notes	<p><u>Status of the Notes and the Guarantee</u></p> <p>The Notes constitute unsecured and unsubordinated debt obligations of the Issuer. The Notes rank equally and without any preference between themselves. The guarantee of Diageo (the “Guarantee”) constitutes an unsecured and unsubordinated debt obligation of Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable. The payment obligations of the Issuer under the Notes and of Diageo shall, save for such exceptions as may be provided by applicable law, and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.</p> <p><u>Restrictions on Liens</u></p> <p>The Notes contain restrictions on liens. In general terms, a lien is a preferential right over a property as compared to other lenders, such as a mortgage. The Notes contain provisions which prohibit Diageo and restricted subsidiaries from becoming obligated on any new debt for borrowed money that is secured by a lien on any of its principal properties or on any shares of stock of any of its restricted subsidiaries, unless it grants an equivalent or higher-ranking lien on the same property to the direct holders of the Notes. This restriction does not apply if the amount of all debt that would be secured by liens on Diageo’s</p>

	<p>principal properties and the shares of stock of Diageo's restricted subsidiaries, excluding the debt secured by certain permitted liens, is less than 15% of Diageo's consolidated shareholders' equity. As at the date of this Prospectus, there are no such principal properties.</p> <p><u><i>Restrictions on Sales and Leasebacks</i></u></p> <p>The Notes contain restrictions on sales and leasebacks. A sale and leaseback transaction is an arrangement between Diageo or a restricted subsidiary and a lender or investor where Diageo or the restricted subsidiary leases a property that Diageo or the restricted subsidiary has owned for more than six months and has sold to a lender or investor or to any person to whom the lender or investor has advanced funds on the security of the principal property. Diageo or a restricted subsidiary is, subject to limited exceptions, prohibited from entering into any sale and leaseback transaction involving a principal property. As at the date of this Prospectus, there are no such principal properties.</p> <p><u><i>Events of Default</i></u></p> <p>An event of default generally refers to a breach by the Issuer or Diageo of certain provisions in the Indenture. Events of default under the Notes include non-payment of principal or interest when due, failing to deposit any sinking fund payment when due, breach of other covenants or obligations under the Notes or the other transaction documents and certain other events relating to insolvency and winding-up proceedings applicable to the Issuer and/or other members of the Diageo Group. Certain grace periods and thresholds apply before certain events will be deemed to have become an 'event of default' under the Indenture.</p> <p><u><i>Meetings of Noteholders</i></u></p> <p>The Notes contain provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders in respect of that Series of Notes, including holders in respect of that Series of Notes who did not attend and vote at the relevant meeting and holders of that Series of Notes who voted in a manner contrary to the majority.</p> <p><u><i>Governing Law</i></u></p> <p>New York law.</p>
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C.9	Rights attached to the Notes	<p><u><i>Interest Rates and Maturity Dates</i></u></p> <p>The fixed interest rates, maturity dates (unless previously redeemed or purchased and cancelled in accordance with the Indenture) and interest payment dates for the each Series of Notes are as follows:</p> <table border="1" data-bbox="570 411 1334 1503"> <thead> <tr> <th data-bbox="570 411 743 548">Series of Notes</th> <th data-bbox="743 411 917 548">Interest Rate (% per annum)</th> <th data-bbox="917 411 1122 548">Maturity Date</th> <th data-bbox="1122 411 1334 548">Interest Payment Dates</th> </tr> </thead> <tbody> <tr> <td data-bbox="570 548 743 653">2016 Notes</td> <td data-bbox="743 548 917 653">5.500</td> <td data-bbox="917 548 1122 653">30 September 2016</td> <td data-bbox="1122 548 1334 653">30 March and 20 September</td> </tr> <tr> <td data-bbox="570 653 743 758">May 2017 Notes</td> <td data-bbox="743 653 917 758">1.500</td> <td data-bbox="917 653 1122 758">11 May 2017</td> <td data-bbox="1122 653 1334 758">11 May and 11 November</td> </tr> <tr> <td data-bbox="570 758 743 863">October 2017 Notes</td> <td data-bbox="743 758 917 863">5.750</td> <td data-bbox="917 758 1122 863">23 October 2017</td> <td data-bbox="1122 758 1334 863">23 April and 23 October</td> </tr> <tr> <td data-bbox="570 863 743 968">April 2018 Notes</td> <td data-bbox="743 863 917 968">1.125</td> <td data-bbox="917 863 1122 968">29 April 2018</td> <td data-bbox="1122 863 1334 968">29 April and 29 October</td> </tr> <tr> <td data-bbox="570 968 743 1073">May 2018 Notes</td> <td data-bbox="743 968 917 1073">4.850</td> <td data-bbox="917 968 1122 1073">15 May 2018</td> <td data-bbox="1122 968 1334 1073">15 November and 15 May</td> </tr> <tr> <td data-bbox="570 1073 743 1178">2020 Notes</td> <td data-bbox="743 1073 917 1178">4.828</td> <td data-bbox="917 1073 1122 1178">15 July 2020</td> <td data-bbox="1122 1073 1334 1178">15 January and 15 July</td> </tr> <tr> <td data-bbox="570 1178 743 1283">2023 Notes</td> <td data-bbox="743 1178 917 1283">2.625</td> <td data-bbox="917 1178 1122 1283">29 April 2023</td> <td data-bbox="1122 1178 1334 1283">29 April and 29 October</td> </tr> <tr> <td data-bbox="570 1283 743 1388">2036 Notes</td> <td data-bbox="743 1283 917 1388">5.875</td> <td data-bbox="917 1283 1122 1388">30 September 2036</td> <td data-bbox="1122 1283 1334 1388">30 March and 30 September</td> </tr> <tr> <td data-bbox="570 1388 743 1503">2043 Notes</td> <td data-bbox="743 1388 917 1503">3.875</td> <td data-bbox="917 1388 1122 1503">29 April 2043</td> <td data-bbox="1122 1388 1334 1503">29 April and 29 October</td> </tr> </tbody> </table> <p><u><i>Optional Early Repayment by Issuer for Taxation Reasons</i></u></p> <p>In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts, the Notes may be repaid early at the option of the Issuer.</p>	Series of Notes	Interest Rate (% per annum)	Maturity Date	Interest Payment Dates	2016 Notes	5.500	30 September 2016	30 March and 20 September	May 2017 Notes	1.500	11 May 2017	11 May and 11 November	October 2017 Notes	5.750	23 October 2017	23 April and 23 October	April 2018 Notes	1.125	29 April 2018	29 April and 29 October	May 2018 Notes	4.850	15 May 2018	15 November and 15 May	2020 Notes	4.828	15 July 2020	15 January and 15 July	2023 Notes	2.625	29 April 2023	29 April and 29 October	2036 Notes	5.875	30 September 2036	30 March and 30 September	2043 Notes	3.875	29 April 2043	29 April and 29 October
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		<p><u>Optional Early Repayment by Issuer</u></p> <p>The Issuer has the right to redeem the Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus, depending on the Series of Notes, 10 to 20 basis points and accrued interest to the date of redemption.</p> <p><u>Indication of Yield</u></p> <p>On the basis of their asking price as at 20 May 2016, the yield to maturity of each Series of Notes on an annual basis was as follows:</p> <table border="1" data-bbox="570 863 1334 1570"> <thead> <tr> <th>Series of Notes</th> <th>Yield (%)</th> </tr> </thead> <tbody> <tr> <td>2016 Notes</td> <td>0.696</td> </tr> <tr> <td>May 2017 Notes</td> <td>0.972</td> </tr> <tr> <td>October 2017 Notes</td> <td>1.153</td> </tr> <tr> <td>April 2018 Notes</td> <td>1.299</td> </tr> <tr> <td>May 2018 Notes</td> <td>1.288</td> </tr> <tr> <td>2020 Notes</td> <td>1.885</td> </tr> <tr> <td>2023 Notes</td> <td>2.540</td> </tr> <tr> <td>2036 Notes</td> <td>3.926</td> </tr> <tr> <td>2043 Notes</td> <td>3.809</td> </tr> </tbody> </table> <p><u>Trustee</u></p> <p>The Bank of New York Mellon.</p>	Series of Notes	Yield (%)	2016 Notes	0.696	May 2017 Notes	0.972	October 2017 Notes	1.153	April 2018 Notes	1.299	May 2018 Notes	1.288	2020 Notes	1.885	2023 Notes	2.540	2036 Notes	3.926	2043 Notes	3.809
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C.10	Derivative component in the interest payment	Not applicable; the interest rate on the Notes is fixed and there is not a derivative component in the interest payments made in respect of the Notes. This means that the interest payments are not linked to specific market references, such as inflation, an index, a formula or otherwise.																				

C.11	Admission to trading	Application will be made to the UK Listing Authority for the Notes to be admitted to its Official List and to London Stock Exchange plc for such Notes to be admitted to trading on its regulated market. It is expected that admission will occur on or around 27 May 2016.
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Section D – Risks		
D.2	Key information on the key risks that are specific to the Issuer	<p>Diageo faces substantial competition from several international companies as well as local and regional companies in the countries in which it operates and competes with drinks companies across a wide range of consumer drinking occasions. Within a number of categories, industry consolidation or realignment is still possible. Consolidation is also taking place among Diageo's customers in many countries and increased competition by competitors or customers could lead to downward pressure on prices and/or a decline in Diageo's market share in any of these categories, adversely affecting Diageo's results and growth potential.</p> <p>The value of Diageo's brands and its profitability depends heavily on its ability to maintain its brand image and corporate reputation. Adverse publicity, whether or not justified, may tarnish Diageo's reputation and cause consumers to choose products offered by its competitors. Such adverse publicity could arise as a result of a perceived failure by Diageo to make adequate positive social contributions, including in relation to the level of taxes paid by Diageo, or by the failures of internal controls or compliance breaches leading to a breach of Diageo's Code of Business Conduct, its other key policies or of the laws or regulations in the jurisdictions in which it operates.</p> <p>Diageo's collection of brands includes some of the world's leading beverage alcohol brands as well as brands of local prominence. Maintaining Diageo's competitive position depends on its continued ability to offer products that have a strong appeal to consumers. Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, public health regulations, changes in travel, vacation or leisure activity patterns, weather effects and a downturn in economic conditions, which may reduce consumers' willingness to purchase premium branded products. Continued economic pressures could also lead to consumers selecting products at lower price points, whether Diageo's or those of its competitors, which may have an adverse effect on Diageo's profitability. The competitive position of Diageo's brands could also be affected adversely by any failure to achieve consistent, reliable quality in the product or in service levels to customers.</p> <p>The success of Diageo's brands depends upon the positive image that consumers have of those brands, and contamination, whether arising</p>

		<p>accidentally, or through deliberate third party action, or other events that harm the integrity of or consumer support for those brands, could adversely affect their sales. Diageo purchases most of the raw materials for the production and packaging of its products from third party producers or on the open market. Diageo may be subject to liability if contaminants in those raw materials or defects in the distillation, fermentation or bottling process lead to low beverage quality or illness among, or injury to, Diageo's consumers.</p> <p>Diageo's strategy is to focus on premium drinks and to grow its business through organic sales, operating profit growth and the acquisition of premium drinks brands that add value for shareholders. There can be no assurance that Diageo's strategic focus on premium drinks will result in opportunities for growth and improved margins. It is possible that the pursuit of this strategic focus on premium drinks could give rise to further business combinations, acquisitions, disposals, joint ventures and/or partnerships (including any associated financing or the assumption of actual or potential liabilities, depending on the transaction contemplated). There can be no assurance that any transaction will be completed or that any such transaction would deliver the anticipated benefits, cost savings or synergies. The success of any transaction will depend in part on Diageo's ability to successfully integrate new businesses with Diageo's existing operations and realise the anticipated benefits.</p>
D.3	<p>Key information on the key risks that are specific to the Notes</p>	<p>The Indenture contains provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders in respect of that Series of Notes, including holders in respect of that Series of Notes who did not attend and vote at the relevant meeting and holders of that Series of Notes who voted in a manner contrary to the majority.</p> <p>A market for the Notes may not develop, or may not be very liquid and such illiquidity may have a severely adverse effect on the market value of the Notes.</p> <p>The Notes bear a fixed rate of interest. Investment in fixed rate instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate instruments.</p> <p>The Notes are unsecured. The Notes are not subordinated to any of the Issuer or Diageo's other debt obligations and therefore they will rank equally with all of the Issuer and Diageo's other unsecured and unsubordinated indebtedness. As of 31 December 2015, £146 million of the Diageo Group's borrowings were secured by the assets of the Diageo Group. If the Issuer defaults on the Notes or Diageo defaults on its guarantee in respect of the Notes, or in the event of bankruptcy, liquidation or reorganisation, then, to the extent that the Issuer or Diageo have granted security over their assets, the assets that secure these</p>

		debts will be used to satisfy the obligations under that secured debt before the Issuer or Diageo could make payment on the Notes or the guarantee in respect of the Notes, respectively. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness.
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Section E – Offer		
E.2b	Reasons for the offer and use of proceeds	Not applicable; there is no offering of Notes or any other securities and accordingly the Issuer is not receiving any proceeds.
E.3	Terms and conditions of the offer	Not applicable; there is no offering of Notes or any other securities.
E.4	Interests material to the issue/offer	Not applicable; there is no offering of Notes or any other securities and accordingly there is no interest that is material to the issue/offer.
E.7	Expenses charged to the investor	Not applicable; no expenses will be charged to the investors.

PART 2: RISK FACTORS

The Obligors believe that the following factors may affect their ability to fulfil their respective obligations under the Notes. Most of these factors are contingencies which may or may not occur and the Obligors are not in a position to express a view on the likelihood of any such contingency occurring. In addition, risk factors which are specific to the Notes are also described below.

The Obligors believe that the factors described below represent the principal risks inherent in investing in the Notes, but the inability of the Obligors to pay interest, principal or other amounts on or in connection with the Notes may occur for other reasons and the Obligors do not represent that the statements below regarding the risks of holding any Notes are exhaustive. Investors should also read the detailed information set out elsewhere in this Prospectus and reach their own views prior to making any further investment decisions.

Investors should consider, among other things, the following risk factors.

1. BUSINESS RISK FACTORS

Diageo and its consolidated subsidiaries (the “**Diageo Group**”) believe the following to be the principal risks and uncertainties facing the Diageo Group. If any of these risks occur, the Diageo Group’s business, financial condition and performance could suffer and the trading price and liquidity of securities could decline.

In the ongoing uncertain economic environment, certain risks may gain more prominence either individually or when taken together. For example, demand for beverage alcohol products, in particular luxury or super premium products, may decrease with a reduction in consumer spending levels. Costs of operations may increase if inflation were to become prevalent, or upon an increase in the costs of raw materials. These conditions may also lead to intensified competition for market share, with potentially adverse effects on volume and prices. The financial and economic situation may have a negative impact on third parties with whom the Diageo Group does, or may do, business. Any of these factors may affect the group’s performance, financial condition and liquidity. The Diageo Group has taken and may take further steps to manage its business through this challenging economic environment and to position its business to benefit from economic recovery as and when that may occur in the markets in which the Diageo Group operates, but there can be no assurance that the steps taken will have the intended results.

The Diageo Group’s ability to fund its long term strategies may be adversely affected if there is an extended period of constraint in the capital markets, particularly the debt markets, at the same time that cash flows from the Diageo Group’s business are under pressure. Such developments may adversely affect shareholder returns or share price. Additionally, continued volatility in exchange rates used to translate foreign currencies into Sterling may have a significant impact on the Diageo Group’s reported results. Changes in the trustees’ valuations of the assets and liabilities of the Diageo Group’s pension plans may also increase pension funding requirements.

1.1 **The Diageo Group’s business may be adversely impacted by unfavourable economic conditions or political or other developments and risks in the countries in which it operates.**

The Diageo Group may be adversely affected by political, economic or social developments in any of the countries where it has distribution networks, production

facilities or marketing companies. The Diageo Group's business is dependent on general economic conditions in the United States, countries that form the European Union and other important markets.

If the economy in any of these markets does not recover as forecast, or if there is a significant deterioration in the economic conditions in any of the Diageo Group's important markets, including any resulting social unrest, reduction in consumer confidence and spending levels, customer destocking, the failure of customer, supplier or financial counterparties or a reduction in the availability of, or an increase in the cost of financing to, Diageo, it could have a material adverse effect on the Diageo Group's business and performance. Any such economic developments may lead to reduced economic growth and, in turn, reduced demand for the Diageo Group's products, in Europe and other markets in which the Diageo Group operates. This could have a material adverse effect on the Diageo Group's business.

The Diageo Group is headquartered in the United Kingdom and has significant production and investment in Scotland. Following the result of the Scottish independence referendum in 2014 and the UK general election in 2015, legislation to grant more devolved powers to the Scottish parliament has been introduced. Diageo will monitor the passage of this Bill. Amendments granting additional devolved powers may be proposed, and these could result in a further period of political uncertainty that may adversely affect the Diageo Group's business. Regarding Britain's place in Europe, by the end of 2017, the current government in the United Kingdom has undertaken to conduct a referendum on the UK's continued membership of the European Union. The UK's withdrawal from the EU would involve a sustained period of uncertainty and complexity which could have an adverse effect on our operations and profitability. In addition, the Diageo Group's operations are also subject to a variety of other risks and uncertainties related to trading in numerous foreign countries, including political or economic upheaval and the imposition of any import, investment or currency restrictions, including tariffs and import quotas or any restrictions on the repatriation of earnings and capital. Political and/or social unrest, potential health issues, natural disasters and terrorist threats and/or acts may also occur in various places around the world, which will have an impact on trade, tourism and travel. Many of these risks are heightened, or occur more frequently, in emerging markets. These disruptions can affect the Diageo Group's ability to import or export products and to repatriate funds, as well as affecting the levels of consumer demand (for example, in duty free outlets at airports or in on trade premises in affected regions) and therefore the Diageo Group's levels of sales or profitability. A substantial portion of the Diageo Group's operations, representing approximately 43% of the Diageo Group's net sales for the year ended 30 June 2015, are carried out in emerging markets. Emerging markets are also generally exposed to relatively higher risk of liquidity constraints, inflation, devaluation, price volatility, currency convertibility and sovereign default. Due to the Diageo Group's specific exposures, any or all of the aforementioned factors may affect Diageo disproportionately or in a different manner as compared to its competitors.

Part of the Diageo Group's growth strategy includes expanding its business in certain countries where consumer spending in general, and spending on the Diageo Group's products in particular, has not historically been as great but where there are strong prospects for growth. There is no guarantee that this strategy will be successful and some

of these markets represent a higher risk in terms of their changing regulatory environments and higher degree of uncertainty over levels of consumer spending

1.2 Demand for the Diageo Group's products may be adversely affected by many factors, including changes in consumer preferences and tastes and adverse impacts of a declining economy.

The Diageo Group's collection of brands includes some of the world's leading beverage alcohol brands as well as brands of local prominence. Maintaining the Diageo Group's competitive position depends on its continued ability to offer products that have a strong appeal to consumers. Consumer preferences may shift due to a variety of factors including changes in demographic and social trends, public health regulations, changes in travel, vacation or leisure activity patterns, weather effects and a downturn in economic conditions, which may reduce consumers' willingness to purchase premium branded products. Continued economic pressures could also lead to consumers selecting products at lower price points, whether the Diageo Group's or those of its competitors, which may have an adverse effect on the Diageo Group's profitability. The competitive position of the Diageo Group's brands could also be affected adversely by any failure to achieve consistent, reliable quality in the product or in service levels to customers.

In addition, the social acceptability of the Diageo Group's products may decline due to public concerns about alcohol promotion and consumption. These concerns could also result in regulatory action, litigation or customer complaints against companies in the industry and may have an adverse effect on the Diageo Group's profitability.

Growth in the Diageo Group's business has benefited from both the launch of new products and the creation of brand extensions and product innovation remains a significant element of the Diageo Group's growth plans. The launch and ongoing success of new products is inherently uncertain, especially as to their appeal to consumers. The failure to launch successfully a new product can give rise to inventory write-offs and other costs and can affect consumer perception and growth of an existing brand. There can be no assurance of the Diageo Group's continuing ability to develop and launch successful new products or variants of existing products or of the profitable lifespan of newly or recently developed products.

1.3 The Diageo Group is subject to litigation directed at the beverage alcohol industry and other litigation.

Companies in the beverage alcohol industry are, from time to time, exposed to class action or other litigation relating to alcohol advertising, product liability, alcohol abuse problems or health consequences from the misuse of alcohol. The Diageo Group may also be subject to litigation arising from legacy and discontinued activities, as well as other litigation in the ordinary course of its operations. Diageo is further subject to the risk of litigation by tax, customs and other regulatory authorities, including with respect to the methodology for assessing importation value, transfer pricing or compliance matters. Changes in the political and economic climate have resulted in an increased focus on tax collection in recent years and tax authorities are showing an increased appetite to challenge the methodology used by multinational enterprises, even where it is compliant with international best practice guidelines. Any such litigation may result in damages, penalties or fines as well as reputational damage to Diageo or its brands, and as a result,

the Diageo Group's business could be materially adversely affected. For additional information with respect to legal proceedings, see pages 68 to 73 of this Prospectus and note 18 to the consolidated financial statements of the Diageo Group.

1.4 Climate change, or legal, regulatory or market measures to address climate change, may negatively affect the Diageo Group's business or operations, and water scarcity or poor water quality could negatively impact the Diageo Group's production costs and capacity.

There is a growing concern that carbon dioxide and other so-called 'greenhouse' gases in the atmosphere may have an adverse impact on global temperatures, weather patterns and the frequency and severity of extreme weather and natural disasters. In the event that such climate change has a negative effect on agricultural productivity, Diageo may be subject to decreased availability or increased pricing for certain raw materials that are necessary for the Diageo Group's products, such as sugar, cereals, hops, agave and grapes. Water is the main ingredient in substantially all of the Diageo Group's products and it is also a limited resource in many parts of the world. As demand for water continues to increase, and as water becomes scarcer and the quality of available water deteriorates, Diageo may be affected by increasing production costs or capacity constraints, which could adversely affect the Diageo Group's operations and profitability.

1.5 An increase in the cost of raw materials or energy could affect the Diageo Group's profitability.

The components that Diageo uses for the production of its beverage products are largely commodities that are subject to price volatility caused by changes in global supply and demand, weather conditions, agricultural uncertainty and/or governmental controls. Commodity price changes may result in unexpected increases in the cost of raw materials, glass bottles, flavours and other packaging materials and the Diageo Group's beverage products. Diageo may also be adversely affected by shortages of such materials or by increases in energy costs resulting in higher transportation, freight and other operating costs. Diageo may not be able to increase its prices to offset these increased costs without suffering reduced volume, sales and operating profit.

1.6 Regulatory decisions and changes in the legal and regulatory environment could increase the Diageo Group's costs and liabilities or limit its business activities.

The Diageo Group's operations are subject to extensive regulatory requirements relating to production, distribution, importation, marketing, advertising, promotion, sales, pricing, labelling, packaging, product liability, labour, pensions, antitrust, compliance and control systems and environmental issues. Changes in laws, regulations or governmental or regulatory policies and/or practices could cause the Diageo Group to incur material additional costs or liabilities that could adversely affect its business. In particular, governmental bodies in countries where the Diageo Group operates may impose new labelling, product or production requirements, limitations on the marketing, advertising and/or promotion activities used to market beverage alcohol, restrictions on retail outlets, restrictions on importation and distribution or other restrictions on the locations or occasions where beverage alcohol is sold which directly or indirectly limit the sales of the Diageo Group products.

Regulatory authorities under whose laws the Diageo Group operates may also have enforcement power that can subject the group to actions such as product recall, seizure of products or other sanctions, which could have an adverse effect on its sales or damage its reputation. Any changes to the regulatory environment in which it operates could cause the Diageo Group to incur material additional costs or liabilities, which could adversely affect its performance.

Beverage alcohol products are also subject to national excise, import duty and other duties in most countries around the world. An increase in any such duties could have a significant adverse effect on the Diageo Group's sales revenue or margin, both through reducing overall consumption and by encouraging consumers to switch to lower taxed categories of beverage alcohol.

The Diageo Group's reported after tax income is calculated based on extensive tax and accounting requirements in each of its relevant jurisdictions of operation. Changes in tax law (including tax rates), accounting policies and accounting standards could materially reduce the Diageo Group's reported after tax income.

1.7 The Diageo Group is subject to increasing costs of monitoring and maintaining compliance with anti-corruption laws; and a breach of such laws or of the Diageo Group's related internal policies may have a material adverse effect on its business.

Certain countries in which the Diageo Group operates are reported to have high levels of corruption. There is increasing scrutiny and enforcement by regulators in many jurisdictions of anti-bribery laws including the US Foreign Corrupt Practices Act and the UK Bribery Act. This oversight has been enhanced by applicable regulations in the United States, which offer substantial financial rewards to whistleblowers for reporting information that leads to monetary fines. While the Diageo Group has implemented and maintains internal practices, procedures and controls designed to ensure compliance with anti-bribery legislation and routinely conducts investigations, either at its own initiative or in response to requests from regulators in connection with compliance with such internal controls, there is no guarantee that such procedures will be effective in preventing compliance failures at Diageo.

Any investigations and lawsuits, regardless of the ultimate outcome of the proceeding, are time consuming and expensive and can divert the time and effort of the Diageo Group's personnel, including senior management, from its business. Adverse publicity, governmental scrutiny and legal and enforcement proceedings can also have a negative impact on its reputation and on the morale and performance of its employees. To the extent that violations of the Diageo Group's policies and procedures are found, possible regulatory sanctions and fines and other consequences may also be material.

1.8 The value of the Diageo Group's brands and its net sales may be negatively affected by its failure to maintain its brand image and corporate reputation.

The value of the Diageo Group's brands and its profitability depends heavily on its ability to maintain its brand image and corporate reputation. Adverse publicity, whether or not justified, may tarnish the Diageo Group's reputation and cause consumers to choose products offered by its competitors. Such adverse publicity could arise as a result of a

perceived failure by the Diageo Group to make adequate positive social contributions, including in relation to the level of taxes paid by Diageo, or by the failures of internal controls or compliance breaches leading to a breach of the Diageo Group's Code of Business Conduct, its other key policies or of the laws or regulations in the jurisdictions in which it operates. The Diageo Group also maintains an online presence as part of its business operations. The Diageo Group's reputation may suffer if it is perceived to fail to appropriately restrict access to its online content or if it breaches any marketing regulation, code or policy. In addition, the proliferation of new methods of mass communication facilitated by the internet makes it easier for false or unfounded allegations to adversely affect the Diageo Group's brand image and reputation, which may in turn affect the Diageo Group's profitability.

1.9 The Diageo Group faces competition that may reduce its market share and margins.

The Diageo Group faces substantial competition from several international companies as well as local and regional companies in the countries in which it operates and competes with drinks companies across a wide range of consumer drinking occasions. Within a number of categories, industry consolidation or realignment is still possible. Consolidation is also taking place among the Diageo Group's customers in many countries and increased competition by competitors or customers could lead to downward pressure on prices and/or a decline in the Diageo Group's market share in any of these categories, adversely affecting Diageo's results and growth potential.

1.10 The Diageo Group may not be able to derive the expected benefits from its strategy to focus on premium drinks or from its acquisitions or cost saving and restructuring programmes designed to enhance earnings.

The Diageo Group's strategy is to focus on premium drinks and to grow its business through organic sales, operating profit growth and the acquisition of premium drinks brands that add value for shareholders.

There can be no assurance that the Diageo Group's strategic focus on premium drinks will result in opportunities for growth and improved margins.

It is possible that the pursuit of this strategic focus on premium drinks could give rise to further business combinations, acquisitions, disposals, joint ventures and/or partnerships (including any associated financing or the assumption of actual or potential liabilities, depending on the transaction contemplated). There can be no assurance that any transaction will be completed or that any such transaction would deliver the anticipated benefits, cost savings or synergies. The success of any transaction will depend in part on the Diageo Group's ability to successfully integrate new businesses with its existing operations and realise the anticipated benefits. The current and ongoing issues in USL detailed in note 18 to the consolidated financial statements of the Diageo Group provide an example of integration challenges.

Similarly, there can be no assurance that the cost saving or restructuring programmes implemented by the Diageo Group in order to improve efficiencies and deliver cost savings will deliver the expected benefits. The Diageo Group continues to undertake change programmes designed to improve the effectiveness and efficiency of end-to-end

operations, including changes to organisational structures, business processes and business systems. Disruption caused to business processes as a result of such change which could impact Diageo Group operations and lead to adverse customer or consumer reaction. There may also be a risk of impairment charges on goodwill or other intangible assets and failure to meet financial targets.

1.11 Contamination, counterfeiting or other events could harm the integrity of customer support for the Diageo Group's brands and adversely affect the sales of those brands.

The success of the Diageo Group's brands depends upon the positive image that consumers have of those brands, and contamination, whether arising accidentally, or through deliberate third party action, or other events that harm the integrity of, or consumer support for, those brands, could adversely affect their sales. The Diageo Group purchases most of the raw materials for the production and packaging of its products from third party producers or on the open market. The Diageo Group may be subject to liability if contaminants in those raw materials or defects in the distillation, fermentation or bottling process lead to low beverage quality or illness among, or injury to, the Diageo Group's consumers.

Diageo may recall products in the event of contamination or damage. A significant product liability judgment or a widespread product recall may negatively impact sales and profitability of the affected brand or all the Diageo Group brands for a period of time depending on product availability, competitive reaction and consumer attitudes. Even if a product liability claim is unsuccessful or is not fully pursued, any resulting negative publicity could adversely affect the Diageo Group's reputation with existing and potential customers and its corporate and brand image.

Additionally, third parties may sell products which are either counterfeit versions of the Diageo Group brands or inferior brands that look like the Diageo Group brands, and consumers of the Diageo Group brands could confuse the Diageo Group products with them. A bad consumer experience with such a product could cause them to refrain from purchasing the Diageo Group brands in the future and in turn could impair brand equity, adversely affecting the Diageo Group's business.

1.12 The Diageo Group's operating results may be adversely affected by increased costs or shortages of talent.

The Diageo Group's operating results could be adversely affected by labour or skill shortages or increased labour costs due to increased competition for employees, higher employee turnover or increased employee benefit costs. The Diageo Group's success is dependent on the capability of its employees. There is no guarantee that the Diageo Group will continue to be able to recruit, retain and develop the capabilities that it requires to deliver its strategy, for example in relation to sales, marketing and innovation capability within markets, or in its senior management. The loss of senior management or other key personnel or the inability to identify, attract and retain qualified personnel in the future could make it difficult to manage the business and could adversely affect the Diageo Group's operations and financial results.

1.13 The Diageo Group's operating results may be adversely affected by disruption to production facilities, business service centres or information systems.

The Diageo Group would be affected if there was a catastrophic failure of its major production facilities or business service centres. The Diageo Group operates production facilities around the world. If there was a technical failure in the Diageo Group's production facilities, or fire or explosion at one of the Diageo Group's production facilities, it could result in damage to the facilities, plant or equipment, their surroundings and/or the local environment. Such an event could lead to a loss in production capacity, or could result in regulatory action, legal liability or damage to the Diageo Group's reputation.

The Diageo Group has a substantial inventory of aged product categories, principally Scotch whisky and Canadian whisky, which may mature over periods of up to 30 years or more. The maturing inventory is stored primarily in Scotland, and the loss through contamination, fire or other natural disaster of all or a portion of the stock of any one of those aged product categories could result in a significant reduction in supply of those products and, consequently, the Diageo Group would not be able to meet consumer demand for those products as it arises. There can be no assurance that insurance proceeds would cover the replacement value of the Diageo Group's maturing inventory or other assets, were such assets to be lost due to contamination, fire or natural disasters or destruction resulting from negligence or the acts of third parties. In addition, there is an inherent risk of forecasting error in determining the quantity of maturing stock to lay down in a given year for future consumption. A forecasting error could lead to the Diageo Group being unable to meet future demand or lead to a future surplus of inventory and consequent write down in value of maturing stocks.

Any failure of information systems or Diageo's data infrastructure could adversely impact the Diageo Group's ability to operate. As with all large systems, the Diageo Group's information systems could be penetrated by outside parties intent on extracting information, corrupting information or disrupting business processes. Such unauthorised access could disrupt the Diageo Group's business and/or lead to loss of assets or to outside parties having access to confidential information, including privileged data or strategic information of the Diageo Group and its employees, customers and consumers, or to making such information public in a manner that harms the Diageo Group's reputation. The concentration of processes in business service centres also means that any sustained disruption to the facility or issue impacting the reliability of the information systems used could impact a large portion of the Diageo Group's business operations and in some circumstances, could result in property damage, breaches of regulations, litigation, legal liabilities and reparation costs.

1.14 Diageo's operations and financial results may be adversely affected by movements in the value of its pension funds, fluctuations in exchange rates and fluctuations in interest rates.

Diageo has significant pension funds. These funds may be affected by, among other things, the performance of assets owned by these plans, the underlying actuarial assumptions used to calculate the surplus or deficit in the plans, in particular the discount rate and long term inflation rates used to calculate the liabilities of the pension funds, and any changes in applicable laws and regulations. If there are significant declines in

financial markets and/or deterioration in the value of fund assets or changes in discount rates or inflation rates, Diageo may need to make significant contributions to the pension funds in the future.

Furthermore, if the market values of the assets held by Diageo's pension funds decline, or if the valuations of those assets by the pension trustees decline, pension expenses may increase which, as a result, could materially adversely affect Diageo's financial position. There is no assurance that interest rates or inflation rates will remain constant or that pension fund assets can earn the assumed rate of return annually; Diageo's actual experience may be significantly more negative than the assumptions used.

Diageo may be adversely affected by fluctuations in exchange rates. In particular, any redenomination of the euro or its constituent parts could materially adversely affect Diageo. The results of operations of Diageo are accounted for in Sterling. Approximately 30% of Diageo's net sales in the year ended 30 June 2015 were in U.S. dollars, approximately 11% were in euros and approximately 16% were in Sterling. Movements in exchange rates used to translate foreign currencies into Sterling may have a significant impact on Diageo's reported results of operations from year to year. Diageo may also be adversely impacted by fluctuations in interest rates, mainly through an increased interest expense.

1.15 The Diageo Group's operations may be adversely affected by failure to maintain or renegotiate distribution, supply, manufacturing or licence agreements on favourable terms.

The Diageo Group's business has a number of distribution, supply, manufacturing or licence agreements for brands owned by it or by other companies. These agreements vary depending on the particular brand, but tend to be for a fixed number of years. There can be no assurance that the Diageo Group will be able to renegotiate its rights on favourable terms when these agreements expire or that they will not be terminated. Failure to renew these agreements on favourable terms could have an adverse impact on the Diageo Group's sales and operating profit. In addition, the Diageo Group's sales and operating profit may be adversely affected by any disputes with distributors of its products or with suppliers of raw materials.

1.16 The Diageo Group may not be able to protect its intellectual property rights.

Given the importance of brand recognition to its business, the Diageo Group has invested considerable effort in protecting its intellectual property rights, including trademark registration and domain names. The Diageo Group's patents cover some of its process technology, including some aspects of its bottle marking technology. The Diageo Group also uses security measures and agreements to protect its confidential information and trade secrets. However, the Diageo Group cannot be certain that the steps it has taken will be sufficient or that third parties will not infringe on or misappropriate its intellectual property rights in its brands or products. Moreover, some of the countries in which the Diageo Group operates offer less intellectual property protection than Europe or North America. Given the attractiveness of the Diageo Group's brands to consumers, it is not uncommon for counterfeit products to be manufactured and traded. The Diageo Group cannot be certain that the steps it takes to assist the authorities to prevent, detect and eliminate counterfeit products will be effective in preventing material loss of profits or

erosion of brand equity resulting from lower quality or even dangerous counterfeit products reaching the market. If the Diageo Group is unable to protect its intellectual property rights against infringement or misappropriation, this could materially harm its future financial results and ability to develop its business.

2. RISKS RELATED TO THE NOTES GENERALLY

Set out below is a brief description of certain risks relating to the Notes generally.

2.1 Because Diageo is a holding company and currently conducts its operations through subsidiaries, your right to receive payments on the guarantee in respect of the Notes is subordinated to the other liabilities of Diageo's subsidiaries.

Diageo is organized as a holding company, and substantially all of its operations are carried on through subsidiaries. Diageo had guaranteed a total of £8,966 million of debt as of 30 June 2015, as well as £311 million in lease payments. Diageo's ability to meet its financial obligations is dependent upon the availability of cash flows from its domestic and foreign subsidiaries and affiliated companies through dividends, intercompany advances, management fees and other payments. Diageo's subsidiaries are not guarantors of the Notes. Moreover, these subsidiaries and affiliated companies are not required and may not be able to pay dividends to Diageo. Claims of the creditors of Diageo's subsidiaries have priority as to the assets of such subsidiaries over the claims of Diageo. Consequently, in the event of insolvency of Diageo, the claims of holders of the Notes would be structurally subordinated to the prior claims of the creditors of subsidiaries of Diageo.

In addition, some of Diageo's subsidiaries are subject to laws restricting the amount of dividends they may pay. For example, subsidiaries of Diageo incorporated under the laws of England and Wales may be restricted by law in their ability to declare dividends due to failure to meet requirements tied to net asset levels or distributable profits.

2.2 Because the Notes are unsecured, your right to receive payments may be adversely affected.

The Notes are unsecured. The Notes are not subordinated to any of the Issuer or Diageo's other debt obligations and therefore they will rank equally with all of the Issuer and Diageo's other unsecured and unsubordinated indebtedness. As of 31 December 2015, £146 million of the Diageo Group's borrowings were secured by the assets of the Diageo Group. If the Issuer defaults on the Notes or Diageo defaults on its guarantee in respect of the Notes, or in the event of bankruptcy, liquidation or reorganisation, then, to the extent that the Issuer or Diageo have granted security over their assets, the assets that secure these debts will be used to satisfy the obligations under that secured debt before the Issuer or Diageo could make payment on the Notes or the guarantee in respect of the Notes, respectively. If there is not enough collateral to satisfy the obligations of the secured debt, then the remaining amounts on the secured debt would share equally with all unsubordinated unsecured indebtedness.

2.3 Your rights as a holder of Notes may be inferior to the rights of holders of a different Series of Notes issued pursuant to the Indenture.

The Notes are governed by the Indenture. The Issuer may issue as many distinct series of debt securities under the Indenture as it wishes. The Issuer may also issue a series of debt securities under the Indenture that provides holders with rights superior to the rights already granted or that may be granted in the future to holders of another series (including any Series of Notes).

2.4 Should the Issuer default on the Notes, or should Diageo default on its guarantee in respect of the Notes, your right to receive payments on such Notes or guarantee may be adversely affected by applicable insolvency laws.

Diageo is incorporated under the laws of England and Wales and the Issuer is incorporated under the laws of Scotland. Accordingly, insolvency proceedings with respect to Diageo or the Issuer are likely to proceed under, and be governed by, UK insolvency law. The procedural and substantive provisions of such insolvency laws are generally more favourable to secured creditors than comparable provisions of United States law. These provisions afford debtors and unsecured creditors only limited protection from the claims of secured creditors and it will generally not be possible for Diageo, the Issuer or other unsecured creditors to prevent or delay the secured creditors from enforcing their security to repay the debts due to them under the terms that such security was granted.

2.5 Modification and waivers.

The Indenture contains provisions for calling meetings of holders of Notes to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders in respect of that Series of Notes, including holders in respect of that Series of Notes who did not attend and vote at the relevant meeting and holders of that Series of Notes who voted in a manner contrary to the majority.

2.6 Change of law.

The Indenture and the relevant terms and conditions of the Notes are based on New York law in effect as at the date of issue of the relevant Series of Notes. No assurance can be given as to the impact of any possible judicial decision or change to New York law or administrative practice after the date of issue of the relevant Series of Notes.

2.7 Other parties.

The Issuer and Diageo may be a party to contracts with a number of other third parties that have agreed to perform services in relation to the Notes. For example, a paying agent has agreed to provide payment and calculation services in connection with the Notes.

3. RISKS RELATED TO THE MARKET GENERALLY

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

3.1 The secondary market generally.

The Notes may have no established trading market, and one may never develop. If a market does develop, it may not be liquid. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of securities generally would have a more limited secondary market and more price volatility than conventional debt securities. Illiquidity may have an adverse effect on the market value of any or all of the Notes.

3.2 Exchange rate risks and exchange controls.

The Issuer will pay principal and interest on the Notes, and Diageo will make any payments under the guarantee in respect of the Notes, in U.S. dollars (the “**Currency**”). This presents certain risks relating to currency conversions if an investor’s financial activities are denominated principally in a currency or currency unit (the “**Investor’s Currency**”) other than the Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Currency or revaluation of the Investor’s Currency) and the risk that authorities with jurisdiction over the Investor’s Currency may impose or modify exchange controls. An appreciation in the value of the Investor’s Currency relative to the Currency would decrease: (i) the Investor’s Currency equivalent yield on the Notes; (ii) the Investor’s Currency equivalent value of the principal payable on the Notes; and (iii) the Investor’s Currency equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

3.3 Interest rate risks.

The Notes bear a fixed rate of interest. Investment in fixed rate instruments involves the risk that subsequent changes in market interest rates may adversely affect the value of fixed rate instruments.

3.4 Credit ratings may not reflect all risks.

One or more independent credit rating agencies may assign credit ratings to one or more Series of Notes. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of that Series of Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be suspended, reduced or withdrawn by the rating agency at any time. Each rating should be evaluated independently of any other rating.

PART 3: OVERVIEW OF EACH SERIES OF NOTES

The following is a brief overview of the key terms of each Series of Notes only and should be read in conjunction with the rest of this Prospectus, including "Risk Factors", for a discussion of certain factors to be considered in connection with Notes.

1. 2016 Notes

Aggregate Principal Amount:	\$600,000,000.
Issue Date:	28 September 2006.
Issuer:	Diageo Capital plc.
Guarantee:	The 2016 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	30 September 2016.
Interest Rate:	5.500% per annum (fixed).
Interest Payment Dates:	30 March and 30 September of each year, commencing on 30 March 2007.
Optional Redemption:	The Issuer has the right to redeem the 2016 Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points and accrued interest to the date of redemption.
Ranking:	The 2016 Notes and the guarantee of the 2016 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and</i>

	<i>Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the 2016 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes.
Record Dates:	Every 15 March and 15 September.
Trustee and Principal Paying Agent:	The Bank of New York Mellon.
Further Issues:	The Issuer may, without the consent of the holders of the 2016 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the 2016 Notes, except for the price to the public and issue date. Any such additional notes, together with the 2016 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

2. May 2017 Notes

Aggregate Principal Amount:	\$1,000,000,000.
Issue Date:	11 May 2012.
Issuer:	Diageo Capital plc.
Guarantee:	The May 2017 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	11 May 2017.
Interest Rate:	1.500% per annum (fixed).
Interest Payment Dates:	11 May and 11 November of each year, commencing on 11 November 2012.
Optional Redemption:	The Issuer has the right to redeem the May 2017 Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points and accrued interest to the date of redemption.
Ranking:	The May 2017 Notes and the guarantee of the May 2017 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the May 2017 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes.
Record Dates:	Every 27 April and 27 October.

Trustee and Principal Paying Agent:	The Bank of New York Mellon, London Branch.
Further Issues:	The Issuer may, without the consent of the holders of the May 2017 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the May 2017 Notes, except for the price to the public and issue date. Any such additional notes, together with the May 2017 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

3. October 2017 Notes

Aggregate Principal Amount:	\$1,250,000,000.
Issue Date:	26 October 2007 in respect of an initial principal amount of \$1,000,000,000. A further \$250,000,000 in aggregate principal amount of October 2017 Notes were subsequently issued by way of a tap issue on 12 December 2007 (on the same terms as the initial October 2017 Notes, other than the price to public and issue date).
Issuer:	Diageo Capital plc.
Guarantee:	The October 2017 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	23 October 2017.
Interest Rate:	5.750% per annum (fixed).
Interest Payment Dates:	23 April and 23 October of each year, commencing on 23 April 2008.
Optional Redemption:	The Issuer has the right to redeem the October 2017 Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 20 basis points and accrued interest to the date of redemption.
Ranking:	The October 2017 Notes and the guarantee of the October 2017 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the October 2017 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes.

Record Dates:	Every 15 October and 15 April.
Trustee and Principal Paying Agent:	The Bank of New York Mellon.
Further Issues:	The Issuer may, without the consent of the holders of the October 2017 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the October 2017 Notes, except for the price to the public and issue date. Any such additional notes, together with the October 2017 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

4. April 2018 Notes

Aggregate Principal Amount:	\$650,000,000.
Issue Date:	29 April 2013.
Issuer:	Diageo Capital plc.
Guarantee:	The April 2018 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	29 April 2018.
Interest Rate:	1.125% per annum (fixed).
Interest Payment Dates:	29 April and 29 October of each year, commencing on 29 October 2013.
Optional Redemption:	The Issuer has the right to redeem, in whole or in part, the April 2018 Notes at any time and from time to time, at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 10 basis points and accrued interest to the date of redemption.
Ranking:	The April 2018 Notes and the guarantee of the April 2018 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the April 2018 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes, including the repayment of maturing long-term debt and outstanding commercial paper.
Record Dates:	Every 15 April and 15 October.

Trustee and Principal Paying Agent:	The Bank of New York Mellon, London Branch.
Further Issues:	The Issuer may, without the consent of the holders of the April 2018 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the April 2018 Notes, except for the price to the public and issue date. Any such additional notes, together with the April 2018 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

5. May 2018 Notes

Aggregate Principal Amount:	\$200,000,000.
Issue Date:	2 May 2003.
Issuer:	Diageo Capital plc.
Guarantee:	The May 2018 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	15 May 2018.
Interest Rate:	4.850% per annum (fixed).
Interest Payment Dates:	15 November and 15 May of each year, commencing on 15 November 2003.
Optional Redemption:	Not applicable.
Ranking:	The May 2018 Notes and the guarantee of the May 2018 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the May 2018 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes.
Record Dates:	Every 1 May and 1 November.
Trustee and Principal Paying Agent:	The Bank of New York Mellon.
Further Issues:	The Issuer may, without the consent of the holders of the May 2018 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the May 2018 Notes, except for the price to the public and issue date. Any such additional notes, together with the May 2018 Notes, will constitute a single series of such securities under the Indenture. There

	is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

6. 2020 Notes

Aggregate Principal Amount:	\$696,000,000.
Issue Date:	14 May 2010.
Issuer:	Diageo Capital plc.
Guarantee:	The 2020 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	15 July 2020.
Interest Rate:	4.828% per annum (fixed).
Interest Payment Dates:	15 January and 15 July of each year, commencing on 15 January 2011.
Optional Redemption:	The Issuer has the right to redeem the 2020 Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points and accrued interest to the date of redemption.
Ranking:	The 2020 Notes and the guarantee of the 2020 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the 2020 Notes for redemption prior to maturity.
Use of Proceeds:	Not applicable: the 2020 Notes were issued to tendering bondholders in settlement of an exchange offer in respect of certain notes of the Issuer.

Record Dates:	Every 1 January and 1 July.
Trustee and Principal Paying Agent:	The Bank of New York Mellon.
Further Issues:	The Issuer may, without the consent of the holders of the 2020 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the 2020 Notes, except for the price to the public and issue date. Any such additional notes, together with the 2020 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

7. 2023 Notes

Aggregate Principal Amount:	\$1,350,000,000.
Issue Date:	29 April 2013.
Issuer:	Diageo Capital plc.
Guarantee:	The 2023 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	29 April 2023.
Interest Rate:	2.625% per annum (fixed).
Interest Payment Dates:	29 April and 29 October of each year, commencing on 29 October 2013.
Optional Redemption:	The Issuer has the right to redeem, in whole or in part, the 2023 Notes at any time and from time to time prior to 29 January 2023 (the date that is three months prior to the maturity date of the 2023 Notes), at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points and accrued interest to the date of redemption.
Ranking:	The 2023 Notes and the guarantee of the 2023 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the 2023 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes, including the repayment of maturing long-term debt and outstanding commercial paper.

Record Dates:	Every 15 April and 15 October.
Trustee and Principal Paying Agent:	The Bank of New York Mellon, London Branch.
Further Issues:	The Issuer may, without the consent of the holders of the 2023 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the 2023 Notes, except for the price to the public and issue date. Any such additional notes, together with the 2023 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

8. 2036 Notes

Aggregate Principal Amount:	\$600,000,000.
Issue Date:	28 September 2006.
Issuer:	Diageo Capital plc.
Guarantee:	The 2036 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	30 September 2036.
Interest Rate:	5.875% per annum (fixed).
Interest Payment Dates:	30 March and 30 September of each year, commencing on 30 March 2007.
Optional Redemption:	The Issuer has the right to redeem the 2036 Notes, in whole or in part, at any time and from time to time at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 20 basis points and accrued interest to the date of redemption.
Ranking:	The 2036 Notes and the guarantee of the 2036 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the 2036 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes.
Record Dates:	Every 15 March and 15 September.

Trustee and Principal Paying Agent:	The Bank of New York Mellon.
Further Issues:	The Issuer may, without the consent of the holders of the 2036 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the 2036 Notes, except for the price to the public and issue date. Any such additional notes, together with the 2036 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

9. 2043 Notes

Aggregate Principal Amount:	\$500,000,000.
Issue Date:	29 April 2013.
Issuer:	Diageo Capital plc.
Guarantee:	The 2043 Notes are guaranteed by Diageo as to the payment of principal, premium (if any) and interest, including any additional amounts that may be payable.
Maturity Date:	29 April 2043.
Interest Rate:	3.875% per annum (fixed).
Interest Payment Dates:	29 April and 29 October of each year, commencing on 29 October 2013.
Optional Redemption:	The Issuer has the right to redeem, in whole or in part, the 2043 Notes at any time and from time to time prior to 29 October 2042 (the date that is six months prior to the maturity date of the 2043 Notes), at a redemption price equal to the greater of: (1) 100% of the principal amount of such notes plus accrued interest to the date of redemption; and (2) as determined by the quotation agent, the sum of the present values of the remaining scheduled payments of principal and interest on such notes (excluding any portion of such payments of interest accrued as of the date of redemption) discounted to the redemption date on a semi-annual basis (assuming a 360-day year consisting of twelve 30-day months) at the adjusted treasury rate, plus 15 basis points and accrued interest to the date of redemption.
Ranking:	The 2043 Notes and the guarantee of the 2043 Notes constitute unsecured and unsubordinated indebtedness of the Issuer and Diageo (respectively) and rank equally with all other unsecured and unsubordinated indebtedness of the Issuer and Diageo from time to time outstanding.
Tax Redemption:	Applicable. In the event of various tax law changes and other limited circumstances that require the Issuer or Diageo to pay additional amounts as described further under " <i>Description of the Terms and Conditions of the Notes</i> ", the Issuer may call all, but not less than all, of the 2043 Notes for redemption prior to maturity.
Use of Proceeds:	General corporate purposes, including the repayment of maturing long-term debt and outstanding commercial paper.

Record Dates:	Every 15 April and 15 October.
Trustee and Principal Paying Agent:	The Bank of New York Mellon, London Branch.
Further Issues:	The Issuer may, without the consent of the holders of the 2043 Notes, issue additional notes having the same ranking and same interest rate, maturity date, redemption terms and other terms as the 2043 Notes, except for the price to the public and issue date. Any such additional notes, together with the 2043 Notes, will constitute a single series of such securities under the Indenture. There is no limitation on the amount of notes or other debt securities that the Issuer may issue under the Indenture.
Governing Law:	New York.

PART 4: DESCRIPTION OF THE TERMS AND CONDITIONS OF THE NOTES

In this part of the Prospectus, the terms "**we**", "**our**" and "**us**" refer to the Obligors and "**you**" means direct holders and not street name or other indirect holders of the Notes. Indirect holders should read Part 5 ("*Provisions Relating to the Notes Whilst in Global Form*") of this Prospectus.

1. INTRODUCTION

This part of the Prospectus describes the material provisions of the Indenture, the terms and conditions of the Notes and the guarantee in respect of the Notes. However, it does not describe every aspect of the Indenture, the terms and conditions of the Notes or the guarantee in respect of the Notes and is subject to and qualified in its entirety by reference to all the provisions of the Indenture, including some of the terms used in the Indenture. The meaning for only the more important terms is described.

Pursuant to an Agreement of Resignation, Appointment and Acceptance dated 16 October 2007 by and among, amongst others, Diageo, the Issuer, The Bank of New York and Citibank N.A., The Bank of New York Mellon (the "**Trustee**") has become the successor trustee to Citibank, N.A., under the Indenture.

The Trustee has two main roles:

- first, it can enforce your rights against us if we default. There are some limitations on the extent to which the Trustee acts on your behalf, described under "*Default and Related Matters*" below; and
- second, the Trustee performs administrative duties for us, such as sending you interest payments, transferring your Notes to a new buyer if you sell them and sending you notices.

Diageo acts as the guarantor of the Notes issued under the Indenture. The guarantee is described further under "*Guarantee*", below.

The Indenture and its associated documents contain the full legal text of the matters described in this part of the Prospectus. The Indenture, the Notes and the guarantee in respect of the Notes are governed by New York law.

The Issuer may issue as many distinct series of notes under the Indenture as it wishes. This part of the Prospectus describes all material terms and conditions of the Notes that are common to all Series of Notes, unless otherwise indicated in Part 3 "*Overview of each Series of Notes*" of this Prospectus.

The Notes were issued only in fully registered form without interest coupons.

2. INTEREST

Definitions. In this part of the Prospectus:

- a "**business day**" means:
 - in respect of the May 2018 Notes, any day, other than a Saturday or Sunday, that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in The City of New York;
 - in respect of the May 2017 Notes, April 2018 Notes, 2023 Notes and 2043 Notes, any day, other than a Saturday or Sunday, that is not a day on which banking institutions are authorized or required by law or regulation to close in New York City or in the City of London; and
 - in respect of the 2016 Notes, October 2017 Notes, 2020 Notes and 2036 Notes, any day, other than a Saturday or Sunday that is neither a legal holiday nor a day on which banking institutions are authorised or required by law or regulation to close in New York City or in the City of London; and
- an "**interest payment date**" for any Notes means a date on which, under the terms of that Note, regularly scheduled interest is payable.

Payment of Interest. Each Note will bear interest from the date of issuance at the annual rate stated on its face until the principal is paid or made available for payment.

How Interest Is Calculated. Interest on the Notes will be computed on the basis of a 360-day year of twelve 30-day months.

How Interest Accrues. Interest on the Notes will accrue from (and including) the most recent interest payment date to which interest has been paid or duly provided for, or, if no interest has been paid or duly provided for, from (and including) the issue date. Interest will accrue to (but excluding) the next interest payment date, or, if earlier, the date on which the principal has been paid or duly made available for payment, except as described below under "*If a Payment Date Is Not a Business Day*".

When Interest Is Paid. Payments of interest on the Notes will be made on the relevant interest payment dates specified in Part 3 "*Overview of each Series of Notes*" of this Prospectus.

Amount of Interest Payable. Interest payments for the Notes will include accrued interest from and including the date of issue or from and including the last date in respect of which interest has been paid, as the case may be, to but excluding the relevant interest payment date or date of maturity or earlier redemption or repayment, as the case may be.

If a Payment Date Is Not a Business Day. If any scheduled interest payment date is not a business day, we will pay interest on the next business day, but interest on that payment will not accrue during the period from and after the scheduled interest payment date. If the scheduled maturity date or date of redemption or repayment is not a business day, we may pay interest and principal and premium, if any, on the next succeeding business day, but interest on that payment will not

accrue during the period from and after the scheduled maturity date or date of redemption or repayment.

3. GUARANTEE

Diageo has fully and unconditionally guaranteed the payment of the principal of, premium, if any, and interest on the Notes, including any additional amounts which may be payable by the Issuer, as described under "*Payment of Additional Amounts*", below. Diageo guarantees the payment of such amounts when such amounts become due and payable, whether at the stated maturity of the Notes, by declaration or acceleration, call for redemption or otherwise.

4. OVERVIEW OF REMAINDER OF THIS DESCRIPTION

The remainder of this part of the Prospectus describes:

- additional mechanics relevant to the Notes under normal circumstances, such as how you transfer ownership and where we make payments;
- your rights under several special situations, such as if we merge with another company, if we want to change a term of the Notes (or any Series of Notes) or if the Issuer wants to redeem the Notes (or any Series of Notes) for tax reasons;
- your rights to receive payment of additional amounts due to changes in the withholding requirements of various jurisdictions;
- covenants contained in the Indenture that restrict our ability to incur liens and undertake sale and leaseback transactions;
- your rights if we default or experience other financial difficulties; and
- our relationship with the Trustee.

5. ADDITIONAL MECHANICS

5.1 Exchange and Transfer

You may have your Notes broken into more notes of smaller denominations or combined into fewer notes of larger denominations, as long as the total principal amount is not changed. This is called an exchange.

You may exchange or transfer registered Notes at the office of the Trustee. The Trustee acts as our agent for registering Notes in the names of holders and transferring registered notes. We may change this appointment to another entity or perform the service ourselves. The entity performing the role of maintaining the list of registered holders is called the security registrar. It will also register transfers of registered notes. However, you may not exchange registered notes for bearer notes.

You will not be required to pay a service charge to transfer or exchange Notes, but you may be required to pay for any tax or other governmental charge associated with the exchange or transfer.

The transfer or exchange of a registered note will only be made if the security registrar is satisfied with your proof of ownership.

We may cancel the designation of any particular transfer agent. We may also approve a change in the office through which any transfer agent acts.

If the Issuer redeems less than all of the notes of a particular Series of Notes, we may block the transfer or exchange of notes of that Series of Notes during a specified period of time in order to freeze the list of holders to prepare the mailing. The period begins 15 days before the day we mail the notice of redemption and ends on the day of that mailing. We may also refuse to register transfers or exchanges of notes of that Series of Notes selected for redemption. However, we will continue to permit transfers and exchanges of the unredeemed portion of any security being partially redeemed.

5.2 Payment and Paying Agents

We will pay interest to you if you are a direct holder listed in the Trustee's records at the close of business on a particular day in advance of each due date for interest, even if you no longer own the security on the interest due date. That particular day, usually about two weeks in advance of the interest due date, is called the regular record date and is, in respect of each Series of Notes, stated in Part 3 "*Overview of each Series of Notes*" of this Prospectus.

We will pay interest, principal and any other money due on the Notes at the corporate trust office of the Trustee in New York City. That office is currently located at The Bank of New York Mellon, 101 Barclay Street, New York, New York 10286. You must make arrangements to have your payments picked up at or wired from that office. We may also choose to pay interest by mailing checks. Interest on global securities will be paid to the holder thereof by wire transfer of same-day funds.

Holders buying and selling any Notes must work out between them how to compensate for the fact that we will pay all the interest for an interest period to the one who is the registered holder on the regular record date. The most common manner is to adjust the sales price of the relevant notes to pro rate interest fairly between buyer and seller. This pro rated interest amount is called accrued interest.

Street name and other indirect holders should consult their banks or brokers for information on how they will receive payments.

We may also arrange for additional payment offices, and may cancel or change these offices, including our use of the Trustee's corporate trust office. These offices are called paying agents. We may also choose to act as our own paying agent. We must notify you of changes in the paying agents for any particular Series of Notes.

5.3 Notices

We and the Trustee will send notices only to direct holders, using their addresses as listed in the Trustee's records.

Regardless of who acts as paying agent, all money that we pay to a paying agent that remains unclaimed at the end of two years after the amount is due to direct holders will be repaid to us. After that two-year period, you may look only to us for payment and not to the Trustee, any other paying agent or anyone else.

6. SPECIAL SITUATIONS

6.1 Mergers and Similar Events

We are generally permitted to consolidate or merge with another company or firm. We are also permitted to sell or lease substantially all of our assets to another firm or to buy or lease substantially all of the assets of another firm. However, we may not take any of these actions unless all the following conditions are met:

- where the Issuer or Diageo merges out of existence or sells or leases its assets, the other firm must assume its obligations on the Notes or the guarantee in respect of the Notes (as applicable). The other firm's assumption of these obligations must include the obligation to pay the additional amounts described below under "*Payment of Additional Amounts*". If such other firm is organised under a foreign country's laws, it must indemnify you against any governmental charge or other cost resulting from the transaction;
- the merger, sale or lease of assets or other transaction must not cause a default on the Notes, and we must not already be in default. For the purposes of this no-default test, a default would include an event of default that has occurred and not been cured, as described below under "*Default and Related Matters*". A default for this purpose would also include any event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded; and
- it is possible that the merger, sale or lease of assets or other transaction would cause some of our property to become subject to a mortgage or other legal mechanism giving lenders preferential rights in that property over other lenders or over our general creditors if we fail to pay them back. We have promised to limit these preferential rights on our property, called liens, as discussed below under "*Covenants*". If a merger or other transaction would create any liens on our property, we must comply with that covenant. We would do this either by deciding that the liens were permitted, or by following the requirements of the covenant to grant an equivalent or higher-ranking lien on the same property to you and the other direct holders of the Notes.

6.2 Modification and Waiver

There are three types of changes we can make to the Indenture and the Notes.

- (A) Changes Requiring Your Approval. First, there are changes that cannot be made to your Notes without your specific approval. The following is a list of those types of changes: (i) changing the stated maturity of the principal or interest on a Note; (ii) reducing any amounts due on a Note; (iii) changing any obligation of Diageo or the Issuer to pay additional amounts described later under "*Payment of Additional Amounts*"; (iv) reducing the amount of principal payable upon

acceleration of the maturity of a Note following a default; (v) changing the place or currency of payment on a Note; (vi) impairing any of the conversion or exchange rights of your Note (if applicable); (vii) impairing your right to sue for payment, conversion or exchange; (viii) reducing the percentage of holders of Notes whose consent is needed to modify or amend the Indenture; (ix) reducing the percentage of holders of Notes whose consent is needed to waive compliance with various provisions of the Indenture or to waive various defaults; (x) modifying any other aspect of the provisions dealing with modification and waiver of the Indenture; and (xi) changing the obligations of Diageo (as guarantor) that relate to payment of principal, premium and interest, sinking fund payments and conversion rights.

- (B) Changes Requiring a Majority Vote. The second type of change to the Indenture and the Notes is the kind that requires a vote in favour by holders of affected Notes owning a majority of the principal amount of the particular Series of Notes affected. Most changes fall into this category, except for clarifying changes and other changes that would not adversely affect holders of that Series of Notes in any material respect. The same vote would be required for us to obtain a waiver of all or part of the covenants described below, or a waiver of a past default. However, we cannot obtain a waiver of a payment default or any other aspect of the Indenture or the Notes in the first category described above unless we obtain your individual consent to the waiver.
- (C) Changes Not Requiring Approval. The third type of change does not require any vote by holders of affected Notes. This type is limited to clarifications and other changes that would not adversely affect holders of the affected Notes in any material respect.

Further Details Concerning Voting. When taking a vote, we will use the following rules to decide how much principal amount to attribute to a security:

- Notes will not be considered outstanding, and therefore not eligible to vote, if we have deposited or set aside in trust for you money for their payment or redemption. Notes will also not be eligible to vote if they have been fully defeased as described later under "*Defeasance and Discharge*", below.
- We will generally be entitled to set any day as a record date for the purpose of determining the holders of outstanding Notes that are entitled to vote or take other action under the Indenture. In limited circumstances, the Trustee will be entitled to set a record date for action by holders. If we or the Trustee set a record date for a vote or other action to be taken by holders of a particular Series of Notes, that vote or action may be taken only by persons who are holders of outstanding Notes of that Series of Notes on the record date and must be taken within 180 days following the record date or another period that we may specify (or as the Trustee may specify, if it set the record date). We may shorten or lengthen (but not beyond 180 days) this period from time to time.

Street name and other indirect holders should consult their banks or brokers for information on how approval may be granted or denied if we seek to change the Indenture or the Notes or request a waiver.

6.3 Optional Tax Redemption

We have the option to redeem an affected Series of Notes in the two situations described below. The redemption price for such Notes will be equal to the principal amount of the Notes being redeemed plus accrued interest and any additional amounts due on the date fixed for redemption. Furthermore, we must give you between 30 and 60 days' notice before redeeming the relevant Notes.

The first situation is where, as a result of a change in, execution of or amendment to any laws or treaties or the official application or interpretation of any laws or treaties, either:

- Diageo or the Issuer, as the case may be, would be required to pay additional amounts as described later under "*Payment of Additional Amounts*"; or
- Diageo or any of its subsidiaries would have to deduct or withhold tax on any payment to the Issuers to enable them to make a payment of principal or interest on the affected Series of Notes.

This applies only in the case of changes, executions or amendments in the jurisdiction where Diageo or the Issuer, as the case may be, is incorporated. If Diageo or the Issuer is succeeded by another entity, the applicable jurisdiction will be the jurisdiction in which such successor entity is organised, and the applicable date will be the date the entity became a successor.

We would not have the option to redeem in this case if we could have avoided the payment of additional amounts or the deduction or withholding by using reasonable measures available to us.

The second situation is where a person located outside of the United States into which Diageo or the Issuer, as the case may be, is merged or to whom it has conveyed, transferred or leased its property is required to pay an additional amount. We would have the option to redeem the Notes even if we are required to pay additional amounts immediately after the merger, conveyance, transfer or lease. We are not required to use reasonable measures to avoid the obligation to pay additional amounts in this situation.

7. PAYMENT OF ADDITIONAL AMOUNTS

The government of any jurisdiction where Diageo or the Issuer, as the case may be, is incorporated may require Diageo or the Issuer to withhold amounts from payments on the principal or interest on a Note or any amounts to be paid under the guarantee in respect of the Notes, as the case may be, for taxes or any other governmental charges. If the jurisdiction requires a withholding of this type, Diageo or the Issuer, as the case may be, may be required to pay you an additional amount so that the net amount you receive will be the amount specified in the Note to which you are entitled. However, in order for you to be entitled to receive the additional amount, you must not be resident in the jurisdiction that requires the withholding.

Diageo or the Issuer, as the case may be, will not have to pay additional amounts under any of the following circumstances:

- the U.S. government or any political subdivision of the U.S. government is the entity that is imposing the tax or governmental charge;
- the tax or governmental charge is imposed only because the holder, or a fiduciary, settlor, beneficiary or member or shareholder of, or possessor of a power over, the holder, if the holder is an estate, trust, partnership or corporation, was or is connected to the taxing jurisdiction, other than by merely holding the debt security or guarantee or receiving principal or interest in respect thereof. These connections include where the holder or related party:
 - is or has been a citizen or resident of the jurisdiction;
 - is or has been engaged in trade or business in the jurisdiction; or
 - has or had a permanent establishment in the jurisdiction;
- the tax or governmental charge is imposed due to the presentation of a Note, if presentation is required, for payment on a date more than 30 days after the Note became due or after the payment was provided for, whichever occurs later;
- the tax or governmental charge is on account of an estate, inheritance, gift, sale, transfer, personal property or similar tax or other governmental charge;
- the tax or governmental charge is for a tax or governmental charge that is payable in a manner that does not involve withholdings;
- the tax or governmental charge is imposed or withheld because the holder or beneficial owner failed to comply with any of the following requests of Diageo or the Issuer:
 - to provide information about the nationality, residence or identity of the holder or beneficial owner; or
 - to make a declaration or satisfy any information requirements,

that the statutes, treaties, regulations or administrative practices of the taxing jurisdiction require as a precondition to exemption from all or part of such tax or governmental charge;

- the holder is a fiduciary, partnership or other entity that is not the sole beneficial owner of the payment of the principal of, or any interest on, any Note, and the laws of the jurisdiction require the payment to be included in the income of a beneficiary or settlor for tax purposes with respect to such fiduciary, a member of such partnership or a beneficial owner who would not have been entitled to such additional amounts had such beneficiary, settlor, member or beneficial owner been the holder of such Note;
- the payment is in respect of a definitive registered security issued at the request of a holder of a global security following an event of default and at the time the payment is made definitive registered securities have not been issued in exchange for the entire principal amounts of the securities issued under the Indenture.

These provisions will also apply to any taxes or governmental charges imposed by any jurisdiction in which a successor to Diageo or the Issuer is organised.

In certain circumstances, payments made to holders of Notes may be subject to withholding or deduction for or on account of UK tax. These circumstances might include, for example, if payments are made on Notes that are not listed on a "recognised stock exchange" for UK tax purposes at the time of payment and no direction allowing relief under an appropriate double taxation treaty has been obtained. For more information, see Part 8 "*United Kingdom Taxation*" of this Prospectus.

8. COVENANTS

8.1 Restrictions on Liens

Some of Diageo's property may be subject to a mortgage or other legal mechanism that gives our lenders preferential rights in that property over other lenders, including you and the other direct holders of the Notes, or over our general creditors if we fail to pay them back. These preferential rights are called liens. Diageo promises that it and its restricted subsidiaries, which are defined below, will not become obligated on any new debt for borrowed money that is secured by a lien on any of its principal properties, which are defined below, or on any shares of stock of any of its restricted subsidiaries, unless it grants an equivalent or higher-ranking lien on the same property to you and the other direct holders of the Notes.

Diageo does not need to comply with this restriction if the amount of all debt that would be secured by liens on its principal properties and the shares of stock of Diageo's restricted subsidiaries, excluding the debt secured by the permitted liens that are listed below, is less than 15% of Diageo's consolidated shareholders' equity.

This restriction on liens applies, with certain exceptions, to liens for borrowed money. For example, several liens imposed by operation of law, such as liens to secure statutory obligations for taxes or workers' compensation benefits, or liens we create to secure obligations to pay legal judgments or surety bonds, are not covered by this restriction. This restriction on liens also does not apply to debt secured by a number of different types of liens, and we can disregard this debt when we calculate the limits imposed by this restriction. These types of liens include, among others, the following:

- any lien existing on or before the date of the Indenture;
- any lien arising by operation of law and not securing amounts more than 90 days overdue or otherwise being contested in good faith;
- any lien on a principal property, shares or stock of any restricted subsidiary, which becomes a restricted subsidiary after the date of the Indenture, arising prior to the date of the restricted subsidiary's becoming a restricted subsidiary, provided that such lien was not created in contemplation of such restricted subsidiary's becoming a restricted subsidiary;
- any lien over any principal property, or documents of title thereto, shares or stock of any restricted subsidiary that Diageo or any restricted subsidiary acquired as security for, or

for indebtedness incurred, to finance all or part of the price of its acquisition, development, redevelopment, modification or improvement;

- any lien over any principal property, or documents of title thereto, shares or stock of any restricted subsidiary that Diageo or any restricted subsidiary acquired subject to the lien;
- any lien to secure indebtedness for borrowed money incurred in connection with a specifically identifiable project where the lien relates to a principal property involved in the project and that Diageo or any restricted subsidiary acquired after the date of the Indenture and the recourse of the creditors relating to the indebtedness is limited to the project and principal property;
- any lien securing indebtedness of Diageo or any restricted subsidiary for borrowed money incurred in connection with the financing of accounts receivable;
- any lien incurred or deposits made in the ordinary course of business;
- any lien on a principal property of Diageo or any restricted subsidiary in favour of the U.S. federal or any state government or the UK or any EU government or any instrumentality of any of them, securing the obligations of Diageo or any restricted subsidiary as a result of any contract;
- any lien securing industrial revenue, development or similar bonds issued by or for the benefit of Diageo or any of its restricted subsidiaries, provided that the industrial revenue, development or similar bonds are non-recourse to Diageo or the restricted subsidiary; and
- any extension, renewal or replacement or successive extensions, renewals or replacements, as a whole or in part, of any lien included earlier in this list.

8.2 Restrictions on Sales and Leasebacks

Diageo promises that neither it nor any of its restricted subsidiaries will enter into any sale and leaseback transaction involving a principal property unless we comply with this covenant. A sale and leaseback transaction is an arrangement between us or a restricted subsidiary and a bank, insurance company or other lender or investor where Diageo or the restricted subsidiary leases a property that Diageo or the restricted subsidiary has owned for more than six months and has sold to a lender or investor or to any person to whom the lender or investor has advanced funds on the security of the principal property.

Diageo can comply with this covenant in either of two different ways.

First, Diageo will be in compliance if it or its restricted subsidiary could grant a lien on the principal property in an amount equal to the indebtedness attributable to the sale and leaseback transaction without being required to grant an equivalent or higher-ranking lien to you and the other direct holders of the Notes under the restriction on liens described above.

Second, Diageo can comply if it invests an amount equal to at least the net proceeds of the sale of the principal property that it or its restricted subsidiary leases in the transaction or the fair value

of that property, whichever is greater. This amount must be invested in any principal property or used to retire indebtedness for money that it or its restricted subsidiaries borrowed, incurred or assumed and that either has a maturity of 12 months or more from the date of incurrence of the indebtedness or has a maturity of less than 12 months from that date but is by its terms renewable or extendible beyond 12 months from that date at the option of the borrower, within one year of the transaction.

This restriction on sales and leasebacks does not apply to any sale and leaseback transaction that is between Diageo and one of its subsidiaries, or between one of Diageo's restricted subsidiaries and either Diageo or one of Diageo's other subsidiaries. It also does not apply to any lease with a term, including renewals, of three years or less.

As used in this Prospectus, "**principal property**" means a building or other structure or facility, and the land on which it sits and its associated fixtures that are located in the United States or the United Kingdom and Diageo or a restricted subsidiary owns or leases. The gross book value of the property must exceed 2% of Diageo's consolidated shareholders' equity. Any property or portion of any property is not a principal property if Diageo's board of directors:

- does not view it as materially important to the total business conducted by Diageo and its subsidiaries as an entirety; or
- does not view any portion of the property as materially important for the use of the property.

Diageo and its subsidiaries have no principal properties as of the date of this Prospectus.

As used in this Prospectus, "**restricted subsidiary**" means any subsidiary that has two characteristics. First, its assets and operations are substantially located within the United States or the United Kingdom. Second, it owns a principal property. However, a restricted subsidiary does not include two types of subsidiaries. It does not include a subsidiary that is primarily engaged in leasing or in financing installment receivables or a subsidiary that primarily acts to finance the operations of Diageo and its consolidated subsidiaries.

8.3 Defeasance and Discharge

We can legally release ourselves from any payment or other obligations on the Notes (or any Series of Notes, as the case may be), except for various obligations described below, if we, in addition to other actions, put in place the following arrangements for you to be repaid:

- we must deposit in trust for your benefit and the benefit of all other direct holders of the relevant Notes a combination of money and U.S. government or U.S. government agency notes or bonds that will generate enough cash to make interest, principal and any other payments on the relevant Series of Notes on their various due dates; and
- we must deliver to the Trustee a legal opinion of our counsel confirming that under current U.S. federal income tax law we may make the above deposit without causing you to be taxed on the relevant Notes any differently than if we did not make the deposit and just repaid the relevant Notes ourselves. We would not have to deliver this opinion if we

received from, or there has been published by, the U.S. Internal Revenue Service a ruling that states the same conclusion.

However, even if we take these actions, a number of our obligations relating to the Notes will remain. These include the following obligations: (i) to register the transfer and exchange of Notes; (ii) to replace mutilated, destroyed, lost or stolen Notes; (iii) to maintain paying agencies; and (iv) to hold money for payment in trust.

9. DEFAULT AND RELATED MATTERS

9.1 Ranking

The Notes are not secured by any of our property or assets. Accordingly, your ownership of Notes means you are one of our unsecured creditors. The Notes are not subordinated to any of the Issuer's other debt obligations and therefore they rank equally with all of the Issuer's other unsecured and unsubordinated indebtedness.

9.2 Events of Default

You will have special rights if an event of default occurs and is not cured, as described later in this subsection. The term event of default means any of the following:

- we do not pay the principal or any premium on a Note on its due date and, in the case of technical or administrative difficulties, only if such failure to pay persists for more than five days;
- we do not pay interest on a Note within 30 days of its due date;
- we do not deposit any sinking fund payment on its due date;
- we remain in breach of a covenant described above or any other term of the Indenture for 90 days after we receive a notice of default stating we are in breach. The notice must be sent by either the Trustee or holders of 10% of the principal amount of Notes of the affected Series of Notes; or
- we file for bankruptcy or certain other events in bankruptcy, insolvency or reorganisation occur.

Remedies If an Event of Default Occurs. If an event of default has occurred and has not been cured, the Trustee or the holders of 25% in principal amount of the Notes of the affected Series of Notes may declare the entire principal amount of all the Notes of that Series of Notes to be due and immediately payable. This is called a declaration of acceleration of maturity. A declaration of acceleration of maturity may be cancelled by the holders of at least a majority in principal amount of the Notes of the affected Series of Notes if certain conditions are met.

Except in cases of default, where the Trustee has some special duties, the Trustee is not required to take any action under the Indenture at the request of any holders unless the holders offer the Trustee reasonable protection from expenses and liability. This protection is called an indemnity. If reasonable Indemnity is provided, the holders of a majority in principal amount of the

outstanding Notes of the relevant Series of Notes may direct the time, method and place of conducting any lawsuit or other formal legal action seeking any remedy available to the Trustee. These majority holders may also direct the Trustee in performing any other action under the Indenture.

Before you bypass the Trustee and bring your own lawsuit or other formal legal action or take other steps to enforce your rights or protect your interests relating to the Notes, the following must occur:

- you must give the Trustee written notice that an event of default has occurred and remains uncured;
- the holders of 25% in principal amount of all outstanding Notes of the relevant Series of Notes must make a written request that the Trustee take action because of the default, and must offer reasonable indemnity to the Trustee against the cost and other liabilities of taking that action; and
- the Trustee must have not taken action for 60 days after receipt of the above notice and offer of indemnity and no direction inconsistent with the request described above may have been given to the Trustee during such 60-day period by the holders of a majority in principal amount of the outstanding Notes of the relevant Series of Notes.

Street name and other indirect holders should consult their banks or brokers for information on how to give notice or direction to or make a request of the trustee and to make or cancel a declaration of acceleration.

We will furnish to the Trustee every year a written statement of certain of our officers and directors certifying that, to their knowledge, we are in compliance with the Indenture and the Notes, or else specifying any default.

10. REGARDING THE TRUSTEE

Diageo and several of its subsidiaries maintain banking relations with the Trustee in the ordinary course of their business.

If an event of default occurs, or an event that would be an event of default if the requirements for giving us default notice or our default having to exist for a specific period of time were disregarded occurs, the Trustee may be considered to have a conflicting interest with respect to the Notes or the Indenture for the purposes of the US Trust Indenture Act of 1939. In that case, the Trustee may be required to resign as trustee under the Indenture and we would be required to appoint a successor trustee.

PART 5: PROVISIONS RELATING TO THE NOTES WHILST IN GLOBAL FORM

In this part of the Prospectus, the terms "**we**", "**our**" and "**us**" refer to the Obligors and "**you**" means direct holders and not street name or other indirect holders of the Notes. Indirect holders should carefully read this part of the Prospectus.

1. INTRODUCTION

The Notes were issued in the form of registered global notes that were deposited with DTC on the relevant issue date. This means that we did not issue certificates to each holder. We issued one global note with respect to each Series of Notes to DTC, and DTC will keep a computerized record of its participants (including Euroclear and Clearstream, Luxembourg) whose clients have purchased the Notes. The participant will then keep a record of its clients who purchased the Notes. Unless it is exchanged in whole or in part for a certificated note, a global note may not be transferred, provided that DTC, its nominees, and their successors may transfer a global note as a whole to one another. We will not issue certificated notes except in limited circumstances that we explain under "*Legal Ownership*", below.

Beneficial interests in the global notes will be shown on, and transfers of the global notes will be made only through, records maintained by DTC and its participants. A description of DTC and its procedures is provided under "*Clearance and Settlement*", below.

We will wire principal and interest payments to DTC's nominee. We and the Trustee will treat DTC's nominee as the owner of the global notes for all purposes. Accordingly, we, the Trustee and any paying agent will have no direct responsibility or liability to pay amounts due on the global notes to owners of beneficial interests in the global note.

It is DTC's current practice, upon receipt of any payment of principal or interest, to credit direct participants' accounts on the payment date according to their respective holdings of beneficial interest in the global note as shown on DTC's records. In addition, it is DTC's current practice to assign any consenting or voting right to direct participants whose accounts are credited with notes on a record date, by using an omnibus proxy. Payments by participants to owners of beneficial interest in the global note, and voting by participants, will be governed by the customary practices between the participants and owners of beneficial interest, as is the case with notes held for the account of customers registered in "street name". However, payments will be the responsibility of the participants and not of DTC, the Trustee or us.

2. CLEARANCE AND SETTLEMENT

You hold your beneficial interest in the Notes through DTC and its participants, including Euroclear and Clearstream, Luxembourg. These systems have established electronic securities and payment transfer, processing, depository and custodial links among themselves and others, either directly or through custodians and depositories. These links allow securities to be issued, held and transferred among the clearing systems without the physical transfer of certificates.

Special procedures to facilitate clearance and settlement have been established among these clearing systems to trade securities across borders in the secondary market. Where payments for securities we issue in global form will be made in U.S. dollars (as is the case with the Notes),

these procedures can be used for cross-market transfers and the securities will be cleared and settled on a delivery against payment basis.

The policies of DTC, Clearstream, Luxembourg and Euroclear will govern payments, transfers, exchange and other matters relating to the investors' interests in securities held by them. Clearstream, Luxembourg and Euroclear hold interests on behalf of their participants through customers' securities accounts in Clearstream, Luxembourg's and Euroclear's names on the books of their respective depositories which, in the case of securities for which a global security in registered form is deposited with DTC (as is the case with the Notes), in turn hold such interests in customers' securities accounts in the depositories' names on the books of DTC.

We have no responsibility for any aspect of the actions of DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. We have no responsibility for any aspect of the records kept by DTC, Clearstream, Luxembourg or Euroclear or any of their direct or indirect participants. We also do not supervise these systems in any way.

DTC, Clearstream, Luxembourg, Euroclear and their participants perform these clearance and settlement functions under agreements they have made with one another or with their customers. You should be aware that they are not obligated to perform these procedures and may modify them or discontinue them at any time.

The description of the clearing systems in this part of the Prospectus reflects our understanding of the rules and procedures of DTC, Clearstream, Luxembourg and Euroclear as they are currently in effect. Those systems could change their rules and procedures at any time.

3. THE CLEARING SYSTEMS

3.1 DTC

DTC has previously advised us as follows:

- DTC is:
 - a limited purpose trust company organized under the laws of the State of New York;
 - a "banking organization" within the meaning of New York Banking Law;
 - a member of the Federal Reserve System;
 - a "clearing corporation" within the meaning of the New York Uniform Commercial Code; and
 - a "clearing agency" registered pursuant to the provisions of Section 17A of the US Securities Exchange Act of 1934, as amended.
- DTC was created to hold securities for its participants and to facilitate the clearance and settlement of securities transactions between participants through electronic book-entry

changes to accounts of its participants. This eliminates the need for physical movement of certificates.

- Participants in DTC include securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other organizations. DTC is partially owned by some of these participants or their representatives.
- Indirect access to the DTC system is also available to banks, brokers, dealers and trust companies that have relationships with participants.
- The rules applicable to DTC and DTC participants are on file with the SEC.

3.2 Clearstream, Luxembourg

Clearstream, Luxembourg has previously advised us as follows:

- Clearstream, Luxembourg is a duly licensed bank organized as a *société anonyme* incorporated under the laws of Luxembourg and is subject to regulation by the Luxembourg Commission for the Supervision of the Financial Sector (*Commission de Surveillance du Secteur Financier*).
- Clearstream, Luxembourg holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through electronic book-entry transfers between the accounts of its customers. This eliminates the need for physical movement of certificates.
- Clearstream, Luxembourg provides other services to its customers, including safekeeping, administration, clearance and settlement of internationally traded securities and lending and borrowing of securities. It interfaces with the domestic markets in over 30 countries through established depository and custodial relationships.
- Clearstream, Luxembourg's customers include worldwide securities brokers and dealers, banks, trust companies and clearing corporations and may include certain other professional financial intermediaries. Its U.S. customers are limited to securities brokers and dealers and banks.
- Indirect access to the Clearstream, Luxembourg system is also available to others that clear through Clearstream, Luxembourg customers or that have custodial relationships with its customers, such as banks, brokers, dealers and trust companies.

3.3 Euroclear

Euroclear has previously advised us as follows:

- Euroclear is incorporated under the laws of Belgium as a bank and is subject to regulation by the Belgian Financial Services and Markets Authority (*L'Autorité des Services et Marchés Financiers*) and the National Bank of Belgium (*Banque Nationale de Belgique*).

- Euroclear holds securities for its customers and facilitates the clearance and settlement of securities transactions among them. It does so through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates.
- Euroclear provides other services to its customers, including credit, custody, lending and borrowing of securities and tri-party collateral management. It interfaces with the domestic markets of several countries.
- Euroclear customers include banks, including central banks, securities brokers and dealers, trust companies and clearing corporations and may include certain other professional financial intermediaries.
- Indirect access to the Euroclear system is also available to others that clear through Euroclear customers or that have custodial relationships with Euroclear customers.
- All securities in Euroclear are held on a fungible basis. This means that specific certificates are not matched to specific securities clearance accounts.

4. SECONDARY MARKET TRADING

4.1 Trading Between DTC Participants

Secondary market trading between DTC participants will occur in the ordinary way in accordance with DTC's rules. Secondary market trading will be settled using procedures applicable to United States corporate debt obligations in DTC's Same-Day Funds Settlement System for debt securities.

If payment is made in U.S. dollars, settlement will be in same-day funds. If payment is made in a currency other than U.S. dollars, settlement will be free of payment. If payment is made other than in U.S. dollars, separate payment arrangements outside of the DTC system must be made between the DTC participants involved.

4.2 Trading Between Euroclear and/or Clearstream, Luxembourg Participants

We understand that secondary market trading between Euroclear and/or Clearstream, Luxembourg participants will occur in the ordinary way following the applicable rules and operating procedures of Euroclear and Clearstream, Luxembourg. Secondary market trading will be settled using procedures applicable to conventional Eurobonds in registered form for debt securities.

4.3 Trading Between a DTC Seller and a Euroclear or Clearstream, Luxembourg Purchaser

A purchaser of securities that are held in the account of a DTC participant must send instructions to Euroclear or Clearstream, Luxembourg at least one business day prior to settlement. The instructions will provide for the transfer of the securities from the selling DTC participant's account to the account of the purchasing Euroclear or Clearstream, Luxembourg participant. Euroclear or Clearstream, Luxembourg, as the case may be, will then instruct the common depository for

Euroclear and Clearstream, Luxembourg to receive the securities either against payment or free of payment.

The interests in the securities will be credited to the relevant clearing system. The clearing system will then credit the account of the participant, following its usual procedures. Credit for the securities will appear on the next day, European time. Cash debit will be back-valued to, and the interest on the securities will accrue from, the value date, which would be the preceding day, when settlement occurs in New York. If the trade fails and settlement is not completed on the intended date, the Euroclear or Clearstream, Luxembourg cash debit will be valued as of the actual settlement date instead.

Euroclear participants or Clearstream, Luxembourg participants will need the funds necessary to process same-day funds settlement. The most direct means of doing this is to pre-position funds for settlement, either from cash or from existing lines of credit, as for any settlement occurring within Euroclear or Clearstream, Luxembourg. Under this approach, participants may take on credit exposure to Euroclear or Clearstream, Luxembourg until the securities are credited to their accounts one business day later.

As an alternative, if Euroclear or Clearstream, Luxembourg has extended a line of credit to them, participants can choose not to pre-position funds and will instead allow that credit line to be drawn upon to finance settlement. Under this procedure, Euroclear participants or Clearstream, Luxembourg participants purchasing securities would incur overdraft charges for one business day (assuming they cleared the overdraft as soon as the securities were credited to their accounts). However, interest on the securities would accrue from the value date. Therefore, in many cases, the investment income on securities that is earned during that one business day period may substantially reduce or offset the amount of the overdraft charges. This result will, however, depend on each participant's particular cost of funds.

5. SPECIAL TIMING CONSIDERATIONS

You should be aware that investors will be able to make and receive deliveries, payments and other communications involving the securities through Clearstream, Luxembourg and Euroclear only on days when those systems are open for business. Those systems may not be open for business on days when banks, brokers and other institutions are open for business in the United States.

In addition, because of time-zone differences, there may be problems with completing transactions involving Clearstream, Luxembourg and Euroclear on the same business day as in the United States. U.S. investors who wish to transfer their interests in the securities, or to receive or make a payment or delivery of the securities, on a particular day, may find that the transactions will not be performed until the next business day in Luxembourg or Brussels, depending on whether Clearstream, Luxembourg or Euroclear is used.

6. LEGAL OWNERSHIP

6.1 Street Name and Other Indirect Holders

We generally will not recognise investors who hold securities in accounts at banks or brokers as legal holders of securities. When we refer to the holders of securities, we mean only the actual

legal and (if applicable) record holder of those securities. Holding securities in accounts at banks or brokers is called holding in street name. If you hold securities in street name, we will recognize only the bank or broker or the financial institution the bank or broker uses to hold its securities. These intermediary banks, brokers and other financial institutions pass along principal, interest and other payments on the securities, either because they agree to do so in their customer agreements or because they are legally required. If you hold securities in street name, you should check with your own institution to find out:

- how it handles securities payments and notices;
- whether it imposes fees or charges;
- how it would handle voting if it were ever required;
- whether and how you can instruct it to send you securities registered in your own name so you can be a direct holder as described below; and
- how it would pursue rights under the securities if there were a default or other event triggering the need for holders to act to protect their interests.

6.2 Direct Holders

Our obligations, as well as the obligations of the Trustee and those of any third parties employed by us or the Trustee, under the securities run only to persons who are registered as holders of securities. As noted above, we do not have obligations to you if you hold in street name or other indirect means, either because you choose to hold securities in that manner or because the securities are issued in the form of global securities as described below. For example, once we make payment to the registered holder, we have no further responsibility for the payment even if that holder is legally required to pass the payment along to you as a street name customer but does not do so.

6.3 Global Securities

What is a Global Security?

A global security is a special type of indirectly held security, as described above under "*Street Name and Other Indirect Holders*". The ultimate beneficial owners of global securities can only be indirect holders.

We require that the securities included in the global security not be transferred to the name of any other direct holder unless the special circumstances described below occur (and provided that DTC, its nominees, and their successors may transfer a global note in respect of a Series of Notes as a whole to one another). The financial institution that acts as the sole direct holder of the global security is called the depositary. Any person wishing to own a security must do so indirectly by virtue of an account with a broker, bank or other financial institution that in turn has an account with the depositary.

Special Investor Considerations for Global Securities

As an indirect holder, an investor's rights relating to a global security will be governed by the account rules of the investor's financial institution and of the depository, as well as general laws relating to securities transfers. We do not recognize this type of investor as a holder of securities and instead deal only with the depository that holds the global security.

If you are an investor in securities that are issued only in the form of global securities, you should be aware that:

- You cannot get securities registered in your own name.
- You cannot receive physical certificates for your interest in the securities.
- You will be a street name holder and must look to your own bank or broker for payments on the securities and protection of your legal rights relating to the securities, as explained earlier under "*Street Name and Other Indirect Holders*".
- You may not be able to sell interests in the securities to some insurance companies and other institutions that are required by law to own their securities in the form of physical certificates.
- The depository's policies will govern payments, transfers, exchange and other matters relating to your interest in the global security. We and the trustee have no responsibility for any aspect of the depository's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depository in any way.
- The depository will require that interests in a global security be purchased or sold within its system using same-day funds. By contrast, payment for purchases and sales in the market for corporate bonds and other securities is generally made in next-day funds. The difference could have some effect on how interests in global securities trade, but we do not know what that effect will be.

Special Situations When the Global Security Will Be Terminated

In a few special situations described below, the global security will terminate and interests in it will be exchanged for physical certificates representing securities. After that exchange, the choice of whether to hold securities directly or in street name will be up to the investor. Investors must consult their own bank or brokers to find out how to have their interests in securities transferred to their own name so that they will be direct holders. The rights of street name investors and direct holders in the securities have been previously described in the subsections entitled "*Street Name and Other Indirect Holders*" and "*Direct Holders*", above.

The special situations for termination of a global security are:

- When the depository notifies us that it is unwilling, unable or no longer qualified to continue as depository.

- When an event of default on the Notes has occurred and has not been cured. Defaults on the Notes are discussed in Part 4 of this Prospectus ("*Description of the Terms and Conditions of the Notes*").

PART 6: DIAGEO PLC

1. OVERVIEW

Diageo was incorporated as Arthur Guinness Son and Company Limited on 21 October 1886. The Diageo group was formed by the merger of Grand Metropolitan Public Limited Company and Guinness PLC in December 1997. Diageo is incorporated as a public limited company in England and Wales with registered number 23307. It is the holding company of the Diageo Group. The registered office of Diageo is Lakeside Drive, Park Royal, London NW10 7HQ and its telephone number is +44 (0) 208 978 6000.

Diageo is a major participant in the global beverage alcohol industry, producing and distributing a leading collection of branded premium spirits, beer and wine. It brings together world class brands and a management team that seeks to maximise shareholder value over the long term. The management team expects to continue the strategy of investing behind the Diageo Group's strategic brands, launching innovative new products, and seeking to expand selectively either through partnerships or acquisitions that add long term value for shareholders.

Diageo is the leading premium spirits business in the world by volume, by net sale and by operating profit and is one of a small number of premium drinks companies that operate globally across spirits, beer and wine.

As at 30 June 2015, Diageo had an allotted and fully paid share capital of 2,754 million ordinary shares of 28¹⁰¹/₁₀₈ pence each with an aggregate nominal value of £797 million (including treasury shares and shares owned by the employee share trusts).

2. ORGANISATIONAL STRUCTURE OF THE DIAGEO GROUP

The companies listed below include those which principally affect the profits and assets of the Diageo Group. The operating companies listed below may carry on the business described in the countries listed in conjunction with their subsidiaries and other Diageo Group companies.

	Country of Incorporation	Country of Operation	Percentage of Equity Owned	Business Description
Premium Drinks				
Diageo Ireland	Ireland	Worldwide	100%	Production, marketing and distribution of premium drinks.
Diageo Great Britain Limited	England	Worldwide	100%	Marketing and distribution of premium drinks.

Diageo Scotland Limited	Scotland	Worldwide	100%	Production, marketing and distribution of premium drinks.
Diageo Brands BV	Netherlands	Worldwide	100%	Marketing and distribution of premium drinks.
Diageo North America, Inc	United States	Worldwide	100%	Production, importing, marketing and distribution of premium drinks.
Mey İçki Sanayi ve Ticaret A.Ş.	Turkey	Turkey	100%	Production, marketing and distribution of premium drinks.
Corporate				
Diageo Capital plc ¹	Scotland	UK	100%	Financing company for the Diageo Group.
Diageo Finance plc ¹	England	UK	100%	Financing company for the Diageo Group.
Diageo Capital BV	Netherlands	Netherlands	100%	Financing company for the Diageo Group.
Diageo Finance BV	Netherlands	Netherlands	100%	Financing company for the Diageo Group.
Diageo Investment Corporation	United States	United States	100%	Financing company for the US Diageo group.
Associate				
Moët Hennessy, SNC ²	France	France	34%	Production and distribution of premium drinks.
United Spirits Limited	India	India	54.78%	Production, marketing and distribution of alcoholic drinks.

¹ Directly owned by Diageo.

² French partnership.

All percentages, unless otherwise stated, are in respect of holdings of ordinary share capital and are equivalent to the percentages of voting rights held by the Diageo Group.

Diageo, consistent with its current strategy, will continue to focus on growing its brands on a worldwide basis and expects to make selective acquisitions in both its developed and emerging markets. Diageo explores the potential to make acquisitions on an ongoing basis and is currently evaluating a number of such opportunities of which some could be significant although no agreements or commitments with respect to any significant acquisitions currently exist. Funds for any such acquisitions would be drawn from internally generated cash, bank borrowings or the issuance of equity or debt securities (in an amount that cannot now be determined) and the proceeds of any potential disposals. No material disposals are currently contemplated.

In evaluating financing of any such acquisitions, Diageo's management remains committed to enhancing shareholder value in the long term, both by investing in the businesses and brands so as to improve the return on investment and by managing the group's capital structure. Diageo manages its capital structure to achieve capital efficiency, provide flexibility to invest through the economic cycle and give efficient access to debt markets at attractive cost levels. This is achieved by targeting a net borrowing to EBITDA leverage of 2.5 – 3.0x, this range for Diageo being currently broadly consistent with an A band credit rating. Diageo would consider operating outside of this range in order to effect strategic initiatives within its stated goals, which could have an impact on its rating. If Diageo's leverage was to be negatively impacted by the financing of an acquisition, it would seek over time to return to the range of 2.5 – 3.0x.

3. PRINCIPAL MARKETS

Diageo operates as 21 geographically based markets around the world and has a presence in over 180 countries.

- Diageo's **North America** business comprises US Spirits and Wines, Diageo Guinness USA and Diageo Canada, headquartered in Norwalk, Connecticut. North America is the largest market for premium drinks in the world.
- Diageo's business in **Europe** comprises Western Europe, Russia and Eastern Europe and Turkey. Western Europe is managed as a single market with country teams focusing on sales and customer marketing execution. It includes Great Britain, Ireland, Iberia, France, Germany and Diageo Guinness Continental Europe beer business. Eastern Europe includes Poland, Bulgaria, Romania and Israel. On 1 July 2015, Russia became a standalone market while Eastern Europe was merged with Western Europe creating Diageo Europe. Turkey remained unchanged.
- In **Africa**, Diageo's strategy is to grow Diageo's leadership across beer and spirits by providing brand choice across a broad range of consumer motivations, profiles, and occasions. The region comprises Nigeria, East Africa (Kenya, Tanzania, Uganda, Burundi, Rwanda and South Sudan), Africa Regional Markets (including Ghana, Cameroon, Ethiopia, Angola, Mozambique and a sorghum beer business in South Africa) and South Africa (all other products).
- In **Latin America and Caribbean ("LAC")**, Diageo's strategic priority is continued leadership in scotch, while broadening the category range to include vodka, rum, liqueurs

and local spirits. Diageo's Latin America and Caribbean business comprises Paraguay, Uruguay and Brazil, Venezuela, Colombia, Mexico and West LAC (Central America and Caribbean, Argentina, Chile, Peru, Ecuador and Bolivia).

- Diageo's strategy in **Asia Pacific**, which encompasses both developed and emerging markets, is to operate across categories in international spirits, local spirits and beer. Asia Pacific comprises South East Asia (Vietnam, Thailand, Philippines, Indonesia, Malaysia, Singapore, Cambodia, Laos, Myanmar, Nepal and Sri Lanka), Greater China (China, Taiwan, Hong Kong and Macau), India, Global Travel, Asia and Middle East, Australia and North Asia (Korea and Japan).

4. MAJOR SHAREHOLDERS AND SIGNIFICANT CHANGES IN OWNERSHIP

The Disclosure and Transparency Rules published by the UK Listing Authority provide that a person or corporate entity that acquires an interest of 3% or more in Diageo's ordinary shares is required to notify Diageo of that interest. Any subsequent increase or decrease of 1% or more must also be notified. Similarly, a notification is required once the interest falls below 3%.

At 17 July 2015, the following substantial interests (3% or more) in Diageo's ordinary share capital (voting securities) had been notified to Diageo: BlackRock Investment Management (UK) Limited (indirect holding) – 147,296,928 ordinary shares (being 5.89% of the issued ordinary share capital (excluding treasury shares) of Diageo at 3 December 2009); and Capital Research and Management Company (indirect holding) – 124,653,096 ordinary shares (being 4.99% of the issued ordinary share capital (excluding treasury shares) of Diageo at 28 April 2009). Diageo has not been notified of any other substantial interests in its securities. Diageo's substantial shareholders do not have different voting rights. Diageo, so far as is known by Diageo, is not directly or indirectly owned or controlled by another corporation or by any government.

Diageo knows of no arrangements, the operation of which may at a subsequent date result in a change of control of Diageo.

As at the close of business on 1 December 2015, 422,445,104 ordinary shares, including those held through American Depositary Shares ("**ADSs**"), were held by approximately 3,101 holders (including American Depositary Receipt ("**ADR**") holders) with registered addresses in the United States, representing approximately 16.79% of the outstanding ordinary shares (excluding treasury shares). At such date, 105,439,872 ADSs were held by 2,380 registered ADR holders. Since certain of such ordinary shares and ADSs are held by nominees or former GrandMet PLC or Guinness Group PLC ADR holders who have not re-registered their ADSs, the number of holders may not be representative of the number of beneficial owners in the United States or the ordinary shares held by them.

5. LEGAL PROCEEDINGS

The inherent uncertainty of litigation, including the uncertainty of estimating whether any settlement which may be entered into in the future will be on favourable terms, makes it difficult to quantify the outcome of the litigation disclosed on this and the next page of this Prospectus with certainty.

5.1 Korean Customs Dispute

The litigation against Korea customs regarding the transfer pricing methodology applicable to spirits imported between 2004 and 2010 has been substantially settled. Diageo Korea is in discussions with customs on certain outstanding items, which are not material to the Diageo Group.

5.2 Thalidomide Litigation

In June 2014, claims forms alleging product liability and negligence for injuries arising from the consumption of thalidomide were filed in the High Court in London against Distillers Company (Biochemicals) Limited, its parent Diageo Scotland Limited (formerly Distillers Company Limited), as well as against Grünenthal GmbH, the developer of the drug (not a member of the Diageo Group). On 4 December 2014 these claims forms were served by lawyers acting for the claimants. Since then the proceedings in respect of the 28 individuals that have now issued claims in the United Kingdom have been stayed until 31 May 2016.

Diageo is unable to meaningfully quantify the possible loss or range of loss to which these lawsuits may give rise. Distillers Company (Biochemicals) Limited distributed thalidomide in the United Kingdom for a period in the late 1950s and early 1960s. Diageo has worked voluntarily for many years with various thalidomide organisations and has provided significant financial support.

5.3 Acquisition of USL Shares from UBHL, Winding-Up Petitions against UBHL and Other Proceedings in relation to the USL Transaction

On 4 July 2013 Diageo completed its acquisition, under a share purchase agreement with United Breweries (Holdings) Limited (“**UBHL**”) and various other sellers (the “**SPA**”), of 21,767,749 shares (14.98%) in United Spirits Limited (“**USL**”) for a total consideration of INR 31.3 billion (£342 million), including 10,141,437 shares (6.98%) from UBHL. Through a series of further transactions, as of 2 July 2014, Diageo has a 54.78% investment in USL (excluding 2.38% owned by the USL Benefit Trust).

Prior to the acquisition from UBHL on 4 July 2013, the High Court of Karnataka (the “**High Court**”) had granted leave to UBHL under sections 536 and 537 of the Indian Companies Act (the “**Leave Order**”) to enable the sale by UBHL to Diageo to take place (the “**UBHL Share Sale**”) notwithstanding the continued existence of five winding-up petitions (the “**Original Petitions**”) that were pending against UBHL on 9 November 2012, being the date of the SPA. Additional winding-up petitions have been brought against UBHL since 9 November 2012, and the Leave Order did not extend to them. At the time of the completion of the UBHL Share Sale, the Leave Order remained subject to review on appeal.

However, as stated by Diageo at the time of closing on 4 July 2013, it was considered unlikely that any appeal process in respect of the Leave Order would definitively conclude on a timely basis and, accordingly, Diageo waived the conditionality under the SPA relating to the absence of insolvency proceedings in relation to UBHL and acquired the 10,141,437 USL shares from UBHL at that time.

Following closing of the UBHL Share Sale, appeals were filed by various petitioners in respect of the Leave Order. On 20 December 2013, the division bench of the High Court set aside the Leave

Order (the “**20 December Order**”). Following the 20 December Order, Diageo filed special leave petitions (“**SLPs**”) in the Supreme Court of India against the 20 December Order.

On 10 February 2014, the Supreme Court of India issued an order giving notice in respect of the SLPs and ordering that the status quo be maintained with regard to the UBHL Share Sale. Following a number of adjournments, the next hearing date for the SLPs (in respect of which leave has since been granted and which have been converted to civil appeals) is yet to be fixed.

In separate proceedings, the various winding-up petitions against UBHL have been progressing through the High Court since closing of the UBHL Share Sale. In separate rulings issued by the High Court on 22 November 2013 and 13 December 2013, the High Court admitted two of the winding-up petitions against UBHL. An appeal filed by UBHL against the first ruling issued on 22 November 2013 was dismissed by a division bench of the High Court on 16 December 2013. That dismissal is now the subject of a further appeal by UBHL before the Supreme Court of India. On 6 February 2014, UBHL filed an appeal with a division bench of the High Court against the second ruling issued on 13 December 2013 and that appeal was disposed of on 21 March 2016. The High Court admitted a further six winding-up petitions against UBHL on 2 January 2015. On 22 January 2015 and 27 March 2015, UBHL filed appeals with a division bench of the High Court against the latest admission order. One of these appeals was disposed of on 25 February 2016, and two more of these appeals were disposed of on 21 March 2016. The various winding-up petitions against UBHL also continue to be adjourned, with the next date fixed for hearing of many of these winding-up petitions being 20 June 2016.

Diageo continues to believe that the acquisition price of INR 1440 paid to UBHL for the USL shares is fair and reasonable as regards UBHL, UBHL’s shareholders and UBHL’s secured and unsecured creditors. However, adverse results for Diageo in the proceedings referred to above could, absent leave or relief in other proceedings, ultimately result in Diageo losing title to the 10,141,437 USL shares acquired from UBHL. Diageo believes it would remain in control of USL and be able to consolidate USL as a subsidiary regardless of the outcome of this litigation. There can be no certainty as to the outcome of the existing or any further related legal proceedings or the timeframe within which they would be concluded.

Diageo also has the benefit of certain contractual undertakings and commitments from the relevant sellers in relation to potential challenges to its unencumbered title to the USL shares acquired on 4 July 2013, including relating to the winding-up petitions described above and/or certain losses and costs that may be incurred in the event of third party actions relating to the acquisition of the USL shares.

Separately, Diageo’s contractual rights in relation to the acquisition of an additional 3,459,090 USL shares (representing 2.38% of the share capital of USL) under the SPA from the USL Benefit Trust have not been capable of completion. Currently certain lenders to USL are refusing to release security that they hold over those shares notwithstanding that they have been repaid in full. USL filed a petition against such lenders before the High Court for release of the security and the High Court granted a stay order in favour of USL in December 2015 restraining the lenders from dealing with the 3,459,090 pledged USL shares until further order of the High Court. As previously disclosed, if it is not ultimately possible for Diageo to complete the acquisition in relation to these shares, they would instead continue to be held by the USL Benefit Trust subject to an undertaking that the trustees would only vote the shares at the direction of USL.

5.4 USL Internal Inquiry and Related Matters

In a notice to the Indian stock exchange dated 4 September 2014, USL announced that its board of directors had directed an inquiry into certain matters referred to in USL's financial statements and the qualified auditor's report for the financial year ended 31 March 2014 (the "Inquiry"). The transactions noted in the Inquiry occurred prior to Diageo gaining significant influence over USL on 4 July 2013 when it completed the transaction to purchase shares in USL to take its aggregate shareholding to 25.02%. USL provided an update on 25 April 2015 in relation to the Inquiry which covered various matters, including certain doubtful receivables, advances and deposits. Additional updates have been provided by USL in subsequent quarterly announcements of their unaudited financial results, including most recently on 27 January 2016 in respect of the quarter to 31 December 2015.

As stated by USL in its most recent update, the Inquiry: (a) revealed that funds involved in many of the commercial transactions covered by the Inquiry were diverted from USL and/or its subsidiaries to certain companies in the UBHL group, including in particular Kingfisher Airlines Limited; (b) prima facie revealed that certain accounting entries appear to have been made and certain transactions entered into on behalf of USL appear to have been undertaken in order to show a lower exposure of USL (and its subsidiaries) to UBHL than that which actually existed at the relevant time; and (c) also identified certain additional parties and matters where documents identified raised concerns as to the propriety of certain underlying commercial transactions with counterparties referred to in the notes to USL's audited accounts for the financial year to 31 March 2014. The inquiry suggests that the manner in which these various transactions were conducted, prima facie, indicates various improprieties and potential violations of provisions, inter alia, of the Indian Companies Act 1956 and the listing agreements signed by USL with various stock exchanges in India on which its securities are listed.

USL has recorded provisions in an aggregate amount of INR 6,712 million (approximately £69 million) with respect to (a) above, and in an aggregate amount of INR 2,368 million (approximately £24 million) with respect to (c) above. Diageo believes that these provisions represent the full amount of funds indicated by the Inquiry as having been diverted from USL and its subsidiaries to companies in the UBHL group in respect of such transactions. These amounts were fully provided for in the fair value balance sheet consolidated by Diageo on 2 July 2014. Diageo does not expect any further material financial impact on Diageo's financial results in connection with such transactions. USL made provisions in its financial statements for the two years ended 31 March 2014 and 31 March 2015 in respect of the issues identified by the Inquiry. The audit report on the financial statements of USL for the year ended 31 March 2015 was also qualified in respect of the issues.

The USL board stated in its update of 25 April 2015 that it was not in a position to make any final determinations with regard to the position of any individuals involved and therefore directed USL to report the relevant transactions to the authorities as required under applicable law and to provide the inquiry report to USL's auditors. The USL board also resolved that USL should take the necessary steps to pursue all rights and claims against, and expeditiously recover its dues from, the relevant parties to the extent possible. As announced by USL on 2 November 2015, USL has been taking steps for recovery against the relevant parties to the extent possible. During the quarter ended 30 September 2015, USL reached a settlement with one of the parties pursuant to which the party withdrew claims aggregating to INR 279 million (approximately £3 million).

In light of the above, and without making any determination as to fault or culpability, the USL directors noted in the update of 25 April 2015 that they had lost confidence in Dr Vijay Mallya continuing in his role as a director and as chairman of USL and therefore the USL board called upon Dr Mallya to resign forthwith as a director and as chairman of the board and step down from his positions in USL's subsidiaries. The board of USL also resolved that, in the event Dr Mallya declined to step down, it would recommend to the shareholders of USL the removal of Dr Mallya as a director and as the chairman of the board. Dr Mallya indicated at the time that he would not tender his resignation.

Diageo is the majority shareholder in USL with a 54.78% holding in USL. As previously announced by Diageo, it had certain contractual obligations to support Dr Mallya continuing as non-executive director and chairman of USL subject to certain conditions and in the absence of certain defaults. Those matters were agreed on 9 November 2012 as part of a broader shareholders' agreement and came into effect on 4 July 2013 when Diageo completed the purchase of shares to take its aggregate shareholding in USL to 25.02%.

Subsequent to its announcement of 25 April 2015, USL had provided its inquiry report and all related materials to Diageo. Diageo announced on 27 April 2015 that it noted the recommendation of the USL board and was considering its position under its agreements with Dr Mallya and UBHL in light of the inquiry report and materials provided to it.

On 25 February 2016, Diageo and USL each announced that they had entered into arrangements with Dr Mallya under which he had agreed to resign from his position as a director and as chairman of USL and from his positions in USL's subsidiaries. As part of those arrangements, USL and Dr Mallya agreed a mutual release in relation to matters arising out of the Inquiry. As announced on 25 February 2016, Diageo's agreement with Dr Mallya provided for a payment of \$75 million to Dr Mallya over a five year period. \$40 million of this amount was paid on signing of the agreement with the balance being payable in equal instalments over five years, subject to Dr Mallya's compliance with certain terms of the agreement. On 7 March 2016, a consortium of banks led by the State Bank of India (SBI) obtained an order from the Debt Recovery Tribunal (the "DRT") in Bangalore attaching the sum of \$75 million payable to Dr Mallya under the agreement. The order provides that Dr Mallya is not to draw on that sum, Diageo is not to disburse such sum to Dr Mallya and Diageo is to deposit such sum with the DRT. Diageo stated in its affidavit filed in the DRT on 5 April 2016 that the sum of \$40 million was paid on 25 February 2016, prior to the order dated 7 March 2016. Diageo further stated that no sum is presently due and payable by Diageo to Dr Mallya and there can be no certainty that any amount will become due and payable in the future. Diageo's position is that the order is not currently capable of being performed.

Following USL's earlier updates, USL has received various notices and enquiries from Indian regulatory authorities, including the Ministry of Corporate Affairs, the stock exchange authorities and the income tax authorities. USL is cooperating fully with the authorities in relation to these matters. Diageo is unable to assess if these notices or enquiries will result in any enforcement action or, if this were to transpire, to quantify meaningfully the possible loss or range of loss, if any, to which any such action might give rise.

Further, and as previously announced by USL, the Inquiry identified certain additional parties and matters raising concerns as to the propriety of the underlying transactions. USL made provisions in respect of such transactions for its financial years ended 31 March 2015 and 31 March 2014.

As announced by USL previously, USL management believes these provisions are adequate and no additional material adjustments are likely to be required in relation thereto. In addition, the USL board has announced that it believes that it is necessary to assess whether the transactions involving the additional parties and matters were improper and has therefore directed its managing director and CEO to expeditiously review these transactions and report to the board his conclusions on the transactions and any further impact on USL's financial results. Diageo understands that this review is currently underway. Diageo does not expect any material financial impact on its financial results to arise out of these matters.

5.5 SEC Inquiry

Diageo has received requests for information from the US Securities and Exchange Commission ("**SEC**") regarding its distribution in the United States. Diageo is currently responding to the SEC's requests for information in this matter. Diageo is unable to assess if the inquiry will evolve into a broader information request or an enforcement action or, if this were to transpire, to quantify meaningfully the possible loss or range of loss, if any, to which any such action might give rise.

5.6 Other

The Diageo Group has extensive international operations and is defendant in a number of legal, customs and tax proceedings incidental to these operations, the outcome of which cannot at present be foreseen. In particular, the Diageo Group is currently the defendant in various customs proceedings that challenge the declared customs value of products imported by certain Diageo companies. Diageo continues to defend its position vigorously in these proceedings.

Save as disclosed above, the Issuer, Diageo and its subsidiaries are not, nor have been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or Diageo, as the case may be, are aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Issuer or Diageo and its subsidiaries..

6. CORPORATE GOVERNANCE

The board of Diageo is committed to high standards of corporate governance and Diageo is in compliance with all relevant provisions set out in the United Kingdom Corporate Governance Code (the "**Code**") (published in September 2012 by the Financial Reporting Council).

The board of Diageo has established Nomination, Remuneration and Audit Committees, with formally delegated duties and responsibilities, and written terms of reference. From time to time, separate committees may be set up by the board to consider specific issues when the need arises.

The terms of reference of the committees, including their objectives and the authority delegated by them by the board, are available upon request or via Diageo's website and are reviewed at least annually by the relevant committee and the board. All committees have access to independent expert advice.

The Nomination Committee is responsible for keeping under review the composition of the board and succession to it, and succession planning for senior leadership positions. It makes recommendations to the board concerning appointments to the board. The members of the

committee are the chairman of the board and all independent non-executive directors. The chairman of the committee is Dr Franz B Humer. The other members are Peggy Bruzelius, Ho KwonPing, Lord Davies of Abersoch, Betsy Holden, Philip Scott, Alan Stewart and Nicola Mendelsohn. The composition of the Nomination Committee complies with the recommendations of the Code.

The Remuneration Committee assists the board in determining its responsibilities in relation to remuneration, including reviewing and assessing the ongoing appropriateness of the current remuneration policy, executive plan design and target stretch and ensuring that remuneration arrangements continue to attract and retain the highest quality global talent with a clear link between performance and reward. All the members of the Remuneration Committee are independent non-executive directors, namely Lord Davies of Abersoch, Peggy Bruzelius, Ho KwonPing, Betsy Holden, Philip Scott, Alan Stewart and Nicola Mendelsohn. The chairman of the Remuneration Committee is Lord Davies of Abersoch. The composition of the Remuneration Committee complies with the recommendations of the Code.

The role of the Audit Committee is to monitor and review the integrity of Diageo's financial statements, internal control and risk management, audit and risk programmes, business conduct and ethics, 'whistleblowing' and the appointment of the external auditor. All the members of the Audit Committee are independent non-executive directors, namely Philip Scott, Peggy Bruzelius, Ho KwonPing, Lord Davies of Abersoch, Betsy Holden, Alan Stewart and Nicola Mendelsohn. Philip Scott is chairman of the Audit Committee. The composition of the Audit Committee complies with the recommendations of the Code.

7. DIRECTORS

The officers of Diageo and their respective business occupations are set out below. The business address of each of the officers is at Lakeside Drive, Park Royal, London NW10 7HQ.

Name	Business Occupation
Dr Franz B Humer	Chairman, Non-Executive Director
Ivan Menezes	Chief Executive, Executive Director
Kathryn Mikells	Chief Financial Officer, Executive Director
Lord Davies of Abersoch	Senior Non-Executive Director
Peggy B Bruzelius	Non-Executive Director
Betsy D Holden	Non-Executive Director
Ho KwonPing	Non-Executive Director
Nicola S Mendelsohn	Non-Executive Director
Philip G Scott	Non-Executive Director

Alan JH Stewart	Non-Executive Director
Emma Walmsley	Non-Executive Director
Paul D Tunnacliffe	Company Secretary

The principal activities of the following directors performed by them outside the Diageo Group are directorships and memberships of the companies or institutions as set out below:

Name	Company/Institution
Dr Franz B Humer	Chugai Pharmaceutical Co., Ltd CitiGroup Kite Pharma, Inc.
Ivan Menezes	Coach Inc. Kellogg School of Management Scotch Whisky Association
Kathryn Mikells	The Hartford Financial Services Group
Lord Davies of Abersoch	Corsair Capital Jack Wills Royal Academy of Arts LetterOne Holdings S.A.
Peggy B Bruzelius	Lancelot Asset Management Akzo Nobel NV Axfood AB Skandia Liv AB Lundin Petroleum AB
Betsy D Holden	Western Union Company Time Inc McKinsey & Company Duke University, Trinity College Kellogg School of Management
Ho KwonPing	Banyan Tree Group Laguna Resorts & Hotel Thai Wah Food Products INSEAD London Business School Singapore Management University School of Hotel and Tourism Management of the Hong Kong Polytechnic University

Nicola S Mendelsohn	Facebook EMEA Women's Prize for Fiction Creative Industries Council
Alan JH Stewart	Tesco plc
Emma Walmsley	GSK Consumer Healthcare

At 31 December 2015 the aggregate interests of directors in the ordinary shares of Diageo including their share options and conditional rights to acquire shares, was less than 1% of the total issued share capital of Diageo. There are no existing or potential conflicts of interest between any duties of the directors of Diageo and/or their private interests and other duties. In accordance with Diageo's articles of association, the board has authorised the chairman or the company secretary, as appropriate to receive notifications of conflicts of interest on behalf of the board and to make recommendations as to whether the relevant matters should be authorised by the board.

PART 7: DIAGEO CAPITAL PLC

1. OVERVIEW

The Issuer, a wholly-owned subsidiary of Diageo, was incorporated under the laws of Scotland on August 10, 1964. The Issuer's registered office is at Edinburgh Park, 5 Lochside Way, Edinburgh, EH12 9DT, Scotland with telephone number +44 (0) 131 519 2000.

The issued share capital of the Issuer comprises 200,000 ordinary shares of £1.00 each, all of which are held by Diageo. The Issuer does not know of any arrangements which may at a subsequent date result in a change of control of the Issuer.

The Issuer is a financing vehicle for Diageo and its consolidated subsidiaries. The Issuer has no independent operations, other than holding cash and U.S. government securities from time to time. The Issuer will lend substantially all proceeds of its borrowings to Diageo or to one or more of Diageo's subsidiaries that are operating companies.

2. DIRECTORS

The officers of the Issuer and their respective business occupations are set out below. The business address of each of the officers is at Lakeside Drive, Park Royal, London NW10 7HQ.

Name	Business Occupation
Sharon Lynnette Fennessy	Treasurer
Edward McShane	Assistant Treasurer
John James Nicholls	Deputy Company Secretary
Monika Pais	Group Chief Accountant
Paul D Tunnacliffe	Company Secretary

None of the directors hold directorships of companies or institutions outside the Diageo Group.

There are no existing or potential conflicts of interest between any duties of the directors of the Issuer and/or their private interests and other duties. At 31 December 2015 the directors had no interests in the share capital of the Issuer. At 31 December 2015 the aggregate interests of directors in the ordinary shares of Diageo including their share options and conditional rights to acquire shares, was less than 1% of the total issued share capital of Diageo.

PART 8: UNITED KINGDOM TAXATION

The following summary describes certain UK tax implications of acquiring, holding or disposing of Notes, but it does not purport to be a comprehensive description of all of the UK tax considerations that may be relevant to a decision to acquire such securities. The summary is based on current UK tax legislation, the current published practice of Her Majesty's Revenue and Customs ("HMRC") and the terms of the UK/U.S. double taxation treaty (the "Treaty"), as appropriate, all of which are subject to change at any time, possibly with retrospective effect. The summary relates only to the position of persons who are absolute beneficial owners of the Notes and does not deal with the position of certain classes of holders of Notes, such as dealers in securities and those who are treated as non-domiciled and resident in the UK for the purposes of UK tax law. The summary does not apply to certain types of debt securities which may be subject to special rules, such as discounted securities, convertible securities and variable rate securities.

Please consult your own tax adviser concerning the consequences of acquiring, owning and disposing of these debt securities in your particular circumstances under UK law and the laws of any other taxing jurisdiction.

Payments

Payments of principal on the Notes in accordance with the procedures described under paragraph 5.2 ("*Payment and Paying Agents*") of Part 4 ("*Description of the Terms and Conditions of the Notes*") of this Prospectus will not be subject to any deduction or withholding for or on account of UK taxation. Payments of interest on the Notes, in accordance with the described procedure, will not be subject to withholding or deduction for or on account of UK taxation so long as the Notes carry a right to interest and are listed on a "recognised stock exchange" within the meaning of Section 1005 of the Income Tax Act 2007. The London Stock Exchange is a recognised stock exchange for these purposes. The Notes will be treated as listed on the London Stock Exchange if they are included in the Official List (within the meaning of, and in accordance with, the provisions of Part VI of FSMA) and are admitted to trading on the London Stock Exchange. Provided, therefore, that the Notes are, and remain, so listed, interest on the Notes will be payable without deduction or withholding for or on account of UK tax.

Payments of interest on the Notes may also be made without withholding or deduction for or on account of UK tax if the maturity of the Notes is less than one year from the date of issue and provided that the Notes are not issued under arrangements the effect of which is to render such Notes part of a borrowing with a total term of one year or more. The Notes do not have a maturity of less than one year from their relevant date of issue and are not issued under arrangements the effect of which is to render the Notes part of a borrowing with a total term of one year or more.

Where the Notes may be redeemed at a premium, then any such element may premium may constitute a payment of interest and may be paid subject to deduction or withholding for or on account of UK tax, unless any of the exemptions described above apply.

In all other cases, payments will generally be made after deduction of tax at the basic rate, which is currently 20%. Certain holders of debt securities who are resident for tax purposes in the United States will generally be entitled to receive payments free of deductions on account of UK tax under the Treaty and may therefore be able to obtain a direction to that effect from HMRC. Holders of debt securities who are resident for tax purposes in other jurisdictions may also be able to receive payment free of deductions under an appropriate double taxation treaty and may be able

to obtain a direction to that effect. However, such a direction will only be issued on prior application to the relevant tax authorities by the holder in question. In each case, if such a direction is not given, the person making the payment will be required to withhold tax, although a holder of debt securities resident for tax purposes in the United States or another jurisdiction who is entitled to relief may be able to subsequently claim the amount withheld from HMRC.

The interest on the Notes will have a UK source and accordingly may be chargeable to UK tax by direct assessment even if the interest is paid without withholding or deduction. However, the interest will not generally be assessed to UK tax by direct assessment in the hands of a person who is not resident for tax purposes in the UK unless that person carries on a trade, profession or vocation in the UK through a permanent establishment, branch or agency in the UK in connection with which the interest is received or to which those debt securities are attributable. There are certain exceptions for interest received by certain categories of agents.

Guarantee Payments

If Diageo makes any payments under the guarantee in respect of interest on the Notes (or other amounts due on the Notes, other than payments in respect of principal) such payments may be subject to UK withholding tax at the basic rate (currently 20%) subject to any available relief under an applicable double taxation treaty or to any other exemption which may apply. Such payments by Diageo may not be eligible for the exemptions described in the paragraph entitled "Payments" above.

PART 9: GENERAL INFORMATION

1. Authorisation

The Issuer and Diageo have obtained all necessary consents, approvals and authorisations in connection with the issue and performance of the Notes:

- (A) the issue of the 2016 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 25 September 2006 and a Committee of the Board of Directors of Diageo passed on 16 August 2006;
- (B) the issue of the May 2017 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 4 May 2012 and a Committee of the Board of Directors of Diageo passed on 4 May 2012;
- (C) the issue of the October 2017 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 17 October 2007 and a Committee of the Board of Directors of Diageo passed on 17 October 2007;
- (D) the issue of the April 2018 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 23 April 2013 and a Committee of the Board of Directors of Diageo passed on 17 April 2013;
- (E) the issue of the May 2018 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 18 March 2003 and a Committee of the Board of Directors of Diageo passed on 23 February 2003;
- (F) the issue of the 2020 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 29 March 2010 and a Committee of the Board of Directors of Diageo passed on 29 March 2010;
- (G) the issue of the 2023 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 23 April 2013 and a Committee of the Board of Directors of Diageo passed on 17 April 2013;
- (H) the issue of the 2036 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 25 September 2006 and a Committee of the Board of Directors of Diageo passed on 16 August 2006; and
- (I) the issue of the 2043 Notes was authorised by a resolution of the Board of Directors of the Issuer passed on 23 April 2013 and a Committee of the Board of Directors of Diageo passed on 17 April 2013.

2. Listing

The listing of the Notes on the Official List of the UK Listing Authority and the admission to trading of the Notes on the London Stock Exchange's regulated market are both expected to take effect on or around 27 May 2016.

3. Clearing Systems

The Notes have been accepted for clearance through DTC, Clearstream, Luxembourg and Euroclear:

- (A) the ISIN for the 2016 Notes is US25243YAJ82 and the CUSIP number for the 2016 Notes is 25243Y AJ8;
- (B) the ISIN for the May 2017 Notes is US25243YAR09 and the CUSIP number for the May 2017 Notes is 25243Y AR0;
- (C) the ISIN for the October 2017 Notes is US25243YAM12 and the CUSIP number for the October 2017 Notes is 25243Y AM1;
- (D) the ISIN for the April 2018 Notes is US25243YAT64 and the CUSIP number for the April 2018 Notes is 25243Y AT6;
- (E) the ISIN for the May 2018 Notes is US25243EAF07 and the CUSIP number for the May 2018 Notes is 25243E AF0;
- (F) the ISIN for the 2020 Notes is US25243YAP43 and the CUSIP number for the 2020 Notes is 25243Y AP4;
- (G) the ISIN for the 2023 Notes is US25243YAU38 and the CUSIP number for the 2023 Notes is 25243Y AU3;
- (H) the ISIN for the 2036 Notes is US25243YAH27 and the CUSIP number for the 2036 Notes is 25243Y AH2; and
- (I) the ISIN for the 2043 Notes is US25243YAV11 and the CUSIP number for the 2043 Notes is 25243Y AV1.

4. No Significant Change and No Material Adverse Change

There has been no significant change in the financial or trading position of Diageo and its respective subsidiaries since 31 December 2015, and, there has been no material adverse change in the prospects of Diageo and its respective subsidiaries since 30 June 2015.

There has been no significant change in the financial or trading position of the Issuer since 30 June 2015, and no material adverse change in the prospects of the Issuer since 30 June 2015.

5. Litigation

Save as disclosed on pages 68 to 73 of this Prospectus in respect of the litigation proceedings described in the sections entitled "*Korean Customs Dispute*", "*Thalidomide Litigation*", "*Acquisition of USL Shares from UBHL*", "*Winding-Up Petitions against UBHL and Other Proceedings in relation to the USL Transaction*", "*USL Internal Inquiry and*

Related Matters", "SEC Inquiry", and "Other", the Issuer, Diageo and its subsidiaries are not, nor have been involved in any governmental, legal or arbitration proceedings (including any proceedings which are pending or threatened of which the Issuer or Diageo, as the case may be, are aware) which may have, or have had in the 12 months preceding the date of this document, a significant effect on the financial position or profitability of the Issuer or Diageo and its subsidiaries.

6. Auditors

Diageo and the Issuer have accounting year ends of 30 June. KPMG LLP have been appointed as sole auditors of Diageo and the Issuer. The address of KPMG LLP is 15 Canada Square, London, E14 5GL.

The consolidated financial statements of Diageo in respect of the years ended 30 June 2015 and 30 June 2014 were audited, without qualification by KPMG LLP, Chartered Accountants and Registered Auditors. The financial statements of the Issuer in respect of the years ended 30 June 2015 and 30 June 2014 were audited, without qualification by KPMG LLP, Chartered Accountants and Registered Auditors.

No other information referred to in this Prospectus has been audited by KPMG LLP.

The Diageo Group accounts are consolidated and prepared in accordance with IFRS. The statutory accounts of the Issuer are prepared in accordance applicable law and UK Generally Accepted Accounting Practice.

7. Documents Available for Inspection

For so long as any Notes shall be outstanding, copies of the following documents may be inspected during normal business hours at the registered offices of the Issuer and Diageo, namely:

- (A) the constitutional documents of each of the Obligors;
- (B) this Prospectus together with any supplements and/or amendments;
- (C) the Indenture;
- (D) the audited annual financial statements (on a consolidated basis and including the auditor's report thereon and notes thereto) of Diageo in respect of the financial years ended 30 June 2015 and 30 June 2014;
- (E) the unaudited interim results of Diageo for the six months ended 31 December 2015; and
- (F) the audited annual financial statements (on an entity basis and including the auditor's report thereon and notes thereto) of the Issuer in respect of the financial years ended 30 June 2015 and 30 June 2015;

- (G) the Annual Report on Form 20-F of Diageo in respect of the year ended 30 June 2015, excluding the exhibits set out at pages 261 to 262 therein referred to as being incorporated by reference; and
- (H) the Form 6-K filed with the U.S. Securities and Exchange Commission relating to, *inter alia*, the unaudited interim results of Diageo for the six months ended 31 December 2015;
- (I) in respect of the April 2018 Notes, 2023 Notes and 2043 Notes, the Prospectus dated 8 February 2012 and the Prospectus Supplement dated 24 April 2013;
- (J) in respect of the 2016 Notes and the 2036 Notes, the Prospectus dated 27 March 2006 and the Prospectus Supplement dated 25 September 2006;
- (K) in respect of the May 2017 Notes, the Prospectus dated 8 February 2012 and the Prospectus Supplement dated 8 May 2012;
- (L) in respect of the October 2017 Notes, the Prospectus dated 27 March 2006, the Prospectus Supplement dated 23 October 2007 and the further Prospectus Supplement dated 7 December 2007;
- (M) in respect of the May 2018 Notes, the Pricing Supplement dated 25 April 2003, the Prospectus dated 30 November 2001 and the Prospectus Supplement dated 26 March 2002; and
- (N) in respect of the 2020 Notes, Amendment No. 1 to Form F-4 as filed with the SEC on 13 April 2010.

8. Yield

On the basis of their asking price as at 20 May 2016:

- (A) the yield to maturity of the 2016 Notes as at such date was 0.696% on an annual basis;
- (B) the yield to maturity of the May 2017 Notes as at such date was 0.972% on an annual basis;
- (C) the yield to maturity of the October 2017 Notes as at such date was 1.153% on an annual basis;
- (D) the yield to maturity of the April 2018 Notes as at such date was 1.299% on an annual basis;
- (E) the yield to maturity of the May 2018 Notes as at such date was 1.288% on an annual basis;
- (F) the yield to maturity of the 2020 Notes as at such date was 1.885% on an annual basis;

- (G) the yield to maturity of the 2023 Notes as at such date was 2.540% on an annual basis;
- (H) the yield to maturity of the 2036 Notes as at such date was 3.926% on an annual basis; and
- (I) the yield to maturity of the 2043 Notes as at such date was 3.809% on an annual basis.

These historic yields are not an indication of future yields.

PART 10: HISTORICAL FINANCIAL INFORMATION ON AND AUDITED FINANCIAL STATEMENTS OF THE ISSUER

The audited annual financial statements (on an entity basis and including the auditor's report thereon and notes thereto) of the Issuer in respect of the financial years ended 30 June 2015 and 30 June 2014 are set out in this part of the Prospectus. These statements were prepared in accordance with applicable law and UK Generally Accepted Accounting Practice. Notwithstanding the Issuer's intention to prepare its financial statements in accordance with IFRS for the year ended 30 June 2016, the financial statements of the Issuer as set out in this part of the Prospectus are presented and prepared in a form materially consistent with that which will be adopted in the Issuer's next published financial statements, having regard to accounting standards and policies and legislation applicable to such annual financial statements.

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