

DIAGEO PLC  
Form F-3ASR  
March 27, 2006

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As filed with the Securities and Exchange Commission on March 27, 2006

Registration Statement Nos. 333-  
333-110804

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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

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## FORM F-3

REGISTRATION STATEMENT UNDER  
THE SECURITIES ACT OF 1933

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### Diageo plc

*(Exact name of Registrant as specified in its charter)*

### ENGLAND AND WALES

*(State or other jurisdiction of incorporation or organization)*

### Not Applicable

*(I.R.S. Employer Identification No.)*

### 8 Henrietta Place

London W1G 0NB, England  
Tel. No.: 011-44-20-7927-5200

*(Address and telephone number of Registrant's principal executive offices)*

### Diageo Investment Corporation

*(Exact name of Registrant as  
specified in its charter)*

### DELAWARE

*(State or other jurisdiction of  
incorporation or organization)*

22-2877301

*(I.R.S. Employer Identification No.)*

801 Main Avenue  
Norwalk, CT 06851

Tel. No.: (203) 359-7102

*(Address and telephone number of  
Registrant's principal executive offices)*

### Diageo Capital plc

*(Exact name of Registrant as  
specified in its charter)*

### SCOTLAND

*(State or other jurisdiction of  
incorporation or organization)*

### Not Applicable

*(I.R.S. Employer Identification No.)*

Edinburgh Park, 5 Lochside Way  
Edinburgh EH12 9DT, Scotland

Tel. No.: 011-44-131-519-2000

*(Address and telephone number of  
Registrant's principal executive offices)*

### Diageo Finance B.V.

*(Exact name of Registrant as  
specified in its charter)*

### THE NETHERLANDS

*(State or other jurisdiction of  
incorporation or organization)*

### Not Applicable

*(I.R.S. Employer Identification No.)*

Molenwerf 10-12  
1014 BG Amsterdam, The Netherlands

Tel. No.: 011-31-20-774-5000

*(Address and telephone number of  
Registrant's principal executive offices)*

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### General Counsel, Diageo North America, Inc.

6 Landmark Square  
Stamford, CT 06901-2704

Tel. No.: (203) 359-7102

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(Name, address and telephone number of agent for service)

## Please send copies of all communications to:

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Tel. No.: 011-44-20-7418-1300

**Approximate date of commencement of proposed sale to the public:** From time to time after the effective date of this registration statement.

If the only securities being registered on this Form are being offered pursuant to dividend or interest reinvestment plans, please check the following box.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, other than securities offered only in connection with dividend or interest reinvestment plans, check the following box.

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering.  \_\_\_\_\_

If this Form is a registration statement pursuant to General Instruction I.C. or a post-effective amendment thereto that shall become effective upon filing with the Commission pursuant to Rule 462(e) under the Securities Act, check the following box.

If this Form is a post-effective amendment to a registration statement filed pursuant to General Instruction I.C. filed to register additional securities or additional classes of securities pursuant to Rule 413(b) under the Securities Act, check the following box.

## CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered/Proposed Maximum Aggregate Offering Price per Unit/Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
(Guaranteed) Debt Securities		
Warrants, puts and calls		
Preference Shares	(1)	\$0(1)
Ordinary Shares, nominal value 28 <sup>101</sup> / <sub>108</sub> pence each(2)		
Guarantees of the Debt Securities	(3)	(3)

- (1) An indeterminate aggregate initial offering price or number of the securities of each identified class is being registered as may from time to time be offered at indeterminate prices. Separate consideration may or may not be received for securities that are issuable on exercise, conversion or exchange of other securities or that are issued in units or represented by depositary shares. In accordance with Rules 456(b) and 457(r), the Registrant is deferring payment of all of the registration fee, except for \$448,870.91 that has already been paid with respect to \$1,732,156,000 aggregate initial offering price of securities that were previously registered pursuant to Registration Statement No. 333-110804, which was filed on November 26, 2003, and were not sold thereunder. Pursuant to Rule 457(p) under the Securities Act, such unutilized filing fee may be applied to the filing fee payable pursuant to this Registration Statement.
- (2) The Ordinary Shares may be represented by American Depositary Shares, each of which represents four Ordinary Shares. American Depositary Receipts evidencing American Depositary Shares issuable on deposit of Ordinary Shares have been registered pursuant to a separate Registration Statement on Form F-6 (File No. 333-8010).
- (3) Pursuant to Rule 457(n), no separate fee for the Guarantees is payable.

Pursuant to Rule 429 under the Securities Act of 1933, the Prospectus contained in this Registration Statement and supplements to such Prospectus will also be used in connection with the offering of securities previously registered pursuant to the Registrants' Registration Statement (File No. 333-14100) and not issued.



DIAGEO INVESTMENT CORPORATION  
DIAGEO CAPITAL PLC  
DIAGEO FINANCE B.V.

GUARANTEED DEBT SECURITIES

Fully and unconditionally guaranteed by

**DIAGEO PLC**

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**DIAGEO PLC**

**Debt Securities**

**Warrants**

**Purchase Contracts**

**Units**

**Preference Shares**

**Ordinary Shares**

**In the form of ordinary shares or American depositary shares**

Diageo Investment Corporation, Diageo Capital plc or Diageo Finance B.V. may use this prospectus to offer from time to time guaranteed debt securities. Diageo plc may use this prospectus to offer from time to time debt securities, warrants, purchase contracts, units, preference shares or ordinary shares, directly or in the form of American depositary shares. Diageo's ordinary shares are admitted to trading on the London Stock Exchange under the symbol "DGE" and are also listed on the Paris and Dublin stock exchanges. Diageo's American depositary shares, each representing four ordinary shares, are listed on the New York Stock Exchange under the symbol "DEO".

You should read this prospectus and the accompanying prospectus supplement carefully before you invest. We may sell these securities to or through underwriters, and also to other purchasers or through agents. The names of the underwriters will be set forth in the accompanying prospectus supplement.

*Investing in these securities involves certain risks. See "Risk Factors" beginning on page 2.*

**Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities, or passed upon the accuracy or adequacy of this prospectus. Any representation to the contrary is a criminal offense.**

Prospectus dated March 27, 2006.

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## ABOUT THIS PROSPECTUS

This prospectus is part of a registration statement that we filed with the SEC utilizing a shelf registration process. Under this shelf process, we may sell any combination of the securities described in this prospectus in one or more offerings. This prospectus provides you with a general description of the securities we may offer. Each time we sell securities, we will provide a prospectus supplement that will contain specific information about the terms of those securities and their offering. The prospectus supplement may also add, update or change information contained in this prospectus. You should read both this prospectus and any prospectus supplement together with the additional information described under the heading "Where You Can Find More Information About Us".

In this prospectus, the terms "we", "our" and "us" refer to Diageo Investment Corporation, Diageo Capital plc, Diageo Finance B.V. and Diageo plc. Either Diageo Investment Corporation, Diageo Capital plc, Diageo Finance B.V. or Diageo plc may be the issuer in an offering of debt securities, which may include debt securities convertible into or exchangeable for other securities. Diageo plc will be the guarantor in an offering of debt securities of Diageo Investment, Diageo Capital or Diageo Finance, which are referred to as guaranteed debt securities. We refer to the guaranteed debt securities and the debt securities issued by Diageo collectively as the debt securities. In addition, Diageo will be the issuer in an offering of warrants and in an offering of preference shares or ordinary shares, which are referred to collectively as shares. The debt securities, warrants, preference shares and ordinary shares, including ordinary shares in the form of ADSs, that may be offered using this prospectus are referred to collectively as the securities.

## RISK FACTORS

*Investing in the securities offered using this prospectus involves risk. You should consider carefully the risks described below, together with the risks described in the documents incorporated by reference into this prospectus and any risk factors included in the prospectus supplement, before you decide to buy our securities. If any of these risks actually occur, our business, financial condition and results of operations could suffer, and the trading price and liquidity of the securities offered using this prospectus could decline, in which case you may lose all or part of your investment.*

### Risks Relating to Diageo's Business

You should read "Risk Factors" in Diageo's Annual Report on Form 20-F for the fiscal year ended June 30, 2005, which is incorporated by reference in this prospectus, or similar sections in subsequent filings incorporated by reference in this prospectus, for information on risks relating to Diageo's business.

### Risks Relating to Diageo's Shares

*Diageo's shares and American depositary shares may experience volatility which will negatively affect your investment.*

In recent years most major stock markets have experienced significant price and trading volume fluctuations. These fluctuations have often been unrelated or disproportionate to the operating performance of the underlying companies. Accordingly, there could be significant fluctuations in the price of Diageo's shares and American depositary shares, or ADSs, each representing four ordinary shares, even if Diageo's operating results meet the expectations of the investment community. In addition,

announcements by Diageo or its competitors relating to operating results, earnings, volume, acquisitions or joint ventures, capital commitments or spending,

changes in financial estimates or investment recommendations by securities analysts,

changes in market valuations of other food or beverage companies,

adverse economic performance or recession in the United States or Europe, or

disruptions in trading on major stock markets,

could cause the market price of Diageo's shares and ADSs to fluctuate significantly.

### Risks Relating to the Debt Securities, Warrants, Purchase Contracts and Units

*Because Diageo is a holding company and currently conducts its operations through subsidiaries, your right to receive payments on debt securities issued by Diageo or on the guarantees is subordinated to the other liabilities of its subsidiaries.*

Diageo is organized as a holding company, and substantially all of its operations are carried on through subsidiaries. Diageo plc had guaranteed a total of £176 million debt as of December 31, 2005. 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 debt securities we may offer. 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 notes guaranteed or issued by Diageo 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.



*Because the debt securities are unsecured, your right to receive payments may be adversely affected.*

The debt securities that we are offering will be unsecured. The debt securities are not subordinated to any of our other debt obligations and therefore they will rank equally with all our other unsecured and unsubordinated indebtedness. As of December 31, 2005, Diageo group had £102 million aggregate principal amount of secured indebtedness outstanding. If Diageo Investment, Diageo Capital, Diageo Finance or Diageo default on the debt securities or Diageo defaults on the guarantees, or in the event of bankruptcy, liquidation or reorganization, then, to the extent that Diageo Investment, Diageo Capital, Diageo Finance 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 Diageo Investment, Diageo Capital, Diageo Finance or Diageo could make payment on the debt securities or the guarantees, 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.

*Your rights as a holder of debt securities may be inferior to the rights of holders of debt securities issued under a different series pursuant to the indenture.*

The debt securities are governed by documents called indentures, which are described later under "Description of Debt Securities and Guarantees". We may issue as many distinct series of debt securities under the indentures as we wish. We may also issue a series of debt securities under the indentures that provides holders with rights superior to the rights already granted or that may be granted in the future to holders of another series. You should read carefully the specific terms of any particular series of debt securities which will be contained in the prospectus supplement relating to such debt securities.

*Should Diageo, Diageo Capital or Diageo Finance default on its debt securities, or should Diageo default on the guarantees, your right to receive payments on such debt securities or guarantees may be adversely affected by applicable insolvency laws.*

Diageo plc is incorporated under the laws of England and Wales, Diageo Capital is incorporated under the laws of Scotland and Diageo Finance is incorporated under the laws of The Netherlands. Accordingly, insolvency proceedings with respect to Diageo or Diageo Capital are likely to proceed under, and be governed by, UK insolvency law and insolvency proceedings with respect to Diageo Finance are likely to proceed under, and be governed by, Dutch insolvency law. The procedural and substantive provisions of such insolvency laws are generally more favorable 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, Diageo Capital or Diageo Finance 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.

*The debt securities, warrants, purchase contracts and units lack a developed trading market, and such a market may never develop.*

Each of Diageo, Diageo Investment, Diageo Capital and Diageo Finance may issue debt securities in different series with different terms in amounts that are to be determined. Debt securities issued by Diageo, Diageo Capital or Diageo Finance may be listed on the New York Stock Exchange or another recognized stock exchange and we expect that debt securities issued by Diageo Investment will not be listed on any stock exchange. However, there can be no assurance that an active trading market will develop for any series of debt securities of Diageo, Diageo Capital or Diageo Finance even if we list the series on a securities exchange. Similarly, there can be no assurance that an active trading market will develop for any warrants issued by Diageo. There can also be no assurance regarding the ability of holders of our debt securities, warrants, purchase contracts and units to sell their debt securities, warrants, purchase contracts or units or the price at which such holders may be able to sell their debt securities, warrants, purchase contracts or units. If a trading market were to develop, the debt securities, warrants, purchase contracts and units could trade at prices that may be higher or lower than the initial offering price and, in the case of debt securities, this may result in a return that is greater or less than the interest rate on the debt security, in each case depending on many factors, including, among other things, prevailing interest rates, Diageo's financial results, any decline in Diageo's credit-worthiness and the market for similar securities.



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Any underwriters, broker-dealers or agents that participate in the distribution of the debt securities, warrants, purchase contracts or units may make a market in the debt securities, warrants, purchase contracts or units as permitted by applicable laws and regulations but will have no obligation to do so, and any such market-making activities may be discontinued at any time. Therefore, there can be no assurance as to the liquidity of any trading market for the debt securities, warrants, purchase contracts and units or that an active public market for the debt securities, warrants, purchase contracts or units will develop.

### General Information regarding Foreign Currency Risks

**This prospectus does not describe all the risks of an investment in debt securities denominated in a currency other than U.S. dollars. You should consult your financial and legal advisors as to any specific risks entailed by an investment in debt securities that are denominated or payable in, or the payment of which is linked to the value of, foreign currency. These debt securities are not appropriate investments for investors who are not sophisticated in foreign currency transactions.**

The information set forth in this prospectus is directed to prospective purchasers who are United States residents. We disclaim any responsibility to advise prospective purchasers who are residents of countries other than the United States of any matters arising under foreign law that may affect the purchase of or holding of, or receipt of payments on, the debt securities. These persons should consult their own legal and financial advisors concerning these matters.

#### *Exchange Rates and Exchange Controls May Affect the Debt Securities' Value or Return*

*Debt securities Involving Foreign Currencies Are Subject to General Exchange Rate and Exchange Control Risks.* An investment in a debt security that is denominated or payable in, or the payment of which is linked to the value of, currencies other than U.S. dollars entails significant risks. These risks include the possibility of significant changes in rates of exchange between the U.S. dollar and the relevant foreign currencies and the possibility of the imposition or modification of exchange controls by either the U.S. or foreign governments. These risks generally depend on economic and political events over which we have no control.

*Exchange Rates Will Affect Your Investment.* In recent years, rates of exchange between U.S. dollars and some foreign currencies have been highly volatile and this volatility may continue in the future. Fluctuations in any particular exchange rate that have occurred in the past are not necessarily indicative, however, of fluctuations that may occur during the term of any debt security. Depreciation against the U.S. dollar of the currency in which a debt security is payable would result in a decrease in the effective yield of the debt security below its coupon rate and could result in an overall loss to you on a U.S. dollar basis. In addition, depending on the specific terms of a currency-linked debt security, changes in exchange rates relating to any of the relevant currencies could result in a decrease in its effective yield and in your loss of all or a substantial portion of the value of that debt security.

*We Have No Control Over Exchange Rates.* Foreign exchange rates can either float or be fixed by sovereign governments. Exchange rates of most economically developed nations are permitted to fluctuate in value relative to the U.S. dollar and to each other. However, from time to time governments may use a variety of techniques, such as intervention by a country's central bank or the imposition of regulatory controls or taxes, to influence the exchange rates of their currencies. Governments may also issue a new currency to replace an existing currency or alter the exchange rate or relative exchange characteristics by a devaluation or revaluation of a currency. These governmental actions could change or interfere with currency valuations and currency fluctuations that would otherwise occur in response to economic forces, as well as in response to the movement of currencies across borders.

As a consequence, these government actions could adversely affect the U.S. dollar-equivalent yields or payouts for (a) debt securities denominated or payable in currencies other than U.S. dollars and (b) currency-linked debt securities.

We will not make any adjustment or change in the terms of the debt securities in the event that exchange rates should become fixed, or in the event of any devaluation or revaluation or imposition of exchange or other regulatory controls or taxes, or in the event of other developments affecting the U.S. dollar or any applicable foreign currency. You will bear those risks.

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*Some Foreign Currencies May Become Unavailable.* Governments have imposed from time to time, and may in the future impose, exchange controls that could also affect the availability of a specified foreign currency. Even if there are no actual exchange controls, it is possible that the applicable currency for any debt security not denominated in U.S. dollars would not be available when payments on that debt security are due.

*Alternative Payment Method Used if Payment Currency Becomes Unavailable.* If a payment currency is unavailable, we would make required payments in U.S. dollars on the basis of the market exchange rate. However, if the applicable currency for any debt security is not available because the euro has been substituted for that currency, we would make the payments in euro. The mechanisms for making payments in these alternative currencies are explained in "Description of Debt Securities and Guarantees Additional Mechanics Unavailability of Foreign Currency" below.

*We Will Provide Currency Exchange Information in Prospectus Supplements.* The applicable prospectus supplement will include information regarding current applicable exchange controls, if any, and historic exchange rate information for any debt security denominated or payable in a foreign currency or requiring payments that are related to the value of a foreign currency. That information will be furnished only for information purposes. You should not assume that any historic information concerning currency exchange rates will be representative of the range of or trends in fluctuations in currency exchange rates that may occur in the future.

### *Currency Conversions May Affect Payments on Some Debt securities*

The applicable prospectus supplement may provide for (1) payments on a non-U.S. dollar denominated debt security to be made in U.S. dollars or (2) payments on a U.S. dollar denominated debt security to be made in a currency other than U.S. dollars. In these cases, Citibank, N.A., in its capacity as exchange rate agent, or a different exchange rate agent identified in the prospectus supplement, will convert the currencies. You will bear the costs of conversion through deductions from those payments.

### *Exchange Rates May Affect the Value of a New York Judgment Involving Non-U.S. Dollar Debt securities*

The debt securities will be governed by and construed in accordance with the laws of the State of New York. Unlike many courts in the United States outside the State of New York, the courts in the State of New York customarily enter judgments or decrees for money damages in the foreign currency in which debt securities are denominated. These amounts would then be converted into U.S. dollars at the rate of exchange in effect on the date the judgment or decree is entered. You would bear the foreign currency risk during litigation.

**Additional risks, if any, specific to particular debt securities issued under this prospectus will be detailed in the applicable prospectus supplements.**

### **Cautionary Statement Concerning Forward-Looking Statements**

This prospectus and the related prospectus supplement may contain statements with respect to the financial condition, results of operations and business of Diageo and certain of the plans and objectives of Diageo with respect to these items. These forward-looking statements are made pursuant to the "Safe Harbor" provisions of the United States Private Securities Litigation Reform Act of 1995. In particular, all statements that express forecasts, expectations and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of interest or exchange rates, the availability of financing to Diageo, anticipated costs savings or synergies and the completion of Diageo's strategic transactions, are forward-looking statements. 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 factors that are outside Diageo's control.

These factors include, but are not limited to:

Increased competitive product and pricing pressures and unanticipated actions by competitors that could impact Diageo's market share, increase expenses and hinder growth potential;

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The effects of business combinations, partnerships, acquisitions or disposals, existing or future, and the ability to realize expected synergy and/or costs savings;

Diageo's ability to complete future acquisitions and disposals;

Legal and regulatory developments, including changes in regulations regarding consumption of, or advertising for, beverage alcohol, changes in accounting standards, taxation requirements, such as the impact of excise tax increases with respect to the business, environmental laws and laws governing pensions;

Developments in the alcohol advertising class actions and any similar proceedings or other litigation directed at the drinks and spirits industry;

Developments in the Colombian litigation or any similar proceedings;

Changes in consumer preferences and tastes, demographic trends or perceptions about health-related issues;

Changes in the cost of raw materials and labor costs;

Changes in economic conditions in countries in which Diageo operates, including changes in levels of consumer spending;

Levels of marketing, promotional and innovation expenditure by Diageo and its competitors;

Renewal of distribution rights on favorable terms when they expire;

Termination of existing distribution rights in respect of agency brands;

Technological developments that may affect the distribution of products or impede Diageo's ability to protect its intellectual property rights; and

Changes in financial and equity markets, including significant interest rate and foreign currency exchange rate fluctuations, which may affect Diageo's access to or increase that cost of financing or which may affect Diageo's financial results.

All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the above factors and the "Risk Factors" above. Any forward-looking statements made by or on behalf of Diageo speak only as of the date they are made. Diageo does not undertake to update forward-looking statements to reflect any changes in Diageo's expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Diageo may make in documents it files with the SEC.

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### WHERE YOU CAN FIND MORE INFORMATION ABOUT US

Diageo files annual, half yearly and special reports and other information with the SEC. You may read and copy any document that Diageo files at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Documents filed with the SEC on or after September 10, 2002 are available on the website maintained by the SEC ([www.sec.gov](http://www.sec.gov)).

Diageo's ADSs are listed on the New York Stock Exchange. Diageo's ordinary shares are admitted to trading on the London Stock Exchange and listed on the Dublin and Paris stock exchanges. You can consult reports and other information about Diageo that it filed pursuant to the rules of the London Stock Exchange and the New York Stock Exchange at such exchanges.

We have filed with the SEC a registration statement on Form F-3 relating to the securities covered by this prospectus. This prospectus is a part of the registration statement and does not contain all the information in the registration statement. Whenever a reference is made in this prospectus to a contract or other document of the Company, the reference is only a summary and you should refer to the exhibits that are a part of the registration statement for a copy of the contract or other document. You may review a copy of the registration statement at the SEC's public reference room in Washington, D.C., as well as through the SEC's Internet site.

The SEC allows us to incorporate by reference the information we file with them. This means that we can disclose important information to you by referring to documents. The information that we incorporate by reference is an important part of this prospectus. We incorporate by reference the following documents and any future filings that we make with the SEC under Sections 13(a), 13(c) and 15(d) of the Securities Exchange Act of 1934, as amended, until we complete the offerings using this prospectus:

Annual Report on Form 20-F for the fiscal year ended June 30, 2005;

Form 6-K furnished to the SEC on March 27, 2006; and

Our reports on Form 6-K furnished to the SEC after the date of this prospectus only to the extent that the forms expressly state that we incorporate them by reference in this prospectus.

Information that we file with the SEC will automatically update and supercede information in documents filed with the SEC at earlier dates. All information appearing in this prospectus is qualified in its entirety by the information and financial statements, including the notes, contained in the documents that we incorporate by reference in this prospectus.

You may request a copy of these filings, at no cost, by writing or telephoning Diageo at the following address:

Diageo plc  
8 Henrietta Place  
London W1G 0NB  
England  
Tel. No.: 011-44-20-7927-5200

You should rely only on the information that we incorporate by reference or provide in this prospectus or the accompanying prospectus supplement. We have not authorized anyone to provide you with different information. We are not making an offer of these securities in any jurisdiction where the offer is not permitted. You should not assume that the information in this prospectus or any prospectus supplement is accurate as of any date other than the date on the front of those documents.

## PRESENTATION OF FINANCIAL INFORMATION

Diageo's Form 20-F contains a summary description of Diageo's business and audited consolidated financial statements with a report by our independent auditors. These financial statements until June 30, 2005 were prepared in accordance with generally accepted accounting principles applicable in the United Kingdom. We refer to these accounting principles as UK GAAP later in this prospectus. For a discussion of the principal differences between UK GAAP and generally accepted accounting principles applicable in the United States, referred to as US GAAP, please see "Operating and financial review Discussions of US GAAP differences" and note 32 to the consolidated financial statements included in Diageo's Annual Report on Form 20-F for the fiscal year ended June 30, 2005, which is incorporated by reference in this prospectus.

With effect from July 1, 2005, our consolidated annual and interim financial statements are and will be prepared in accordance with International Financial Reporting Standards, which we refer to as IFRS. IFRS differs in certain significant respects from UK GAAP. Our Annual Reports on Form 20-F starting with our Annual Report for the fiscal year ending June 30, 2006 will present the effects of the differences on our audited consolidated financial statements between IFRS and US GAAP. For information on our transition from UK GAAP to IFRS, see "Operating and Financial Review and Prospects New Accounting Standards Conversion to International Financial Reporting Standards" in our Annual Report for the fiscal year ended June 30, 2005, which is incorporated by reference into this prospectus.

## ENFORCEABILITY OF CERTAIN CIVIL LIABILITIES

Diageo Investment is incorporated under the laws of the State of Delaware. Diageo Capital is incorporated under the laws of Scotland. Diageo Finance is incorporated under the laws of The Netherlands. Diageo is a public limited company incorporated under the laws of England and Wales. Substantially all of our directors and officers, and some of the experts named in this document, reside outside the United States, principally in the United Kingdom. All or a substantial portion of our assets, and the assets of such persons, are located outside the United States. Therefore, you may not be able to effect service of process within the United States upon us or these persons so that you may enforce judgments of US courts against us or these persons based on the civil liability provisions of the US federal securities laws. Slaughter and may has advised us that there is doubt as to the enforceability in England and Wales, in original actions or in actions for enforcement of judgments of US courts, of civil liabilities solely based on the US federal securities laws. Furthermore, Morton Fraser LLP has advised us that there is doubt as to the enforceability in Scotland, in original actions or in actions for enforcement of judgments of US courts, of civil liabilities solely based on the US federal securities laws. Moreover, De Brauw Blackstone Westbroek N.V. has advised us that there is doubt as to the enforceability in The Netherlands, in original actions or in actions for enforcement of judgments of US courts, of civil liabilities solely based on the US federal securities laws. We have further been advised by De Brauw Blackstone Westbroek N.V. that the United States and The Netherlands do not currently have a treaty providing for reciprocal recognition and enforcement of judgments (other than arbitration awards) in civil and commercial matters. as a consequence, a final judgment for the payment of money rendered by any federal or state court in the united states based on civil liability, whether or not predicated solely upon the federal securities laws of the United States, would not be directly enforceable in The Netherlands. However, if the party in whose favor such final judgment for the payment of money which is enforceable in the United States is rendered brings a new suit in a court of competent jurisdiction in The Netherlands, such party may submit to the Dutch court the final judgment that has been rendered in the United States. if the Dutch court finds that the jurisdiction of the federal or state court in the United States has been based on grounds that are internationally acceptable and that proper legal procedures have been observed, the court in The Netherlands would generally give binding effect to the final judgment that has been rendered in the United States unless such judgment contravenes Dutch public policy.

## **DIAGEO PLC**

Diageo is the world's leading premium drinks business with a collection of international brands. Diageo was formed by the merger of Grand Metropolitan Public Limited Company and Guinness PLC, which became effective on December 17, 1997.

Diageo is a major participant in the branded beverage alcohol industry and operates on an international scale. It brings together world-class brands and a management team committed to the maximization of shareholder value. The management team expects to invest in global brands, expand internationally and launch innovative new products and brands.

You can find a more detailed description of Diageo's business and recent transactions in Diageo's Annual Report on Form 20-F for the fiscal year ended June 30, 2005, which is incorporated by reference in this prospectus. The Form 20-F also presents an unaudited ratio of earnings to fixed charges for Diageo's last five fiscal years.

## **DIAGEO INVESTMENT CORPORATION**

Diageo Investment is a wholly-owned subsidiary of Diageo Inc. and was incorporated under the laws of the State of Delaware on March 22, 1988. Diageo Inc. is an indirect wholly-owned subsidiary of Diageo.

Diageo Inc. serves as a holding company for Diageo's US operating companies. Diageo Investment is a financing vehicle for Diageo's US operating companies and has no independent operations, other than holding cash and US government securities from time to time. Diageo Investment will lend substantially all proceeds of its borrowings to one or more of Diageo's US operating companies. Diageo Investment and Diageo Inc. have entered into an agreement pursuant to which Diageo Inc. has unconditionally agreed to provide additional equity capital to Diageo Investment when Diageo Investment requests. The parties may amend or modify the terms of this agreement, but not in a manner that would materially prejudice Diageo Investment. Diageo Investment currently derives net revenues from lending at rates in excess of its cost of borrowed funds.

## **DIAGEO CAPITAL PLC**

Diageo Capital is a wholly-owned subsidiary of Diageo and was incorporated under the laws of Scotland on August 10, 1964. Diageo Capital is a financing vehicle for Diageo and its consolidated subsidiaries. Diageo Capital has no independent operations, other than holding cash and US government securities from time to time. Diageo Capital will lend substantially all proceeds of its borrowings to one or more of Diageo's subsidiaries that are operating companies.

## **DIAGEO FINANCE B.V.**

Diageo Finance is a wholly-owned subsidiary of Diageo and was incorporated under the laws of The Netherlands on October 9, 2003. Diageo Finance is a financing vehicle for Diageo and its consolidated subsidiaries. Diageo Finance has no independent operations, other than holding cash and US government securities from time to time. Diageo Finance will lend substantially all proceeds of its borrowings to one or more of Diageo's subsidiaries that are operating companies.

### **Financial Statements and Issuer Identity**

We do not present separate financial statements of Diageo Investment, Diageo Capital or Diageo Finance in this prospectus because management has determined that they would not be material to investors. Diageo will fully and unconditionally guarantee the guaranteed debt securities issued by Diageo Investment, Diageo Capital or Diageo Finance as to payment of principal, premium, if any, interest and any other amounts due.

Diageo will determine the identity of an issuer relating to a particular series of debt securities in light of considerations related to the funding needs of Diageo and its consolidated subsidiaries. These include:

the anticipated use of proceeds;

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related funding requirements of Diageo and its consolidated subsidiaries; and

relevant tax considerations.

## CAPITALIZATION AND INDEBTEDNESS

The following table sets forth, on an IFRS basis, the unaudited actual capitalization of Diageo as at December 31, 2005.

	<b>December 31, 2005</b>
	<b>(unaudited) £ million</b>
Short term borrowings and bank overdrafts (including current portion of long term borrowings)	1,047
Long term borrowings	
Due from one to five years	2,445
Due after five years	1,462
	3,907
Finance lease obligation	10
Equity minority interests	197
Equity attributable to the equity shareholders of the company	
Called up share capital	883
Share premium account	1,339
Own shares held	(1,727)
Capital redemption reserve	3,060
Cash flow hedging deficit	(42)
Currency translation reserve	169
Retained earnings	910
	4,592
<b>Total capitalization</b>	<b>8,706</b>

## Notes

- At December 31, 2005, the group had cash and cash equivalents of £1,039 million.
- At December 31, 2005, £58 million of the group's net borrowings due within one year and £44 million of the group's net borrowings due after more than one year were secured.
- At December 31, 2005, there were potential issues of approximately 2 million new ordinary shares outstanding under Diageo's employee share option schemes.
- At December 31, 2005, the total authorized share capital of Diageo consisted of 5,329,052,500 ordinary shares of 28<sup>101</sup>/<sub>108</sub> pence each. At such date, 3,050,644,627 ordinary shares were issued and fully paid, including shares issued and held in employee share trusts and those held as treasury shares.
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In connection with the disposal of Pillsbury, Diageo has guaranteed the debt of a third party to the amount of \$200 million (£116 million) until November 2009. Including this guarantee, but net of the amounts provided in the consolidated interim financial statements, the group has given performance guarantees and indemnities to the third parties of £176 million at December 31, 2005. Since December 31, 2005, there has been no material change in the group's performance guarantees and indemnities.

6.

Since December 31, 2005, the group has repurchased 36 million of its own shares, which are being held as treasury shares, at a cost of £309 million. Other than as described above there has been no material change in the capitalization of the group since December 31, 2005.

## USE OF PROCEEDS

Unless otherwise indicated in an accompanying prospectus supplement, the net proceeds from the sale of securities will be used for general corporate purposes. These include working capital and the repayment of existing borrowings of Diageo and its subsidiaries.

## LEGAL OWNERSHIP

### Street Name and Other Indirect Holders

We generally will not recognize 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.

### 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.

### 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". If we choose to issue securities in the form of global securities, the ultimate beneficial owners 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. The financial institution that acts as the sole direct holder of the global security is called the depository. 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 depository. The prospectus supplement relating to an offering of a series of securities will indicate whether the series will be issued only in the form of global securities.

#### *Special Investor Considerations for Global Securities*

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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 depositary, 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 depositary that holds the global security.

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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 depositary'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 depositary's actions or for its records of ownership interests in the global security. We and the trustee also do not supervise the depositary in any way.

The depositary 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".

The special situations for termination of a global security are:

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

When an event of default on the securities has occurred and has not been cured. Defaults on debt securities are discussed below under "Description of Debt Securities and Guarantees Default and Related Matters Events of Default".

The prospectus supplement may also list additional situations for terminating a global security that would apply only to the particular series of securities covered by the prospectus supplement. When a global security terminates, the depositary, and not we or the trustee, is responsible for deciding the names of the institutions that will be the initial direct holders.

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***In the remainder of this description "you" means direct holders and not street name or other indirect holders of securities. Indirect holders should read the previous subsection entitled "Street Name and Other Indirect Holders".***

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## DESCRIPTION OF DEBT SECURITIES AND GUARANTEES

Diageo Investment, Diageo Capital and Diageo Finance may issue guaranteed debt securities and Diageo may issue debt securities by this prospectus. As required by US federal law for all bonds and notes of companies that are publicly offered, the debt securities are governed by a document called the indenture. The indenture relating to guaranteed debt securities issued by Diageo Investment is a contract, dated as of June 1,

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1999, among Diageo Investment, Diageo and Citibank, N.A. The indenture relating to guaranteed debt securities issued by Diageo Capital is a contract, dated as of August 3, 1998, among Diageo Capital, Diageo and Citibank, N.A. The indenture relating to guaranteed debt securities issued by Diageo Finance is a contract, dated as of December 8, 2003,

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among Diageo Finance, Diageo and Citibank, N.A. The indenture relating to debt securities issued by Diageo is a contract that will be entered into between Diageo and Citibank, N.A.

Citibank, N.A. acts as the trustee under all four indentures. 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 Events of Default Remedies If an Event of Default Occurs" below; and

Second, the trustee performs administrative duties for us, such as sending you interest payments, transferring your debt securities to a new buyer if you sell and sending you notices.

Diageo acts as the guarantor of the guaranteed debt securities issued under the Diageo Investment, the Diageo Capital and the Diageo Finance indentures. The guarantees are described under "Guarantees" below.

The indentures and their associated documents contain the full legal text of the matters described in this section. The indentures, the debt securities and the guarantees are governed by New York law. The indentures are exhibits to our registration statement. See "Where You Can Find More Information About Us" for information on how to obtain a copy.

This section summarizes the material provisions of the indentures, the debt securities and the guarantees. However, because it is a summary, it does not describe every aspect of the indentures, the debt securities or the guarantees. This summary is subject to and qualified in its entirety by reference to all the provisions of the indentures, including some of the terms used in the indentures. We describe the meaning for only the more important terms. We also include references in parentheses to some sections of the indentures. Whenever we refer to particular sections or defined terms of the indentures in this prospectus or in the prospectus supplement, those sections or defined terms are incorporated by reference here or in the prospectus supplement. This summary also is subject to and qualified by reference to the description of the particular terms of your series described in the prospectus supplement.

Diageo, Diageo Investment, Diageo Capital and Diageo Finance may each issue as many distinct series of debt securities under its respective indenture as it wishes. This section summarizes all material terms of the debt securities that are common to all series, unless otherwise indicated in the prospectus supplement relating to a particular series.

We may issue the debt securities as original issue discount securities, which are debt securities that are offered and sold at a substantial discount to their stated principal amount. (*Section 101*) The debt securities may also be issued as indexed securities or securities denominated in foreign currencies or currency units, as described in more detail in the prospectus supplement relating to any such debt securities.

In addition, the specific financial, legal and other terms particular to a series of debt securities are described in the prospectus supplement and the pricing agreement relating to the series. Those terms may vary from the terms described here. Accordingly, this summary also is subject to and qualified by reference to the description of the terms of the series described in the prospectus supplement.

The prospectus supplement relating to a series of debt securities will describe the following terms of the series:

whether Diageo, Diageo Investment, Diageo Capital or Diageo Finance is the issuer of the debt securities;

the title of the series of debt securities;

any limit on the aggregate principal amount of the series of debt securities;

any stock exchange on which we will list the series of debt securities;

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the date or dates on which we will pay the principal of the series of debt securities;

the rate or rates, which may be fixed or variable, per annum at which the series of debt securities will bear interest, if any, and the date or dates from which that interest, if any, will accrue;

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the dates on which interest, if any, on the series of debt securities will be payable and the regular record dates for the interest payment dates;

any mandatory or optional sinking funds or analogous provisions or provisions for redemption at the option of the holder;

the date, if any, after which and the price or prices at which the series of debt securities may, in accordance with any optional or mandatory redemption provisions that are not described in this prospectus, be redeemed and the other detailed terms and provisions of those optional or mandatory redemption provisions, if any;

the denominations in which the series of debt securities will be issuable if other than denominations of \$1,000 and any integral multiple of \$1,000;

the currency of payment of principal, premium, if any, and interest on the series of debt securities if other than the currency of the United States of America and the manner of determining the equivalent amount in the currency of the United States of America;

any index used to determine the amount of payment of principal of, premium, if any, and interest on the series of debt securities;

the terms and conditions of any exchange or conversion of this series of debt securities or the guarantee;

the applicability of the provisions described later under "Covenants Defeasance and Discharge";

if the series of debt securities will be issuable in whole or part in the form of a global security as described under "Legal Ownership Global Securities", and the depository or its nominee with respect to the series of debt securities, and any special circumstances under which the global security may be registered for transfer or exchange in the name of a person other than the depository or its nominee;

if Diageo Investment is the issuer, whether it will be required to pay additional amounts for withholding taxes or other governmental charges and, if applicable, a related right to an optional tax redemption for such a series; and

any other special features of the series of debt securities.

Unless otherwise stated in the prospectus supplement, the debt securities will be issued only in fully registered form without interest coupons. If we issue debt securities in bearer form, the special restrictions and considerations, including offering restrictions and US tax considerations, relating to bearer debt securities will be described in the prospectus supplement.

*Some Definitions.* We have defined some of the terms that we use frequently in this section of the prospectus:

A "business day" means any day, other than a Saturday or Sunday, (a) that is neither a legal holiday nor a day on which banking institutions are authorized or required by law or regulation to close (x) in The City of New York or (y) for debt securities denominated in a specified currency other than U.S. dollars or euro, in the principal financial center of the country of the specified currency, and (b) for debt securities denominated in euro, that is also a day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System, which is commonly referred to as "TARGET", is operating; provided that with respect to LIBOR debt securities, the day is also a London banking day.

"Euro LIBOR debt securities" means LIBOR debt securities for which the index currency is euros.

An "interest payment date" for any debt security means a date on which, under the terms of that debt security, regularly scheduled interest is payable.



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"London banking day" means any day on which dealings in deposits in the relevant index currency are transacted in the London interbank market.

"Principal financial center" means, unless we specify otherwise in the applicable prospectus supplement, the capital city of the country of the specified currency, except that with respect to Australian dollars, Canadian dollars, South African rand and Swiss francs, the principal financial center will be Sydney and Melbourne, Toronto, Johannesburg and Zurich, respectively.

"TARGET Settlement Day" means any day on which the Trans-European Automated Real-time Gross Settlement Express Transfer System is open for settlement.

### **Fixed Rate Debt Securities**

Each fixed rate debt security 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 fixed rate debt securities will be computed on the basis of a 360-day year of twelve 30-day months.

*How Interest Accrues.* Interest on fixed rate debt securities 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 or any other date specified in the prospectus supplement on which interest begins to accrue. 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 fixed rate debt securities will be made on the interest payment dates specified in the applicable prospectus supplement. However, if the first interest payment date is less than 15 days after the date of issuance, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

*Amount of Interest Payable.* Interest payments for fixed rate debt securities 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.

*Amortizing Debt Securities.* A fixed rate debt security may pay a level amount in respect of both interest and principal amortized over the life of the debt security. Payments of principal and interest on amortizing debt securities will be made on the interest payment dates specified in the applicable prospectus supplement, and at maturity or upon any earlier redemption or repayment. Payments on amortizing debt securities will be applied first to interest due and payable and then to the reduction of the unpaid principal amount. We will provide to the original purchaser, and will furnish to subsequent holders upon request to us, a table setting forth repayment information for each amortizing debt security.

### **Floating Rate Debt Securities**

Each floating rate debt security will mature on the date specified in the applicable prospectus supplement.

Each floating rate debt security will bear interest at a floating rate determined by reference to an interest rate or interest rate formula, which we refer to as the "base rate". The base rate may be one or more of the following:

the CD rate;

the CMT rate;

the commercial paper rate;

EURIBOR;

the federal funds rate;

LIBOR;

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the prime rate;

the Treasury rate; or

any other rate or interest rate formula specified in the applicable prospectus supplement and in the floating rate debt security.

*Formula for Interest Rates.* The interest rate on each floating rate debt security will be calculated by reference to:

the specified base rate based on the index maturity,

plus or minus the spread, if any, and/or

multiplied by the spread multiplier, if any.

For any floating rate debt security, "index maturity" means the period of maturity of the instrument or obligation from which the base rate is calculated and will be specified in the applicable prospectus supplement. The "spread" is the number of basis points (one one-hundredth of a percentage point) specified in the applicable prospectus supplement to be added to or subtracted from the base rate for a floating rate debt security. The "spread multiplier" is the percentage specified in the applicable prospectus supplement to be applied to the base rate for a floating rate debt security.

*Limitations on Interest Rate.* A floating rate debt security may also have either or both of the following limitations on the interest rate:

a maximum limitation, or ceiling, on the rate of interest which may accrue during any interest period, which we refer to as the "maximum interest rate";

a minimum limitation, or floor, on the rate of interest that may accrue during any interest period, which we refer to as the "minimum interest rate".

Any applicable maximum interest rate or minimum interest rate will be set forth in the applicable prospectus supplement.

In addition, the interest rate on a floating rate debt security may not be higher than the maximum rate permitted by New York law, as that rate may be modified by United States law of general application. Under current New York law, the maximum rate of interest, subject to some exceptions, for any loan in an amount less than \$250,000 is 16% and for any loan in the amount of \$250,000 or more but less than \$2,500,000 is 25% per annum on a simple interest basis. These limits do not apply to loans of \$2,500,000 or more.

*How Floating Interest Rates Are Reset.* The interest rate in effect from the date of issue to the first interest reset date for a floating rate debt security will be the initial interest rate specified in the applicable prospectus supplement. We refer to this rate as the "initial interest rate". The interest rate on each floating rate debt security may be reset daily, weekly, monthly, quarterly, semiannually or annually. This period is the "interest reset period" and the first day of each interest reset period is the "interest reset date". The "interest determination date" for any interest reset date is the day the calculation agent will refer to when determining the new interest rate at which a floating rate will reset, and is applicable as follows:

for federal funds rate debt securities and prime rate debt securities, the interest determination date will be the business day prior to the interest reset date;

for CD rate debt securities, commercial paper rate debt securities and CMT rate debt securities, the interest determination date will be the second business day prior to the interest reset date;

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for EURIBOR debt securities or Euro LIBOR debt securities, the interest determination date will be the second TARGET Settlement Day prior to the interest reset date;

for LIBOR debt securities (other than Euro LIBOR debt securities), the interest determination date will be the second London banking day prior to the interest reset date, except that the interest determination date pertaining to an interest reset date for a LIBOR debt security for which the index currency is pounds sterling will be the interest reset date; and

for Treasury rate debt securities, the interest determination date will be the day of the week in which the interest reset date falls on which Treasury bills would normally be auctioned.

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Treasury bills are normally sold at auction on Monday of each week, unless that day is a legal holiday, in which case the auction is normally held on the following Tuesday, but the auction may be held on the preceding Friday. If, as the result of a legal holiday, the auction is held on the preceding Friday, that Friday will be the interest determination date pertaining to the interest reset date occurring in the next succeeding week.

The interest reset dates will be specified in the applicable prospectus supplement. If an interest reset date for any floating rate debt security falls on a day that is not a business day, it will be postponed to the following business day, except that, in the case of a EURIBOR debt security or a LIBOR debt security, if that business day is in the next calendar month, the interest reset date will be the immediately preceding business day.

In the detailed descriptions of the various base rates which follow, the "calculation date" pertaining to an interest determination date means the earlier of (1) the tenth calendar day after that interest determination date, or, if that day is not a business day, the next succeeding business day, and (2) the business day preceding the applicable interest payment date or maturity date or, for any principal amount to be redeemed or repaid, any redemption or repayment date.

*How Interest Is Calculated.* Interest on floating rate debt securities 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 or any other date specified in a prospectus supplement on which interest begins to accrue. 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".

Citibank, N.A. will act as the calculation agent for any issue of floating rate debt securities unless we specify otherwise in the applicable prospectus supplement. Upon the request of the holder of any floating rate debt security, the calculation agent will provide the interest rate then in effect and, if determined, the interest rate that will become effective on the next interest reset date for that floating rate debt security.

For a floating rate debt security, accrued interest will be calculated by multiplying the principal amount of the floating rate debt security by an accrued interest factor. This accrued interest factor will be computed by adding the interest factors calculated for each day in the period for which interest is being paid. The interest factor for each day is computed by dividing the interest rate applicable to that day:

by 360, in the case of CD rate debt securities, commercial paper rate debt securities, EURIBOR debt securities, federal funds rate debt securities, LIBOR debt securities, except for LIBOR debt securities denominated in pounds sterling, and prime rate debt securities;

by 365, in the case of LIBOR debt securities denominated in pounds sterling; or

by the actual number of days in the year, in the case of Treasury rate debt securities and CMT rate debt securities.

For these calculations, the interest rate in effect on any interest reset date will be the applicable rate as reset on that date. The interest rate applicable to any other day is the interest rate from the immediately preceding interest reset date or, if none, the initial interest rate.

All percentages used in or resulting from any calculation of the rate of interest on a floating rate debt security will be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with 0.000005% being rounded up to 0.00001%) and all U.S. dollar amounts used in or resulting from these calculations on floating rate debt securities will be rounded to the nearest cent (with one-half cent rounded upward).

*When Interest Is Paid.* We will pay interest on floating rate debt securities on the interest payment dates specified in the applicable prospectus supplement. However, if the first interest payment date is less than 15 days after the date of issuance, interest will not be paid on the first interest payment date, but will be paid on the second interest payment date.

*If a Payment Date is Not a Business Day.* If any scheduled interest payment date, other than the maturity date or any earlier redemption or repayment date, for any floating rate debt security falls on a

day that is not a business day, it will be postponed to the following business day, except that, in the case of a EURIBOR debt security or a LIBOR debt security, if that business day would fall in the next calendar month, the interest payment date will be the immediately preceding business day. If the scheduled maturity date or any earlier redemption or repayment date of a floating rate debt security falls on a day that is not a business day, the payment of principal, premium, if any, and interest, if any, will be made on the next succeeding business day, but interest on that payment will not accrue during the period from and after the maturity, redemption or repayment date.

## Base Rates

### *CD Rate Debt Securities*

CD rate debt securities will bear interest at the interest rates specified in the CD rate debt securities and in the applicable prospectus supplement. Those interest rates will be based on the CD rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "CD rate" means, for any interest determination date, the rate on that date for negotiable certificates of deposit having the index maturity specified in the applicable prospectus supplement as published by the Board of Governors of the Federal Reserve System in "Statistical Release H.15(519), Selected Interest Rates", or any successor publication of the Board of Governors of the Federal Reserve System ("H.15(519)") under the heading "CDs (Secondary Market)".

The following procedures will be followed if the CD rate cannot be determined as described above:

If the above rate is not published in H.15(519) by 9:00 a.m., New York City time, on the calculation date, the CD rate will be the rate on that interest determination date set forth in the daily update of H.15(519), available through the world wide website of the Board of Governors of the Federal Reserve System at <http://www.federalreserve.gov/releases/h15/update>, or any successor site or publication, which is commonly referred to as the "H.15 Daily Update", for the interest determination date for certificates of deposit having the index maturity specified in the applicable prospectus supplement, under the caption "CDs (Secondary Market)".

If the above rate is not yet published in either H.15(519) or the H.15 Daily Update by 3:00 p.m., New York City time, on the calculation date, the calculation agent will determine the CD rate to be the arithmetic mean of the secondary market offered rates as of 10:00 a.m., New York City time, on that interest determination date of three leading nonbank dealers in negotiable U.S. dollar certificates of deposit in The City of New York selected by the calculation agent, after consultation with us, for negotiable certificates of deposit of major United States money center banks of the highest credit standing in the market for negotiable certificates of deposit with a remaining maturity closest to the index maturity specified in the applicable prospectus supplement in an amount that is representative for a single transaction in that market at that time.

If the dealers selected by the calculation agent are not quoting as set forth above, the CD rate for that interest determination date will remain the CD rate for the immediately preceding interest reset period, or, if there was no interest reset period, the rate of interest payable will be the initial interest rate.

### *CMT Rate Debt Securities*

CMT rate debt securities will bear interest at the interest rates specified in the CMT rate debt securities and in the applicable prospectus supplement. That interest rate will be based on the CMT rate and any spread and/or spread multiplier and will be subject to the minimum interest rate and the maximum interest rate, if any.

The "CMT rate" means, for any interest determination date, the rate displayed on the Designated CMT Moneyline Telerate Page, as defined below, under the caption ". . . Treasury Constant Maturities . . . Federal Reserve Board Release H.15 . . . Mondays Approximately 3:45 p.m.", under the column for the Designated CMT Maturity Index, as defined below, for:

- (1) the rate on that interest determination date, if the Designated CMT Moneyline Telerate Page is 7051; and





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(2)

the week or the month, as applicable, ended immediately preceding the week in which the related interest determination date occurs, if the Designated CMT Moneyline Telerate Page is 7052.

The following procedures will be followed if the CMT rate cannot be determined as described above:

If the above rate is no longer displayed on the relevant page, or if not displayed by 3:00 p.m., New York City time, on the related calculation date, then the CMT rate will be the Treasury Constant Maturity rate for the Designated CMT Maturity Index as published in the relevant H.15(519).

If the rate described in the first bullet point is no longer published, or if not published by 3:00 p.m., New York City time, on the related calculation date, then the CMT rate will be the Treasury Constant Maturity rate for the Designated CMT Maturity Index or other United States Treasury rate for the Designated CMT Maturity Index on the interest determination date as may then be published by either the Board of Governors of the Federal Reserve System or the United States Department of the Treasury that the calculation agent determines to be comparable to the rate formerly displayed on the Designated CMT Moneyline Telerate Page and published in the relevant H.15(519).

If the information described in the second bullet point is not provided by 3:00 p.m., New York City time, on the related calculation date, then the calculation agent will determine the CMT rate to be a yield to maturity, based on the arithmetic mean of the secondary market closing offer side prices as of approximately 3:30 p.m., New York City time, on the interest determination date, reported, according to their written records, by three leading primary United States government securities dealers, which we refer to as a "reference dealer", in The City of New York, which may include an agent or other affiliates of ours, selected by the calculation agent as described in the following sentence. The calculation agent will select five reference dealers, after consultation with us, and will eliminate the highest quotation or, in the event of equality, one of the highest, and the lowest quotation or, in the event of equality, one of the lowest, for the most recently issued direct noncallable fixed rate obligations of the United States, which are commonly referred to as "Treasury debt securities", with an original maturity of approximately the Designated CMT Maturity Index and a remaining term to maturity of not less than that Designated CMT Maturity Index minus one year. If two Treasury debt securities with an original maturity as described above have remaining terms to maturity equally close to the Designated CMT Maturity Index, the quotes for the Treasury debt security with the shorter remaining term to maturity will be used.

If the calculation agent cannot obtain three Treasury debt securities quotations as described in the immediately preceding sentence, the calculation agent will determine the CMT rate to be a yield to maturity based on the arithmetic mean of the secondary market offer side prices as of approximately 3:30 p.m., New York City time, on the interest determination date of three reference dealers in The City of New York, selected using the same method described in the immediately preceding sentence, for Treasury debt securities with an original maturity equal to the number of years closest to but not less than the Designated CMT Maturity Index and a remaining term to maturity closest to the Designated CMT Maturity Index and in an amount of at least \$100,000,000.