DIAGEO PLC
Form 6-K
March 16, 2006

FORM 6-K
SECURITIES AND EXCHANGE COMMISSION
Report of Foreign Issuer
Pursuant to Rule 13a-16 or 15d-16 of
the Securities Exchange Act of 1934

Diageo plc
(Translation of registrant s name into English)
8 Henrietta Place, London W1G 0NB
(Address of principal executive offices)

indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F

Form 20-F þ Form 40-F o

indicate by check mark whether the registrant by furnishing the information contained in this Form is also thereby furnishing the information to the Commission pursuant to Rule 12g3-2(b) under the Securities Exchange Act of 1934.

Yes o No þ

If Yes is marked, indicate below the file number assigned to the registrant in connection with Rule 12g3-2(b):82 o

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List identifying information required to be furnished by Diageo plc pursuant to Rule 13a-16 or 15d-16 of The Securities Exchange Act 1934
1 28 February 2006

Information	**Required by/when**
Public Announcements/Press	The Stock Exchange, London

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(01 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(01 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(02 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(03 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(06 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(07 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(08 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(09 February 2006)

Announcement
Interim results for the year ended 31 December 2005
(16 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited
(16 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(17 February 2006)

Announcement
Company announces release of shares under Total Shareholder Return Plan to participants of the Plan. Messers Walsh, Rose and those persons discharging managerial responsibility inform the Company of their beneficial interests therein.
(20 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(20 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(21 February 2006)

Announcement
Company announces release of ADSs under Total Shareholder Return Plan to participants of the Plan. Those persons discharging managerial responsibility inform the Company of their beneficial interests therein
(22 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International to hedge US Employee Share Plan.
(22 February 2006)

Announcement
Company notified of transactions in respect of the Employee Benefit Trust. Transfer of Shares by Diageo Share Ownership Trustee Limited and Messrs Walsh, Rose and those persons discharging managerial responsibility inform the Company of their beneficial interests therein. Lord Blyth and Mr Stitzer inform the Company of their beneficial interests.
(10 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(10 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(13 February 2006)

Announcement
Blocklisting six monthly return.
(14 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(14 February 2006)

Announcement
Company purchases its own securities through Credit Suisse Securities (Europe) Limited.
(15 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(23 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(24 February 2006)

Announcement
Company announces joint venture creating strategic partnership for expansion in Russia
(27 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(27 February 2006)

Announcement
Company purchases its own securities through Goldman Sachs International.
(28 February 2006)

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

Diageo plc

(Registrant)

Date 13 March 2006	By	/s/J Nicholls
	Name:	J Nicholls
	Title:	Deputy Company Secretary

Company Diageo PLC
TIDM DGE
Headline Transaction in Own Shares
Released 07:50 01-Feb-06
Number 7416X

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 837.76 pence per share. The purchased shares will all be held as treasury shares.

Following the above purchase, Diageo plc holds 184,959,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,865,703,625.

END

Company Diageo PLC
TIDM DGE
Headline Transaction in Own Shares
Released 16:48 01-Feb-06
Number 7886X

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 840.93 pence per share. The purchased shares will all be held as treasury shares.

Following the above purchase, Diageo plc holds 185,559,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,865,103,625.

END

Company Diageo PLC
TIDM DGE
Headline Transaction in Own Shares
Released 17:07 02-Feb-06
Number 8695X

Diageo plc announces that it has today purchased through Credit Suisse

Securities (Europe) Limited 600,000 ordinary shares at a price of 853.09 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 186,059,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,864,503,625.
END

Company	Diageo PLC
TIDM	DGE
Headline	Transaction in Own Shares
Released	16:46 03-Feb-06
Number	9316X

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 851.12 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 186,759,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,863,903,625.
END

Company	Diageo PLC
TIDM	DGE
Headline	Transaction in Own Shares
Released	17:54 06-Feb-06
Number	0072Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 851 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 187,359,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,863,305,181.
END

Company Diageo PLC
TIDM DGE
Headline Transaction in Own Shares
Released 17:15 07-Feb-06
Number 0733Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 550,000 ordinary shares at a price of 844.02 pence per share. The purchased shares will all be held as treasury shares.

Following the above purchase, Diageo plc holds 187,909,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,862,755,181.

END

Company Diageo PLC
TIDM DGE
Headline Transaction in Own Shares
Released 16:47 08-Feb-06
Number 1373Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 550,000 ordinary shares at a price of 844.24 pence per share. The purchased shares will all be held as treasury shares.

Following the above purchase, Diageo plc holds 188,459,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,862,205,181.

END

Company Diageo PLC
TIDM DGE
Headline Transaction in Own Shares
Released 16:51 09-Feb-06
Number 2089Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 550,000 ordinary shares at a price of 849.74 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 189,009,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,861,655,181.
END

Company	Diageo PLC
TIDM	DGE
Headline	Director/PDMR Shareholding
Released	11:43 10-Feb-06
Number	PRNUK-1002

TO: Regulatory Information Service
PR Newswire
RE: PARAGRAPH 3.1.4 OF
THE DISCLOSURE RULES

The notifications listed below are each in respect of a single transaction of which notification was received under Paragraph 3.1.2 of the Disclosure Rules and, in respect of directors of Diageo plc only, Section 324 of the Companies Act 1985.

Diageo plc (the Company) announces that:

1. It received notification on 10 February 2006 of the following allocations of ordinary shares of 28 101/108 pence in the Company (Ordinary Shares) under the Diageo Share Incentive Plan (the Plan), namely:

(i) the following directors of the Company were allocated Ordinary Shares on 10 February 2006 under the Plan, by Diageo Share Ownership Trustees Limited (the Trustee):

Name of Director	Number of Ordinary Shares
N C Rose	21
P S Walsh	21

(ii) the following Persons Discharging Managerial Responsibilities (PDMR) were allocated Ordinary Shares on 10 February 2006 under the Plan, by the Trustee:

Name of PDMR	Number of Ordinary Shares
S Fletcher	21
J Grover	21
A Morgan	21
G Williams	21

The number of Ordinary Shares allocated comprises those purchased on behalf of the employee using an amount which the employee has chosen to have deducted from salary (Sharepurchase) and those awarded to the employee by the Company (Sharematch) on the basis of one Sharematch Ordinary Share for every two Sharepurchase Ordinary Shares.

The Sharepurchase Ordinary Shares were purchased and the Sharematch Ordinary Shares were awarded at a price per share of £8.465.

The Ordinary Shares are held by the Trustee and in the name of the Trustee. Sharepurchase Ordinary Shares can normally be sold at any time. Sharematch Ordinary Shares cannot normally be disposed of for a period of three years after the award date.

As a result of the above, interests of directors and PDMRs in the Company s Ordinary Shares (excluding options, awards under the Company s LTIPs and interests as potential beneficiaries of the Company s Employee Benefit Trusts) are as follows:

Name of Director	Number of Ordinary Shares
N C Rose	254,659
P S Walsh	753,453
Name of PDMR	
S Fletcher	97,596
J Grover	137,216
A Morgan	116,070
G Williams	169,633*

(* of which 5,423 are held in the form of American Depository Shares (ADS). 1 ADS is the equivalent of 4 Ordinary Shares.)

2. It received notification on 10 February 2006 from Lord Blyth, a director of the Company, that he has purchased 1,174 Ordinary Shares on 10 February 2006 under an arrangement with the Company, whereby he has agreed to use an amount of £10,000 each month, net of tax, from his director s fees to purchase Ordinary Shares. Lord Blyth has agreed to retain the Ordinary Shares while he remains a director of the Company.

The Ordinary Shares were purchased at a price per share of £8.465.

As a result of this purchase, Lord Blyth s interest in Ordinary Shares has increased to 121,918.

3. It received notification on 10 February 2006 from Todd Stitzer, a director of the Company, that he has purchased 118 Ordinary Shares on 10 February 2006 under an arrangement with the Company, whereby he has agreed to use an amount of £1,000 each month, net of tax, from his director s fees to purchase Ordinary Shares.

The Ordinary Shares were purchased at a price per share of £8.465.

As a result of this purchase, Mr Stitzer s interest in Ordinary Shares has increased to 2,558.

10 February 2006

END

Company	Diageo PLC
TIDM	DGE
Headline	Transaction in Own Shares
Released	17:21 10-Feb-06
Number	2860Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 550,000 ordinary shares at a price of 847.59 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 189,559,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,861,105,181.
END

Company	Diageo PLC
TIDM	DGE
Headline	Transaction in Own Shares
Released	16:59 13-Feb-06
Number	3493Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 848.3 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 190,159,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,860,505,181.
END

Company	Diageo PLC
TIDM	DGE
Headline	Blocklisting Interim Review
Released	09:38 14-Feb-06
Number	PRNUK-1402

SCHEDULE 5
BLOCK LISTING SIX MONTHLY RETURN
To: Listing Applications
UK Listing Authority
Financial Services Authority
25, The North Colonnade
Canary Wharf
London, E14 5HS
Please ensure the entries on this return are type
1. Name of company: Diageo plc
2. Name of scheme: Diageo (formerly Guinness) International Sharesave Scheme
3. Period of return: From 1 July 2005 to 31 December 2005

4. Number and class of share(s) (amount of stock/debt security) not issued under scheme	694,744
5. Number of shares issued/allotted under scheme during period	150,829
6. Balance under scheme not yet issued/ allotted at end of period	543,915
7. Number and class of share(s) (amount stock/debt securities) originally listed and the date of admission;	4,250,000

Please confirm total number of shares in issue at the end of the period in order for us to update our records
3,050,644,627
(Including 170,404,500 treasury shares)

Contact for queries:
Address: Diageo plc, 8 Henrietta Place, W1G 0NB

Name: Claire Kynaston Telephone: 020 7927 5200
Person making return Name: J Nicholls
Position; Deputy Company Secretary Signature /s/ J Nicholls
SCHEDULE 5
BLOCK LISTING SIX MONTHLY RETURN
To: Listing Applications
UK Listing Authority
Financial Services Authority
25, The North Colonnade
Canary Wharf
London, E14 5HS
Please ensure the entries on this return are type
1. Name of company: Diageo plc
2. Name of scheme: Diageo (formerly Guinness) Executive Stock Option Scheme
3. Period of return: From 1 July 2005 to 31 December 2005

4. Number and class of share(s) (amount stock/debt security) not issued under scheme	1,278,610
5. Number of shares issued/allotted under scheme during period:	99,787
6. Balance under scheme not yet issued/allotted at end of period	1,178,823

7. Number and class of share(s) (amount of stock/debt securities) originally listed and the date of admission;	5,500,000 (ref 2882 1994) 18,405,871 (1999)

Please confirm total number of shares in issue at the end of the period in order for us to update our records
3,050,644,627
(Including 170,404,500 treasury shares)
Contact for queries:
Address: Diageo plc, 8 Henrietta Place, W1G 0NB

Name: Claire Kynaston Telephone: 020 7927 5200
Person making return Name: J Nicholls
Position; Deputy Company Secretary Signature /s/ J Nicholls
SCHEDULE 5
BLOCK LISTING SIX MONTHLY RETURN
To: Listing Applications
UK Listing Authority
Financial Services Authority
25, The North Colonnade
Canary Wharf
London, E14 5HS
Please ensure the entries on this return are type
1. Name of company: Diageo plc
2. Name of scheme: Diageo Associated Companies Share Plan
3. Period of return: From 1 July 2005 to 31 December 2005

4. Number and class of share(s) (amount of stock/debt security) not issued under scheme	458,748
5. Number of shares issued/allotted under scheme during period:	10,322
6. Balance under scheme not yet issued/allotted at end of period	448,426
7. Number and class of share(s) (amount of stock/debt securities) originally listed and the date of admission;	10.03.03 775,000

Please confirm total number of shares in issue at the end of the period in order for us to update our records
3,050,644,627
(Including 170,404,500 treasury shares)
Contact for queries:
Address: Diageo plc, 8 Henrietta Place, W1G 0NB

Name: Claire Kynaston Telephone: 020 7927 5200
Person making return Name: J Nicholls
Position; Deputy Company Secretary Signature /s/ J Nicholls
SCHEDULE 5
BLOCK LISTING SIX MONTHLY RETURN
To: Listing Applications
UK Listing Authority
Financial Services Authority
25, The North Colonnade
Canary Wharf

London, E14 5HS
Please ensure the entries on this return are type
1. Name of company: Diageo plc
2. Name of scheme: Grand Metropolitan Public Limited Company International Savings Related Share Option Scheme
3. Period of return: From 1 July 2005 to 31 December 2005

4. Number and class of share(s) (amount of stock/debt security) not issued under scheme	52,982
5. Number of shares issued/allotted under scheme during period:	0
6. Balance under scheme not yet issued/allotted at end of period	52,982
7. Number and class of share(s) (amount of stock/debt securities) originally listed and the date of admission;	9.2.96

Please confirm total number of shares in issue at the end of the period in order for us to update our records 3,050,644,627
(Including 170,404,500 treasury shares)
Contact for queries:
Address: Diageo plc, 8 Henrietta Place, W1G 0NB
Name: Claire Kynaston Telephone: 020 7927 5200
Person making return Name: J Nicholls
Position; Deputy Company Secretary Signature /s/ J Nicholls
SCHEDULE 5

BLOCK LISTING SIX MONTHLY RETURN
To: Listing Applications
UK Listing Authority
Financial Services Authority
25, The North Colonnade
Canary Wharf
London, E14 5HS
Please ensure the entries on this return are type
1. Name of company: Diageo plc
2. Name of scheme: Grand Metropolitan Public Limited Company Executive Stock Option Scheme
3. Period of return: From 1 July 2005 to 31 December 2005

4. Number and class of share(s) (amount of stock/debt security) not issued under scheme	98,459
5. Number of shares issued/allotted under scheme during period:	5,000
6. Balance under scheme not yet issued/allotted at end of period	93,459
7. Number and class of share(s) (amount of stock/debt securities) originally listed and the date of admission;	10.6.92 15.1.02 1,288,978

Please confirm total number of shares in issue at the end of the period in order for us to update our records
3,050,644,627
(Including 170,404,500 treasury shares)

Contact for queries:
Address: Diageo plc, 8 Henrietta Place, W1G 0NB
Name: Claire Kynaston Telephone: 020 7927 5200
Person making return Name: J Nicholls
Position; Deputy Company Secretary Signature /s/ J Nicholls
END

Company	Diageo PLC
TIDM	DGE
Headline	Transaction in Own Shares
Released	16:56 14-Feb-06
Number	4164Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 849.76 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 190,759,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,859,906,131.
END

Company	Diageo PLC
TIDM	DGE
Headline	Transaction in Own Shares
Released	17:24 15-Feb-06
Number	4911Y

Diageo plc announces that it has today purchased through Credit Suisse Securities (Europe) Limited 600,000 ordinary shares at a price of 857 pence per share. The purchased shares will all be held as treasury shares.
Following the above purchase, Diageo plc holds 191,359,500 ordinary shares as treasury shares. The total number of ordinary shares in issue (excluding shares held as treasury shares) is 2,859,306,131.
END

Interim results for the six months ended 31 December 2005

STRONG OPERATING PERFORMANCE ON ALL MEASURES

Operational highlights

North America: continued share gains, especially in spirits where value share in the US is now 28%

Europe: organic operating profit up driven by growth in spirits brands and cost efficiencies

International: very strong top and bottom line growth, particularly in Latin America, driven by growth of priority brands and successful innovation. Performance improvements delivered in Korea, Taiwan and Nigeria

Results at a glance

		First half F 06	First half F 05	Reported movement	Organic movement
Volume in equivalent units	Million	72.6	68.9	5%	5%
Net sales after deducting excise duties	£ million	3,960	3,674	8%	5%
Operating profit before exceptional items	£ million	1,261	1,185	6%	7%
Basic eps before exceptional items	Pence	31.1	25.0^	24%	11%
Basic eps	Pence	40.4	32.2^	25%	

^ First half F 05 basic eps before exceptional items restated from 24.1p to 25.0p for IAS 21 amendment adoption and other changes to finance charges. Similarly, first half F 05 basic eps has been restated from 31.3p to 32.2p.

Financial highlights

Spirits net sales after deducting excise duties up 7%, ready to drink down 3%, beer up 4%, wine up 5%

5% organic growth in marketing spend

Further operating margin expansion of 0.2 percentage points on an organic basis

Return on invested capital increased 1.2 percentage points to 16.8%

Free cash flow increased to £651 million

Share buyback doubled to £700 million

Interim dividend increased 5% to 11.95 pence

Strong first half results underpin full year guidance of 7% organic growth in operating profit before exceptional items

		First half F 06	First half F 05	Reported movement
Operating profit after operating exceptional items	£ million	1,261	1,169	8%

Profit attributable to parent company s equity shareholders*	£ million	1,166	967	21%

Diageo will prepare its annual financial statements for F 06 in accordance with IFRS adopted for use in the European Union. The first half of F 06 is presented on this basis and the first half of F 05 has been restated for IFRS as issued by the IASB, as described in note 1 to the interim financial statements on page 22.

Percentage movements are organic movements unless otherwise stated. These movements and operating margins are before exceptional items. Commentary, unless otherwise stated, refers to organic movements. Share, unless otherwise stated, refers to volume share. See page 32 for additional information for shareholders and an explanation of non-GAAP measures including the reconciliation of basic eps as reported to basic eps as restated and the organic eps movement calculation.

** First half F 05 restated for IAS 21 amendment adoption and other changes to finance charges.*

1

Paul Walsh, Chief Executive of Diageo, commenting on the interim results said:

This is a strong first half performance. We have invested in our brands and built our market positions. We have again achieved our financial objectives delivering top and bottom line organic growth, organic operating margin improvement and an increase in return on invested capital.

We continue to capitalise on our opportunities in the US where our market leadership and superior route to market have led to further volume share gains of 0.4 percentage points in spirits. In Europe, where we face a more challenging trading environment, we have created a more efficient organisation and this has enabled us to deliver 7% organic operating profit growth in the period. Sustained investment behind our brands in International markets has led to strong top line growth, up 12%. Throughout the business, mix improvement through stronger growth of brands such as Johnnie Walker together with the creation of a lower cost base have led to overall organic margin expansion of 0.2 percentage points.

Strong cash flow and the liquidation of our remaining interest in General Mills and Burger King have enabled us to double our share buy back programme, returning a further £700 million to shareholders in the period.

Material changes to these first half trends are unlikely in the balance of the year and we are therefore comfortable in reiterating our full year guidance of 7% organic operating profit growth .

Key features of the half year

North America

Volume grew 4%, net sales after deducting excise duties increased 7%, marketing spend increased 5% and operating profit improved 5%.

In spirits, excluding ready to drink, strong performance by the priority brands in the US and growth of the higher value reserve brands have been the key drivers, delivering top line mix improvement with net sales after deducting excise duties up 8%. Value share of spirits increased 0.2 percentage points to 28% and volume share was up 0.4 percentage points. Ready to drink net sales after deducting excise duties declined 2%. In beer, net sales excluding excise duties increased 18% as a result of strong growth in Guinness, Red Stripe and Smithwicks. Wine sales were up 6% with good volume growth and mix improvement driven by Sterling wines.

Higher input costs, primarily as a result of the higher oil price and increased costs behind our innovation pipeline, together with the adverse impact of the hurricane season, have constrained operating profit growth.

Europe

Volume was flat, net sales after deducting excise duties were down 1%, marketing spend was down 7% and operating profit increased 7%.

The changes implemented in our European business have resulted in a more profitable organisation focused on future opportunities for profitable top line growth. As a result, although the continued decline in the ready to drink segment has negatively impacted top line growth, operating profit is up and margins have expanded. Spirits volume, excluding ready to drink, grew 2% driven by continued strong growth from Smirnoff vodka, up 9%, and Johnnie Walker, up 2%.

International

Volume was up 11%, net sales after deducting excise duties grew 12%, marketing spend increased 24% and operating profit was up 12%.

This strong top line performance was driven primarily by the global priority brands, where volume was up 9% in the period, with Johnnie Walker up 12% and Smirnoff up 13%. In addition, category brand growth of 19% was driven by successful innovations in Asia and in Africa. Performance improvements have been delivered in Korea, Taiwan and Nigeria.

Brand performance

	Organic volume* movement %	Reported net sales** movement %	Organic net sales** movement %
Smirnoff vodka	7	13	10
Smirnoff ready to drink	(4)	(3)	(6)
Johnnie Walker	8	10	12
Guinness	(2)	3	2
Baileys	2	2	1
J&B			1
Captain Morgan	10	19	14
Jose Cuervo	5	17	12
Tanqueray	3	8	5
Total global priority brands	4	7	5
Local priority brands	2	8	4
Category brands	8	11	8
Total	5	8	5

* *On a reported basis, volume increased by 4% for global priority brands, 2% for local priority brands, 12% for category brands and 5% in total. Differences from the organic volume movements shown above are due to acquisitions and the exclusion of royalty volumes.*

** *Net sales after deducting excise duties.*

Continued high investment in brands as marketing spend again grew in line with sales. Marketing spend was focused behind the priority spirits brands particularly in the fast growing International market.

The acquisition of Bushmills Irish Whiskey for approximately £200 million was completed on 25 August 2005 and the brand is now fully integrated into the Diageo business.

OPERATING AND FINANCIAL REVIEW
For the six months ended 31 December 2005

Percentage movements, unless otherwise stated, are organic movements. These movements and operating margins are before exceptional items. Commentary, unless otherwise stated, refers to organic movements. Share, unless otherwise stated, refers to volume share. See page 32 for additional information for shareholders and an explanation of non-GAAP measures.

OPERATING REVIEW

Analysis by region

North America

Summary:

Volume was up 4%, net sales after deducting excise duties grew 7% and operating profit increased 5%

In spirits, further share gains have taken Diageo s overall value share to 28%

Top line mix improvement was driven by the global priority brands, Crown Royal and Don Julio

Operating profit growth was constrained by higher raw material costs and increased spend on innovation

Key measures:	First half F 06 £ million	First half F 05 £ million	Reported movement %	Organic movement %
Volume			4	4
Sales	1,565	1,385	13	7
Net sales after deducting excise duties	1,329	1,168	14	7
Marketing	209	188	11	5
Operating profit before exceptional items	476	454	5	5

Reported performance:

Sales were £1,565 million in the period ended 31 December 2005 up by £180 million from £1,385 million in the comparable period. Operating profit before exceptional items increased by £22 million to £476 million in the period ended 31 December 2005.

Organic performance:

The weighted average exchange rate used to translate US dollar sales and profits moved from £1 = $1.85 in the six months ended 31 December 2004 to £1 = $1.76 in the six months ended 31 December 2005. The strengthening of the US dollar resulted in a £60 million increase in sales. Acquisitions added £23 million of sales and there was a further organic increase in sales of £97 million. Operating profit before exceptional items decreased by £2 million as a result of foreign exchange impacts. Acquisitions increased operating profit before exceptional items by £3 million and organic growth of £21 million was achieved.

Organic brand performance:	**Organic volume* movement %**	**Reported net sales** movement %**	**Organic net sales** movement %**
Smirnoff vodka	6	13	8
Smirnoff ready to drink	(8)	(5)	(9)
Johnnie Walker	4	14	10
Jose Cuervo	5	18	12
Baileys	6	13	9
Captain Morgan	10	22	16
Tanqueray	3	8	5
Guinness	12	18	15
Total global priority brands	**5**	**12**	**7**
Local priority brands	**1**	**10**	**6**
Category brands	**2**	**30**	**12**
Total	**4**	**14**	**7**

* *On a reported basis, volume increased by 5% for global priority brands, 1% for local priority brands, 5% for category brands and 4% in total. Differences from the organic volume movements shown above are due to acquisitions.*

** *Net sales after deducting excise duties*

Smirnoff vodka performed strongly, led by the successful media campaign Clearly Smirnoff which leveraged the very positive *New York Times* taste test report. Net sales after deducting excise duties grew 8% on volume increases of 6% due to a price increase on Smirnoff Twist in the first quarter. The first half of the year also saw the introduction of two new Smirnoff Twist flavours, Black Cherry and Lime. Smirnoff vodka growth outpaced the category gaining 0.4 percentage points in value share.

While Smirnoff ready to drink remains the market leader, the ready to drink category continued to decline and Smirnoff ready to drink volume was down 8%.

Strong consumer demand for premium brands drove Johnnie Walker performance, with volume up 4% and net sales after deducting excise duties up 10%. This reflected price increases in some states and stronger growth in Johnnie

Walker Black Label and super deluxe variants. The Johnnie Walker brands grew value share by 1.4 percentage points. Although the tequila market has experienced strong pricing pressures, Diageo s strategy has been to hold price and enhance Jose Cuervo s premium positioning. As a result, the brand lost both volume share and value share. Volume grew 5% and net sales after deducting excise duties increased 12% driven by the launch of Cuervo Golden Margaritas, a ready to drink variant.

Baileys volume grew 6% and net sales after deducting excise duties were up 9%. Performance was driven by the test launch of Baileys flavours and good growth in Canada, as the comparable period reflected the strike of the Quebec Liquor Board. For the second consecutive year price increases have been achieved on Baileys.

Captain Morgan continued its strong performance with volume up 10% on the consistent growth in Original Spiced Rum and the introduction of Tattoo and Parrot Bay Passion Fruit. Increased marketing spend behind all Captain Morgan variants helped drive performance. Captain Morgan net sales after deducting excise duties grew 16% and the brand increased its value share by 1.5 percentage points as price increases were implemented in the first half.

The success of the Tony Sinclair Ready to Tanqueray advertising campaign has returned Tanqueray to growth. Volume grew 3% and net sales after deducting excise duties were up 5% as a result of price increases in selected markets and growth of the super premium variant, Tanqueray 10. The Tanqueray brand outperformed the gin category gaining value share by 1.2 percentage points.

Guinness volume was up 12% as a result of successful advertising and promotions behind several formats. Net sales after deducting excise duties grew 15% as targeted price increases were taken in those markets that did not have price increases the previous year.

The local priority brands performed well despite the impact of the hurricane season on some of the biggest markets. Crown Royal volume grew 5%, net sales after deducting excise duties were up 9% and the brand gained value share by 0.4 percentage points. Crown Royal was able to increase prices in 70% of the states as it built on its sponsorship of NASCAR among key consumer groups. Crown Royal volume growth was partially offset by weakness in Seagram s VO and 7 Crown, with volumes down 7% and 1% respectively, as a result of a portfolio strategy to increase focus on premium brands and de-prioritise lower value brands.

Performance of the California winery local priority brands continued to improve. Sterling volume was up 6% and net sales after deducting excise duties grew 11% driven by a positive mix shift toward more premium Sterling products. Beaulieu Vineyards also grew volume by 8% due to strong growth of its mid-priced Century Cellars brand, resulting in 3% growth in net sales after deducting excise duties. A fire at a third-party warehouse destroyed most of the Sterling Vineyard s 2003 vintage and single-vineyard wines. This will impact performance in the second half and in future years when the wines were expected to be released.

Category brands grew volume by 2% and net sales after deducting excise duties increased 12% due to strong growth of Red Stripe, volume up 27%, Smithwicks, volume up 72% and Don Julio, up 69%.

The development of the newly acquired Chalone brands is progressing well and the brand equity has been leveraged across a number of new variants. Bushmills, which was acquired in August 2005, is now fully integrated. As anticipated, the brand s performance in the first half of the year has been impacted by the stock build which took place prior to acquisition.

Performance was strong in Canada as the comparable period reflected the strike of the Quebec Liquor Board. Volume grew 6% and net sales after deducting excise duties were up 14%. Growth was particularly strong in the global priority brands, with volume up 8% and net sales after deducting excise duties up 18%, driven by a strong performance of Smirnoff ready to drink.

Europe

Summary:

Volume was flat, net sales after deducting excise duties declined 1%, marketing declined 7%, which, together with a more cost efficient organisation, led operating profit to increase 7%

Spirits and wine drove performance with volume up 2% and 5% respectively, offsetting a 24% decline in ready to drink and a 5% decline in beer

Europe remains a difficult trading environment due to increased duties and regulations, and a continued shift from the on-trade to the off-trade in key markets

Key measures:	First half F 06 £ million	First half F 05 £ million	Reported movement %	Organic movement %
Volume			1	**0**
Sales	2,221	2,244	(1)	**0**
Net sales after deducting excise duties	1,408	1,450	(3)	**(1)**
Marketing	225	241	(7)	**(7)**
Operating profit before exceptional items	494	463	7	**7**

Reported performance:

Reported sales in Europe in the period ended 31 December 2005 were down £23 million from £2,244 in the comparable period, to £2,221 million. Operating profit before exceptional items increased by 7% from £463 million to £494 million.

Organic performance:

Sales decreased by £14 million as a result of the impact of foreign exchange rates. Acquisitions net of the impact of disposals added sales of £3 million and there was an organic decline in sales of £4 million. The exchange impact results primarily from a weakening of the euro compared to the comparable period in 2004. Operating profit before exceptional items increased by £31 million as a result of £30 million of organic growth and the profit generated by acquisitions of £8 million and an adverse exchange rate movement effect of £3 million. In the calculation of organic growth transfers between business segments reduced prior period sales and operating profit before exceptional items by £8 million and £4 million respectively.

Organic brand performance:	Organic volume* movement %	Reported net sales** movement %	Organic net sales** movement %
Smirnoff vodka	9	11	10
Smirnoff ready to drink	(22)	(21)	(23)
Johnnie Walker	2	5	6
Guinness	(5)	(3)	(2)
Baileys	(1)	(3)	(3)
J&B	(3)	(4)	(3)
Total global priority brands	0	(2)	(1)
Local priority brands	1	0	1
Category brands	(1)	(6)	(2)
Total	0	(3)	(1)

* *On a reported basis, volume was flat for global priority brands, increased by 1% for local priority brands, 4% for category brands and 1% in total.*

Differences from the organic volume movements shown above are due to acquisitions.

** *Net sales after deducting excise duties*

Smirnoff vodka grew volume 9%, and net sales after deducting excise duties were up 10% due to continued strong performance in Great Britain, Spain and Greece. Further decline of the ready to drink segment in Europe impacted Smirnoff ready to drink and, as a result, volume was down 22% and net sales after deducting excise duties declined 23%.

Johnnie Walker volume grew 2% and product mix improved due to strong growth of the higher margin Johnnie Walker Black Label and the super deluxe variants, which represent about 15% of total volume. Volume of Johnnie Walker Black Label and super deluxe variants was up 13% and 19% respectively, due to continued growth in Russia, Greece, Spain and Germany. Johnnie Walker Red Label also performed well in Russia and Germany, however its overall volume was flat as a result of more difficult market conditions in Portugal and the Canaries.

Over 90% of Guinness volume in Europe is sold in Great Britain and Ireland. Consequently the declining beer market in both countries heavily impacted performance. Guinness volume was down 5% and net sales after deducting excise duties declined 2%, as pricing offset some of the volume weakness. Guinness was launched in Russia following the new distribution agreement with Heineken, which began in July 2005.

Baileys volume was down 1% as growth in Russia, Italy and France was offset by weakness in Iberia and Benelux. Net sales after deducting excise duties declined 3% due to the decision to reduce focus on Baileys Glide in Great Britain.

The contraction of the standard whisky segment in Portugal and the Canaries offset strong growth in France and Benelux. As a result, J&B volume and net sales after deducting excise duties declined 3%.

Local priority brand volume and net sales after deducting excise duties increased 1%. Growth in spirits brands around the region offset continued weakness of the lager brands in Ireland.

Category brand volume declined 1% and net sales after deducting excise duties were down 2%. Blossom Hill continued to grow in Great Britain while in Spain, Gordon s and standard scotches declined due to aggressive pricing by competitor brands.

Great Britain

In a weak market, Diageo delivered volume growth of 2%. Volume growth of 5% in spirits and 4% in wine offset a 22% decline in ready to drink and a 5% decline in beer. Net sales after deducting excise duties declined 3% mainly as a result of the negative impact of the further decline in the ready to drink segment.

In a growing category, Smirnoff vodka continued to outperform the market. Volume grew 11% and net sales after deducting excise duties were up 13%. Share increased 2.4 percentage points due to a strong marketing programme and consistent promotional activities. Marketing spend increased 4% and improved our share of voice. The ready to drink segment declined 15% and while Smirnoff ready to drink remains the segment leader with a 28% share, volume was down 20%.

Baileys volume declined 1% and net sales after deducting excise duties were down 5% reflecting the reduced focus on Baileys Glide. Excluding ready to drink, Baileys volumes were flat and net sales after deducting excise duties declined 2% as retailers promotions focused on less profitable SKUs during Christmas.

Local priority brand performance was mixed. Bell s volume grew 10% and the brand increased share by 3.5 percentage points to 19%. New variants and consistent advertising enabled Gordon s to grow volume by 2%, to increase net sales after deducting excise duties by 4% and increase share by 3.2 percentage points. Archers volume was down 20% due to a 37% volume decline of the ready to drink variants.

In a weak beer market, Guinness volume declined 5% but the brand held share. A price increase in February 2005 partially offset volume weakness with net sales after deducting excise duties down 3%.

Category brand volume was up 4% driven by wine performance. There was a shift in the wine market in Great Britain away from French towards New World wines. This dynamic influenced the growth of 12% in Blossom Hill volume and the 19% decline in Piat D Or volume.

Ireland

The results for Ireland reflect the continued shift from the on-trade to the off-trade as well as growth in wines and spirits and in the value segment. These market dynamics have a significant impact on performance in Ireland as the majority of Diageo s business is focused on premium brands and the on-trade. Volume and net sales after deducting excise duties declined by 4% and 1% respectively. This was driven by a 6% decline in beer volume, which was only partially offset by a 4% increase in spirits volume and 15% increase in wine volume.

Guinness volume was down 9% but net sales after deducting excise duties declined only 2% due to pricing. The brand lost share, as performance was affected by a particularly hot summer.

In spirits, Smirnoff vodka continues to be the number one vodka brand in Ireland and volume grew 5% while Baileys volume declined 4% due to increased competition from lower value brands.

Local priority brand volume was down 5% driven by the continued decline of the beer brands. Of the agency brands, Carlsberg s performance was stronger due to the launch of successful new advertising, which enabled it to capitalise on the hot summer and slow its volume decline to 1%.

Iberia

Overall, volume in Iberia declined 4% and net sales after deducting excise duties declined 3% driven by the contraction of the scotch category in Portugal and the Canaries. Spain, which accounts for over 80% of Iberia s volume, grew volume by 1% and net sales after deducting excise duties were up 3% due to a price increase on a number of brands in January 2005. The 10% increase in duty implemented by Spanish regulatory authorities in September 2005 has been fully passed on to customers.

J&B volume in Iberia declined 6% driven by a 33% and 41% decline in volumes in Portugal and the Canaries. In Spain, J&B volume and net sales after deducting excise duties were flat. The brand is the leading standard whisky in the Spanish market and gained share by 0.5 percentage points in a category that was down 3%.

In Spain, Johnnie Walker volume grew 12% and net sales after deducting excise duties were up by 15%. Johnnie Walker Black Label volume grew 23% due to strong performance in the high end on-trade. Johnnie Walker Red Label gained share by 0.4 percentage points, while Johnnie Walker Black Label grew share by 0.7 percentage points. Performance was weak in the rest of Iberia due to the rapid decline of the scotch category.

Baileys volume declined 9%. In Spain, although the brand gained share by 0.6 percentage points due to good performance in the off-trade, volume declined 6%.

The local priority brands, Cacique and Cardhu in Spain, delivered a 7% increase in volume and grew net sales after deducting excise duties by 10% due to stronger pricing. Continued growth of the dark rum category and a successful advertising campaign resulted in a 7% increase in Cacique volume. Although share was flat, the brand remains the leader of the dark rum segment with 23% share.

Category brand volume was down 15% driven by the continued decline of standard scotch brands and a significant decrease in Gordon s in Spain due to adverse pricing versus the competition.

Rest of Europe

The rest of Europe accounts for a third of Diageo s European business. Total volume was up 3% and net sales after deducting excise duties increased 2%. A 27% decline in ready to drink volume had a negative impact on mix. Performance excluding ready to drink was stronger, with volume up 4% and net sales after deducting excise duties up 5%, driven by strong growth in Greece, Russia and Germany.

Volume in Greece increased 6%. Johnnie Walker volume was up 3% driven by a 17% increase in Johnnie Walker Black Label, which is benefiting from a new advertising campaign. Haig volume was up 30% due to the continued growth of standard scotch in the off-trade. Volume in France declined by 2% as a result of a 36% decline in ready to drink volume. However, in a tough market, J&B grew volume 9% and Baileys volume grew 8%. In Germany, volume was flat, due to a 54% reduction in ready to drink volume. Excluding ready to drink, performance in Germany, as in France, was stronger with volume growth of 2% and a 5% increase in net sales after deducting excise duties. Growth was driven by Johnnie Walker volume, up 14%, led by faster growth of Johnnie Walker Black Label and the super deluxe variants, as well as a 5% increase in Smirnoff vodka volume.

Russia continued its strong growth trajectory with volume up 41%, and net sales after deducting excise duties up 51%. Johnnie Walker and Baileys were the main growth drivers with volume up 41% and 25% respectively. Johnnie Walker Black Label, Johnnie Walker Red Label and Baileys all gained share and are the clear leaders in their segments. Guinness was launched in Russia in July of 2005 as a result of the new distribution agreement with Heineken.

International

Summary:

Volume grew 11%, net sales after deducting excise duties were up 12% and operating profit increased 12%

International s strong performance was across the vast majority of brands and markets

Marketing spend was up 24% with a significant up weight in investment in China, India and Brazil

Key measures:	**First half F 06 £ million**	**First half F 05 £ million**	**Reported movement %**	**Organic movement %**
Volume			12	11
Sales	1,533	1,289	19	15
Net sales after deducting excise duties	1,183	1,028	15	12
Marketing	184	143	29	24
Operating profit before exceptional items	371	346	7	12

Reported performance:

Reported sales in the period ended 31 December 2005 were £1,533 million, up £244 million from £1,289 million in the comparable prior period. Operating profit before exceptional items was up 7% at £371 million for the period ended 31 December 2005.

Organic performance:

Sales increased by £36 million as a result of exchange rate impacts. Acquisitions added sales of £10 million and there was an organic increase in sales of £198 million. These factors combined to generate the reported increase of £244 million in the period.

There was a £25 million increase in reported operating profit before exceptional items. Organic growth added £40 million to operating profit before exceptional items, and acquisitions added a further £1 million; however, these increases were offset by unfavourable exchange rate movements of £14 million. In the calculation of organic growth, transfers between business segments reduced prior period operating profit before exceptional items by £2 million.

	Organic volume* movement	**Reported net sales** movement**	**Organic net sales** movement**
Organic brand performance:	**%**	**%**	**%**
Johnnie Walker	12	12	14
Smirnoff vodka	8	18	15
Smirnoff ready to drink	35	47	42
Guinness	(2)	5	2
Baileys	5	4	3
Total global priority brands	**9**	**13**	**12**
Local priority brands	**4**	**13**	**5**
Category brands	**19**	**20**	**17**
Total	**11**	**15**	**12**

* *On a reported basis, volume increased by 9% for global priority brands, 4% for local priority brands, 22% for category brands and 12% in total. Differences from the organic volume movements shown above are due to acquisitions and the exclusion of royalty volumes.*

** *Net sales after deducting excise duties*

Johnnie Walker volume grew 12% driven by growth in Asia and Latin America. Product mix improved due to stronger growth of the super deluxe variants.

Smirnoff ready to drink grew volume 35% and net sales after deducting excise duties increased by 42% due to growth in Brazil, Venezuela, and successful innovations in Australia and South Africa. Smirnoff vodka performance was particularly strong in Brazil, India and Asia Pacific with volume up 15%, 39% and 15% respectively.

Guinness volume declined 2% as difficult trading conditions in Cameroon offset good performances in East Africa, Ghana and Asia. Stronger sales in South Asia and Japan improved mix and as a result, net sales after deducting excise duties were up 2%.

Baileys volume grew 5% due to volume growth in Asia and the test launch of Baileys flavours in Global Duty Free. Net sales after deducting excise duties were only up 3% due to adverse product mix, as the comparable period s volume benefited from the launch of Baileys Glide and Minis in Australia.

Local priority brand volume and net sales after deducting excise duties were up 4% and 5% respectively, due to strong growth of Windsor in Korea, Buchanan s in Venezuela and Malta Guinness and Bell s in Africa.

Category brand volume and net sales after deducting excise duties were up 19% and 17%, respectively. Key drivers of performance were the successful re-launch of Harp in Nigeria and the launch of Benmore and Golden Knight in Thailand.

Asia Pacific

In Australia, volume was up 2% and net sales after deducting excise duties were flat as global priority brand growth was offset by a planned reduction in stock levels of ready to drink category brands. Smirnoff volume grew 20% driven by strong growth of Smirnoff ready to drink which increased share by 4.0 percentage points. Johnnie Walker grew volume 9% as a result of strong brand equity building activity. Bundaberg held share even though volume declined 1%, while volume of the ready to drink variant was flat.

In Korea, performance was driven by the renovation of the Windsor brand and the launch of new premium line extensions. A recovering economy also helped stabilise the trading environment for beverage alcohol. Volume was up 6% and net sales after deducting excise duties increased 7%. The launch of a super deluxe variant combined with a 22% increase in marketing spend, led Windsor volume to increase 8%. Both Johnnie Walker and Windsor increased share by 0.6 percentage points.

In Taiwan, volume was up 12%. Johnnie Walker volume increased by 10% and net sales after deducting excise duties were up 13%, driven by 36% growth in volume of the super deluxe variants. The launch of Real Mackenzie, a new whisky brand, in April 2005 increased volume growth but had a dilutive effect on mix.

In Japan, volume grew 3% due to 82% growth in Baileys volume, albeit off a small base, following the national roll out of an up weighted marketing programme. Guinness volume grew 29% as distribution gains continued.

In Thailand, volume was up 73% and net sales after deducting excise duties grew 26%. Benmore and Golden Knight, two new whiskey brands launched in the first half of 2005, drove volume growth but had an adverse impact on mix. Johnnie Walker volume was up 19%, as Johnnie Walker Red Label regained momentum and increased share by 4.3 percentage points in the premium scotch segment due to new promotional activities. Spey Royal grew volume 18% and increased share by 1.0 percentage point as a result of a new, lower-priced strategy aimed at attracting standard scotch consumers. In total, Diageo gained 9.9 percentage points of share in the imported whisky segment in the period.

In India, volume increased 26%, albeit off a small base, due to continued strong growth in global priority brands. Smirnoff vodka delivered the most significant growth with volume up 39% and share up 9.7 percentage points as a result of increased distribution and a successful advertising campaign. Johnnie Walker volume grew 33% driven by continued advertising and increased distribution.

China also experienced rapid growth in volume and net sales after deducting excise duties, driven primarily by an increase in Johnnie Walker volume of 54%. Advertising on Johnnie Walker was upweighted significantly during the period benefiting Johnnie Walker Black Label volume, which was up 75%. A new route to market model also supported growth in Guinness, Baileys and Smirnoff vodka.

Africa

Africa grew volume by 8% and net sales after deducting excise duties by 9%.

In Nigeria, volume and net sales after deducting excise duties were up 17% as turnaround plans started to take hold and a focus on innovation led to improved performance. Harp s successful re-launch in April 2005 is a key driver of Nigeria s recovery. Harp volume more than doubled and share grew by 4.2 percentage points. Guinness volume declined 1%, however, as a result of the launch of Guinness Extra Smooth in June 2005 net sales after deducting excise duties increased by 6%. Malta Guinness returned to growth with volume up 13%.

In East Africa, volume grew 17% and net sales after deducting excise duties were up 8% due to faster growth in low value beers and spirits. Premium beer performance was mixed. Tusker volume was up 2% due to an improved promotional programme, while Pilsner volume declined 1% due to increased competition from lower value beers.

In South Africa, volume grew 2% while net sales after deducting excise duties were up 11%. Strong growth in Johnnie Walker drove product mix improvement. Smirnoff volume declined 2% as a 23% increase in ready to drink was offset by a significant decline in Smirnoff vodka. Bell s, the leading scotch brand in South Africa, grew volume by 12%.

In Ghana, volume grew 15% and net sales after deducting excise duties were up 24%. Guinness grew volume 5% and net sales after deducting excise duties increased by 18%. Malta Guinness benefited from a favourable relative price point compared to soft drinks and as a result volume grew 21%.

Latin America

There was strong growth across Latin America with volume for the region as a whole up 14% and net sales after deducting excise duties up 22%.

In Venezuela, a significant improvement in the environment led to 23% volume growth and a 36% increase in net sales after deducting excise duties. The product mix improvement was driven by the successful launch of Smirnoff ready to drink and strong growth in the super deluxe variants of Johnnie Walker and Buchanan s. Category brands also performed well with volume up 18% and net sales after deducting excise duties increasing by 29% driven by strong growth of Chequers and Ye Monks.

Performance in Brazil, Paraguay and Uruguay benefited from strong economic conditions. Volume was up 27% and net sales after deducting excise duties grew by 45% driven by the strong growth of ready to drink. Johnnie Walker volume increased 33% and net sales after deducting excise duties were 44% higher due to strong growth of the super deluxe variants as the Reserve Brand Group gained traction. Johnnie Walker Red Label and Johnnie Walker Black Label gained share by 7.1 percentage points and 4.2 percentage points respectively. Smirnoff grew volume 19% and net sales after deducting excise duties increased 55% due to strong performance in ready to drink. Smirnoff vodka gained 2.9 percentage points of share and Smirnoff ready to drink increased share by 4.6 percentage points.

Performance in Mexico was strong with overall volume up 28% and net sales after deducting excise duties up 33% primarily driven by growth across the scotch category. Buchanan s increased share by 1.9 percentage points, Johnnie Walker Red Label increased share by 2.6 percentage points and J&B increased share by 1.8 percentage points.

Global Duty Free

Volume grew 13% and net sales after deducting excise duties were up 14% due to strong growth in Europe, Australia and parts of Asia. Smirnoff and the Johnnie Walker super deluxe variants had particularly good performances due to intensive marketing initiatives in airports. Baileys returned to growth due in part to the test launch of Baileys flavours in Europe.

Corporate revenue and costs

Reported sales increased by £12 million to £40 million from £28 million for the comparable prior period. Net corporate operating costs before exceptional items increased by £2 million to £80 million from £78 million in the comparable prior period. Transfers between business regions increased corporate sales by £8 million and decreased operating costs before exceptional items by £6 million.

FINANCIAL REVIEW
Condensed consolidated income statement

	Six months ended 31 December 2005			Six months ended 31 December 2004		
	Before exceptional items £ million	**Exceptional items £ million**	**Total £ million**	Before exceptional items (restated) £ million	Exceptional items £ million	Total (restated) £ million
Sales	**5,359**		**5,359**	4,946		4,946
Excise duties	**(1,399)**		**(1,399)**	(1,272)		(1,272)
Net sales	**3,960**		**3,960**	3,674		3,674
Operating costs	**(2,699)**		**(2,699)**	(2,489)	(16)	(2,505)
Operating profit	**1,261**		**1,261**	1,185	(16)	1,169
Investment income	**5**		**5**	8		8
Disposal of investments/ businesses		**151**	**151**		218	218
Finance charges	**(93)**		**(93)**	(74)		(74)
Associates profits	**77**		**77**	71		71
Profit before taxation	**1,250**	**151**	**1,401**	1,190	202	1,392
Taxation	**(313)**	**117**	**(196)**	(404)	14	(390)
Profit for the period	**937**	**268**	**1,205**	786	216	1,002
Attributable to:						
Equity shareholders	**898**	**268**	**1,166**	751	216	967
Minority interests	**39**		**39**	35		35
	937	**268**	**1,205**	786	216	1,002

Adoption of IFRS
The interim results for the period ended 31 December 2005 have been prepared in accordance with International Accounting Standards and International Financial Reporting Standards (IFRS). The results for the comparative period to 31 December 2004 have been restated and are also presented in accordance with IFRS. For further information related to the conversion to IFRS please see the notes to the interim results, specifically note 1 Basis of preparation and note 12 Explanation of transition to IFRS .

Sales and net sales after deducting excise duties
On a reported basis, sales increased by £413 million (8%) from £4,946 million in the period ended 31 December 2004 to £5,359 million in the period ended 31 December 2005. On a reported basis net sales after deducting excise duties increased by £286 million (8%) from £3,674 million in the period ended 31 December 2004 to £3,960 million in the period ended 31 December 2005. Acquisitions and disposals contributed a net increase to reported sales and net sales after deducting excise duties of £36 million and £26 million respectively in the period and foreign exchange rate movements also increased reported sales by £82 million and reported net sales after deducting excise duties by £56 million, principally arising from strengthening of the US dollar.

Operating costs

On a reported basis operating costs before exceptional items increased by £210 million principally due to an increase in cost of goods sold of £146 million and an increase in marketing costs of 8% from £572 million to

£618 million. There were no exceptional operating costs in the period (2004 £16 million). On a reported basis, operating costs increased by £194 million (8%) from £2,505 million in the period ended 31 December 2004 to £2,699 million in the period ended 31 December 2005. Overall, the impact of exchange rate movements increased total operating costs before exceptional items by £75 million.

Post employment plans

Post employment costs for the period ended 31 December 2005 of £44 million (2004 £43 million) included amounts charged to operating profit of £54 million (2004 £47 million) and finance income of £10 million (2004 £4 million). At 31 December 2005, Diageo s deficit before taxation for all post employment plans was £1,099 million (30 June 2005 £1,294 million).

Operating profit

Operating profit before exceptional items for the period increased by £76 million to £1,261 million from £1,185 million in the comparable prior period. There were no exceptional operating charges in the period ended 31 December 2005, compared to costs in respect of the period ended 31 December 2004 of £16 million.

Exchange rate movements reduced operating profit before exceptional items for the six months ended 31 December 2005 by £19 million.

Non-operating exceptional items

Non-operating exceptional items before taxation were a gain of £151 million in the six months ended 31 December 2005 compared with a gain of £218 million in the six months ended 31 December 2004. The gain in the period to 31 December 2005 represents the gain on sale of all of the group s remaining 25 million shares of common stock of General Mills. In the period to 31 December 2004 non-operating exceptional items included a gain of £219 million on the disposal of 54 million shares of common stock of General Mills and a net charge of £1 million in respect of the disposal of businesses.

Finance charges

Finance charges increased by £19 million from £74 million in the period ended 31 December 2004 to £93 million in the six months ended 31 December 2005.

The net interest charge increased by £14 million from £78 million in the comparable prior period to £92 million in the six months ended 31 December 2005. This increase principally resulted from increasing US dollar interest rates, the loss of interest income on the Burger King subordinated debt, the increase in net borrowings in the period and the termination of certain financing arrangements. *IAS 39 Financial instruments: recognition and measurement* had no net impact on the interest charge for the six months ended 31 December 2005.

Other finance charges of £1 million (2004 income of £4 million) included income of £10 million (2004 income of £4 million) in respect of the group s post employment plans. This beneficial movement principally reflects the increase in the value of the assets held by the post employment plans between 1 July 2004 and 30 June 2005. Other finance charges also include a £5 million charge (2004 gain of £3 million) in respect of foreign exchange translation differences on inter-company funding arrangements that do not meet the accounting criteria for recognition in equity.

Associates

The group s share of profits of associates after interest and tax was £77 million for the period compared to £71 million in the comparable period last year. Diageo s 34% equity interest in Moët Hennessy contributed £71 million to share of profits of associates after interest and tax (2004 - £66 million).

Profit before taxation

After exceptional items, profit before taxation increased by £9 million from £1,392 million to £1,401 million in the six months ended 31 December 2005.

Taxation

The tax charge is based upon the estimate of the average annual effective tax rate expected for the full financial year with the exception of tax in respect of transactions that are presented by the group as exceptional items or tax presented by the group as an exceptional item in its own right which are accounted for in the period in which the items arise.

The effective tax rate before exceptional items for the six months ended 31 December 2005 is 25% compared with 34% for the six months ended 31 December 2004. The higher effective tax rate in the period ended 31 December 2004 mainly resulted from the reduction in the carrying value of deferred tax assets following a change in tax rate.

The effective tax rate for the six months ended 31 December 2005 after exceptional items is 14% compared with 28% for the six months ended 31 December 2004. The effective tax rate in the current period has been reduced following the agreement of certain brand carrying values with fiscal authorities which resulted in recognising an increase in the group s deferred tax assets of £110 million. The profit on disposal arising on the sale of General Mills shares in the period and the comparative period is not subject to tax.

Exchange rates

Based on current exchange rates, it is estimated that in the year ending 30 June 2006 there will be an adverse impact from exchange rate movements on profit before exceptional items and taxation of £30 million (translation exchange only on reported share of profits of associates). Based on current exchange rates it is estimated that the impact from exchange rate movements on profit before exceptional items and taxation for the year ending 30 June 2007 will not be material.

Dividend

An interim dividend of 11.95 pence per share will be paid to holders of ordinary shares and ADR s on the register on 10 March 2006. This represents an increase of 5% on last year s interim dividend. The interim dividend will be paid to shareholders on 6 April 2006. Payment to US ADR holders will be made on 12 April 2006. A dividend reinvestment plan is available in respect of the interim dividend and the plan notice date is 16 March 2006.

In the AGM statement in October 2004 Diageo announced that while final decisions on annual dividends will continue to be taken in the light of earnings performance, inflation and other external factors, the Diageo Board would expect, from February 2006, to hold the company s dividend increase to shareholders to around 5% annually to gradually rebuild dividend cover.

Cash flow

Extract from the consolidated cash flow statement	**Six months ended 31 December 2005 £ million**	Six months ended 31 December 2004 £ million
Cash generated from operations	**957**	1,029
Interest paid (net)	**(61)**	(93)
Dividends paid to equity minority interests	**(20)**	(25)
Taxation	**(118)**	(153)
Net purchase of investments	**(1)**	(2)
Net capital expenditure	**(106)**	(114)
Free cash flow	**651**	642

Cash generated from operations decreased from £1,029 million to £957 million in the period to 31 December 2005 principally as a result of a £141 million investment in working capital driven mainly by growth in the underlying business. The decrease in cash generated from operations was principally offset by reduced interest payments (down £32 million to £61 million) and reduced tax payments (down £35 million to £118 million) and as a result free cash flow increased £9 million to £651 million from £642 million in the prior period.

In the six months ended 31 December 2005, Diageo issued new share capital generating proceeds of £2 million (2004 £3 million) and purchased 84.4 million shares as part of the share buy-back programme (2004 48.2 million shares) at a cost of £704 million (2004 £353 million). Diageo s stance on capital structure is unchanged: it continues to target a range of ratios which are currently broadly consistent with an A band credit rating. Diageo expects to continue the share repurchase programme at broadly the current level.

Balance sheet

At 31 December 2005, total equity was £4,789 million compared with £4,626 million at 30 June 2005. This increase was mainly due to the profit for the period of £1,205 million offset by the dividend paid out of shareholders equity of £529 million and the shares repurchased of £704 million.

Net borrowings were £3,911 million at 31 December 2005, an increase of £208 million from 1 July 2005 net borrowings of £3,703 million. The principal components of this increase were the free cash inflow of £651 million, proceeds from disposal of shares of General Mills of £651 million offset by payments of £704 million (including costs of £4 million) to repurchase shares to be held as treasury shares, the payment of £207 million to acquire Bushmills Irish Whiskey and a £529 million equity dividend paid.

Economic profit

Economic profit increased by £68 million from £400 million in the six months ended 31 December 2004 to £468 million in the six months ended 31 December 2005. See page 39 for calculation and definition of economic profit.

DIAGEO CONSOLIDATED INCOME STATEMENT

		Six months ended 31 December 2005			Six months ended 31 December 2004		
	Notes	**Before exceptional items £ million**	**Exceptional items £ million**	**Total £ million**	Before exceptional items (restated) £ million	Exceptional items £ million	Total (restated) £ million
Sales	2	**5,359**		**5,359**	4,946		4,946
Excise duties		**(1,399)**		**(1,399)**	(1,272)		(1,272)
Net sales		**3,960**		**3,960**	3,674		3,674
Cost of sales	4	**(1,511)**		**(1,511)**	(1,365)	(14)	(1,379)
Gross profit		**2,449**		**2,449**	2,309	(14)	2,295
Marketing		**(618)**		**(618)**	(572)		(572)
Other operating expenses	4	**(570)**		**(570)**	(552)	(2)	(554)
Operating profit	2	**1,261**		**1,261**	1,185	(16)	1,169
Investment income		**5**		**5**	8		8
Sale of General Mills shares	4		**151**	**151**		219	219
Sale of other businesses	4					(1)	(1)
Net interest	3	**(92)**		**(92)**	(78)		(78)
Other finance (charges)/ income	3	**(1)**		**(1)**	4		4
Share of associates profits after tax		**77**		**77**	71		71
Profit before taxation		**1,250**	**151**	**1,401**	1,190	202	1,392
Taxation	5	**(313)**	**117**	**(196)**	&n		