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Diageo looks to the future with £100m Scotch Whisky investment

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Diageo, the world's leading premium drinks company, is to invest £100m expanding its Scotch Whisky operations in Scotland.

The investment - one of the biggest ever in the industry - comes at a time of sustained growth in Diageo's Scotch Whisky business worldwide. It will meet anticipated long-term demand for the company's brands in growing markets such as Brazil, Russia, India, China and Mexico.

Projected demand in these and other markets shows a clear requirement for additional production capacity in Diageo's Scottish supply business. It will also increase employment. Diageo estimates up to 200 jobs will be generated during the investment period stretching over the next few years.

The £100 million programme will expand capacity in malt distilling and grain distilling, where almost £80 million will be spent, and in packaging and warehousing where the investment will be over £20 million.

Diageo will build a new malt distillery in the north of Scotland - the preferred location is at Roseisle on Speyside - and expand the Cameronbridge grain distillery in Fife, already the largest in the UK. Bottling capacity at the company's Shieldhall packaging plant in Glasgow will be increased and warehousing capacity will be extended in central Scotland.

Bryan Donaghey, Managing Director of Diageo Scotland, said: "This is a significant investment. It underpins our commitment to Scotland and the long term growth and sustainability of our Scotch Whisky business. We see very encouraging growth in our Scotch Whisky brands. Expanding our capacity now will help us meet demand well into the future.

"While this is our largest single investment in Scotland for almost 20 years, Diageo has been committing significant sums to Scotland on a continuing basis. This investment is essential to underpin our long-term strategy for the development of our business here. It has been made possible by the expertise and knowledge of our people and by close and constructive relationships with government and other partners. This Government's support for the Scotch Whisky industry, including its long-term freeze on UK duty levels, has helped create and maintain the positive environment in which this investment can be made."

David Gosnell, Managing Director of Diageo Global Supply and Global Procurement, said: "Scotch Whisky is an iconic product, enjoyed all over the world. It makes a unique contribution to Scotland. This investment is good news for both the Scotch Whisky industry and the Scottish economy.

"Through exports of Scotch Whisky, Scotland has a strong representation in the global economy. To maintain Scotland's competitiveness, we need to be fast, responsive and adaptable and deliver even higher levels of service and support. This means investing in a modern, flexible supply chain - by doing this we will help Scotland maintain its competitive position and ensure the continued success of the Scotch Whisky industry."

Notes to editors

The preferred site for the new malt distillery is in the Roseisle area where Diageo already operates a major maltings facility. Roseisle is just inland from the Moray Firth between Elgin and Forres, at the north-west end of the famous Speyside whisky-producing region.

Diageo will now start discussions with Moray Council and other relevant agencies on the potential expansion of the site. Subject to planning consents, it is hoped construction would begin this year with the distillery opening in early 2009. On that schedule, the first mature spirit from the new distillery would be available from 2012.

About Diageo Scotland:

- Scotland is one of Diageo's largest spirit supply centres responsible for producing nearly 50 million cases of leading brands of Scotch Whisky and white spirits and over 6 million cases of Ready To Drink brands annually.
- Around 90% of the brands produced in Scotland are sold overseas.
- Diageo in Scotland employs over 4,000 people.
- Diageo currently operates 27 malt distilleries and two grain distilleries. As well as engineering and technical support functions, there are extensive warehousing operations, which store up to 7 million casks of maturing spirit, and the company's Scottish headquarters in Edinburgh.
- Packaging is focused at three plants in Scotland: Leven in Fife handling white spirits, Ready To Drink products and Scotch malt whiskies; Kilmarnock in Ayrshire bottling the complete range of deluxe Scotch whiskies; and Shieldhall near Glasgow, the largest plant of its type in the industry, packaging Diageo's high volume Scotch Whisky brands.

About Diageo:

Diageo is the world's leading premium drinks business. With its global vision, and local marketing focus, Diageo brings to consumers an outstanding collection of beverage alcohol brands across the spirits, wine and beer categories including Johnnie Walker, Smirnoff, Guinness, Baileys, J&B, José Cuervo, Captain Morgan, Tanqueray, and Beaulieu Vineyard and Sterling Vineyards wines. Diageo trades in some 180 countries around the world and is listed on both the New York Stock Exchange (DEO) and the

London Stock Exchange (DGE). For more information about Diageo, its people, brands and performance, visit us at www.diageo.com.

Forward-Looking Statements:

This release contains certain forward-looking statements within the meaning of Section 27A of the US Securities Act of 1933 and Section 21E of the US Securities Exchange Act of 1934. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. 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 cost savings or synergy 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. Diageo does not undertake to update forward-looking statements to reflect 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 US Securities and Exchange Commission.

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