

28 September 2020

## Diageo issues trading commentary ahead of AGM 2020

Ivan Menezes, Chief Executive, commented:

“We have made a good start to fiscal 21, with sequential improvement in our performance across all regions, driven by strong execution, robust demand in the off-trade channel and the gradual re-opening of the on-trade channel in most markets. The pace of recovery from the Covid-19 pandemic and easing of government restrictions varies by market.

Our US business is performing strongly and ahead of our expectations, reflecting resilient consumer demand and the spirits category continuing to gain share within the total beverage alcohol market. Increased retailer confidence is resulting in some re-stocking in the off-trade channel. The on-trade channel is now open in all states, with some capacity restrictions.

In Europe, off-trade demand remains robust and the on-trade channel has largely re-opened with the easing of lockdown measures in most countries, although the risk of additional restrictions remains where infection rates are worsening. In China, the on-trade channel continues to recover, although larger banqueting occasions are returning more slowly. While the on-trade has also begun to re-open in Africa, India and Latin America and the Caribbean, we expect the pace of recovery in those markets to be more gradual. Travel retail continues to be severely impacted.

We are continuing to support our customers and we are seeing the positive impact of the actions we took to help the on-trade recover. As demand recovers, we are using our consumer insights and marketing effectiveness tools to accelerate smart investment behind innovation and marketing as well as behind new opportunities in the at-home occasion and in the e-commerce channel.

Our outlook for the first half of fiscal 21 has improved since the year-end, reflecting the good start to the year, particularly for our US business. We continue to expect sequential improvement in organic net sales and operating profit compared to the second half of fiscal 20. Compared to the first half of fiscal 20, we still expect lower organic net sales and margin dilution.

I am pleased with the resilient performance of our business in the current challenging operating environment and encouraged by our progress. While the pace of recovery is uncertain, I am confident in our strategy, the long-term fundamentals of our business and Diageo’s ability to emerge stronger.”

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### About Diageo

Diageo is a global leader in beverage alcohol with an outstanding collection of brands including Johnnie Walker, Crown Royal, J&B, Buchanan's and Windsor whiskies, Smirnoff, Cîroc and Ketel One vodkas, Captain Morgan, Baileys, Don Julio, Tanqueray and Guinness.

Diageo is a global company whose products are sold in more than 180 countries around the world. The company is listed on both the London Stock Exchange (DGE) and the New York Stock Exchange (DEO). For more information about Diageo, our people, our brands, and performance, visit us at [www.diageo.com](http://www.diageo.com). Visit Diageo's global responsible drinking resource, [www.DRINKiQ.com](http://www.DRINKiQ.com), for information, initiatives and ways to share best practice.

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### **Cautionary statement concerning forward-looking statements**

This document contains 'forward-looking' statements. These statements can be identified by the fact that they do not relate only to historical or current facts. In particular, forward-looking statements include all statements that express forecasts, expectations, plans, outlook, objectives and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to Diageo, anticipated cost savings or synergies, expected investments, the completion of any strategic transactions or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation or regulatory enquiries, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control. 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.

An explanation of non-GAAP measures, including organic movements, is set out on page 62 of Diageo's Annual Report for the year ended 30 June 2020.

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