

26 February 2020

Trading Update – Impact of COVID-19 outbreak

When we released our interim results on 30 January 2020, we commented on the expectation of an impact from the Coronavirus (COVID-19) outbreak, which we were not able to quantify at the time. We are now providing an update on the expected range of the adverse impact in fiscal 2020 of the evolving COVID-19 situation.

As the situation continues to unfold, our primary concern remains the welfare of our colleagues, their families and their local communities and we will continue to provide all support possible. Authorities in China and in other impacted countries have taken strong and decisive action and continue to work tirelessly to contain the spread of the virus.

Public health measures across impacted countries in Asia Pacific, principally in China, have resulted in: restrictions on public gatherings, the postponement of events and the closure of many hospitality and retail outlets. Several countries and many businesses have also imposed restrictions on travel.

It is difficult to predict the duration and extent of any further spread of the COVID-19 outbreak both in and outside of Asia. Based on current information we have made assumptions to estimate the fiscal 2020 impact on the performance of the following businesses:

Greater China:

- Bars and restaurants have largely been closed and there has been a substantial reduction in banqueting. As the majority of consumption is in the on-trade, we have seen significant disruption since the end of January which we expect to last at least into March.
- Thereafter, we expect a gradual improvement with consumption returning to normal levels towards the end of fiscal 2020.

On-trade, in other impacted countries in Asia Pacific:

- The outbreak in several other Asian countries, especially South Korea, Japan and Thailand, has led to events being postponed, a reduction in conferences and banquets, and a drop in tourism which have all impacted on-trade consumption.
- We expect gradual improvement throughout the fourth quarter of fiscal 2020.

Travel Retail, mainly in the Asia Pacific region:

- The outbreak has caused a significant reduction in international passenger traffic, especially in Asia.
- Recovery of passenger traffic is assumed to be gradual, resulting in weaker performance for the remainder of fiscal 2020.

On this basis, we estimate the negative impact in fiscal 2020, on the group's organic net sales and organic operating profit, to be in a range of £225m to £325m and £140m to £200m, respectively, with the timing and pace of recovery determining the impact within these estimated ranges. The COVID-19 situation is dynamic and continues to evolve and these ranges exclude any impact of the COVID-19 situation on other markets beyond those mentioned above. We will continue to monitor the situation closely.

We remain confident in the growth opportunities in our Greater China and Asia Pacific business. We will continue to invest behind our brands, ensuring we are strongly positioned for the expected recovery in consumer demand.

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About Diageo

Diageo is a global leader in beverage alcohol with an outstanding collection of brands across spirits and beer categories. These brands include 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, and our 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).

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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 49 of Diageo's interim results for the six months ended 31 December 2019 published on 30 January 2020.