

press release

26 August 2010

Diageo's global exposure shows strength while profits drop

- Diageo's pre-tax profit rose 12.5% to £2239m for the year ending 30 June 2010
 - Global growth is the main driver of profits
 - The Share Centre list Diageo as a 'hold' for investors

Nick Raynor, investment advisor at The Share Centre, explains why the world's biggest drinks makers are listed as a 'hold' for investors.

"These were a disappointing set of results for Diageo despite pre-tax profit rising 12.5% to £2239m for the year ending 30 June 2010 as this was less than the market expected.

"What is interesting for investors is that it is the company's global diversity that drove overall growth and that is its strength in the current economic climate. The international division reported a 25% rise in operating profit – better than expected.

"Strong growth in Latin America, Africa and Asia mean Diageo are well placed to see continued growth. However lower levels of demand from North America and Europe, where the company gets the majority of its sales, is a concern.

"The dividend at 3.5% is steady but not enough to attract income seekers, this ensures we continue to list Diageo as a 'hold' for investors."

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About The Share Centre:

The Share Centre was established in 1990 to provide value-for-money share services for private investors. Its range of services includes buying and selling shares (by Internet, telephone and post) and a comprehensive share administration and safe custody service. Tax-efficient investment 'wrappers' including ISAs, CTFs and SIPP's are also available.

The Share Centre's Advice team provides comment on market sectors, individual shares and funds on www.share.com. Access is available to customers and registered users of the site. Registration is free. To understand how our Advice team arrive at their views please read our Investment Research Policy

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