DIAGEO PLC
Form 6-K
August 23, 2013

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER

PURSUANT TO RULE 13a-16 OR 15d-16 OF THE

SECURITIES EXCHANGE ACT OF 1934

For the month of July 2013

Commission File Number: 001-10691

DIAGEO plc

(*Translation of registrant's name into English*)

Lakeside Drive, Park Royal, London NW10 7HQ

(*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 x   Form 40-F ¨

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1): ¨

Indicate by check mark whether the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7): ¨

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 – 31 July 2013

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

Announcement Company announces completion of USL share purchase agreement with UBHL. (4 July 2013)	**Announcement** Company receives approval to become sole shareholder in SJF Holdco, taking its holding in the Shanghai-listed company to 39.7%. (23 July 2013)
Announcement Company notified of transactions in respect of the Diageo Share Incentive Plan and Mr Walsh, Ms Mahlan and PDMRs inform the Company of their interests therein. Dr Humer informs the Company of his beneficial interests. (10 July 2013)	**Announcement** Company announces preliminary results for year ended 30 June 2013. (31 July 2013)
Announcement Legal & General Group Plc notifies the Company of its interest. (18 July 2013)	**Announcement** Company announces total voting rights. (31 July 2013)

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: 22 August 2013 By: /s/ C Kynaston
Name: C Kynaston
Title: Assistant Company Secretary

Company	Diageo PLC
TIDM	DGE
Headline	Completion of USL share purchase with UBHL
Released	14:02 04-Jul-2013
Number	6339I14

RNS Number : 6339I

Diageo PLC

04 July 2013

4 July 2013

Diageo announces completion of USL share purchase agreement with UBHL

Diageo now the major shareholder in USL, the leading Indian spirits company, with a shareholding of 25.02%

Diageo has today completed the acquisition of a further 14.98% stake in United Spirits Limited, the leading spirits company in India. The consideration was INR 1440 per share and the total consideration of INR 31,345,558,560 (£344,190,791) has been settled today.

On 27 May 2013 Diageo subscribed for a preferential allotment of new shares in USL amounting to 10% of the post-issue enlarged share capital at a total consideration of INR 20,927,196,000 (£249,255,052). Separately, Diageo acquired 58,668 additional USL shares in the Tender Offer for a total consideration of INR 85,778,082 (£983,789). Diageo therefore now holds 36,359,192 shares representing 25.02% of the enlarged USL share capital at an aggregate cost of INR 52,358,532,642 (approximately £594,429,632). This represents a 18x multiple of USL's EBITDA for the year ended 31 March 2013 and the transaction is expected to be eps accretive in year 2 and economic profit positive in year 5 assuming a 12% WACC.

With completion of the Share Purchase Agreement, the Shareholders' Agreement between Diageo, United Breweries (Holdings) Limited and KFinvest is now effective. Diageo's 25.02% shareholding in USL, together with the voting and other governance arrangements agreed with the UBHL group, including Dr Mallya's continued role as Chairman of USL, will give Diageo control and enable Diageo to fully reflect the results of USL in its consolidated accounts, which it expects to do from 1 January 2014. Prior to this, Diageo will equity account its shareholding in USL.

Ivan Menezes, Chief Executive of Diageo, said:

'USL's strong market-leading position combined with Diageo's strength and capabilities opens an exciting and important new chapter for Diageo in the attractive Indian spirits market. Since we received approval for this transaction we have been getting ready for closing and integration. Having completed the share purchase, we will now begin the work to identify and capture the significant growth opportunities within this attractive market.'

'Through this acquisition we have transformed Diageo's position in India, a market which is one of the biggest growth opportunities in our industry. India will become one of Diageo's largest markets and with its increasing number of middle class consumers looking for premium and prestige local spirits brands as income levels rise it will also become a major contributor to our growth ambitions.'

Dr Vijay Mallya, Chairman of the UB Group, said:

'I am very pleased that we have completed our Share Purchase Agreement today. USL has entered into the next stage on its journey and I look forward to remaining part of that journey in my role as Chairman of USL.'

Key points:

- Diageo has acquired shares from UBHL, KFinvest (a subsidiary of UBHL), Palmer Investment Group Limited and UB Sports Management Overseas Limited (two subsidiaries of USL) and SWEW Benefit Company (a company established for the benefit of certain USL employees).
- Shares owned by the USL Benefit Trust which were part of the original transaction announced on 9 November 2012 and which represent 2.38% of the enlarged issued share capital of USL are not part of the sale and purchase announced today. If the release of all security interests over these shares is obtained they will be purchased separately at a later stage.
- Diageo has funded the acquisition through existing cash resources and debt.

Important Information

The important information set out below comprises information regarding:

- Completion of the Share Purchase Agreement
- USL board and executive management appointments
- The Shareholders' Agreement
- The Pioneer Distilleries tender offer
- An update on the joint venture arrangements with Dr Mallya
- Other important information and certain potential transaction risks

Completion of the Share Purchase Agreement

Following the conclusion of arrangements for the release of security over the 21,767,749 USL shares that have been sold to Diageo Bidco today and the recent decision of the High Court of Karnataka in respect of certain winding-up petitions pending against UBHL, Diageo has decided to close the Share Purchase Agreement, the final part of the USL Transaction announced on 9 November 2012.

It has not been possible to complete at this time the acquisition of shares from all of the sellers under the Share Purchase Agreement as certain lenders to USL are refusing to release security that they hold over the 3,459,090 USL shares (representing approximately 2.38% of the enlarged share capital of USL) held by the USL Benefit Trust notwithstanding that they have been repaid in full. USL believes that this refusal is in clear breach of the applicable contractual arrangements. Accordingly, USL and the trustees of the USL Benefit Trust are taking steps to expedite release of the security to enable the balance of the sale under the Share Purchase Agreement to Diageo Bidco to take effect as soon as practicable.

Important information on the decision of the High Court of Karnataka referred to above is contained in the "Other Important Information and Certain Potential Transaction Risks" section below.

USL Board and Executive Management Appointments

Dr Mallya will continue as non-executive director and chairman of USL. Ashok Capoor will continue as CEO of USL.

Following the Preferential Allotment, Diageo Bidco nominated Gilbert Ghostine as a non-executive director of USL, and USL confirmed that appointment at that time. Now, following closing of the Share Purchase Agreement, Diageo Bidco has nominated Ravi Rajagopal as a non-executive director of USL. In addition, Diageo Bidco has confirmed P.A. Murali as CFO and has also nominated him as an executive director of USL. These appointments are expected to be confirmed at a USL board meeting later today.

The appointment of the following additional non-executive directors of USL, all of whom are independent, is also expected to be confirmed at the USL board meeting later today: Arun Gandhi, Sudhakar Rao, D. Sivanandhan and Renu Kamad.

Following the USL board meeting today to confirm the above appointments, it is expected that there will be 10 directors on the Board of USL.

Shareholders' Agreement

The Shareholders' Agreement in relation to USL between Diageo, Diageo Bidco, UBHL and Kingfisher Finvest India Limited ("KFinvest") has come into effect today.

Under this agreement:

- Diageo Bidco is entitled to nominate, propose or recommend directors to the USL board and appoint its nominees to the roles of CEO, CFO and the Head of Internal Audit.

- members of the UBHL group which hold USL shares are (subject to specific and limited agreed exceptions) obliged to vote their shares at Diageo Bidco's direction. This voting obligation will terminate on the earlier of the Diageo group reaching a majority position in USL and the end of the fourth full accounting period of Diageo after today's date.

The other principal provisions of the Shareholders' Agreement are set out in the announcement of the USL Transaction made by Diageo on 9 November 2012 (the "Transaction Announcement"). Its terms and the position under it are unchanged save that:

(i) the put option arrangements described in the Transaction Announcement no longer apply under the Shareholders' Agreement; and

(ii) the number of shares that UBHL and KFinvest will be obliged to vote at Diageo Bidco's direction in accordance with the voting obligation described above has reduced as a result of a reduction in UBHL's shareholding in USL. UBHL and KFinvest have informed Diageo that they currently hold, in aggregate, voting rights over 16,108,323 USL shares, representing 11.08% of USL's enlarged share capital.

Pioneer Distilleries Tender Offer

As required by the SEBI Takeover Regulations, by virtue of the Shareholders' Agreement coming into effect on completion of the USL Transaction, Diageo will publish, within 5 working days of the current date, a detailed public statement in respect of the mandatory tender offer to the public shareholders of Pioneer Distilleries Limited ("Pioneer") (a subsidiary of USL) to acquire up to the remaining 18.42% of Pioneer's outstanding share capital. Under the terms of the offer, Pioneer shareholders are entitled to receive INR 60 for each Pioneer share which shall be adjusted upwards by an amount computed at the rate of 10% per annum for the period from the date of the Transaction Announcement to the date of the detailed public statement. This values Pioneer at approximately INR 857 million (£9.4 million). At that price, and assuming full take-up of the offer by Pioneer shareholders, the maximum aggregate consideration payable would be approximately INR 158 million (£1.7 million). As the shares of Pioneer are infrequently traded on the Indian stock exchanges, the offer price is based on an independent valuation and not the market price. The market price of a Pioneer share on the last business day prior to the Transaction Announcement was INR 38.25.

Update on Joint Venture Arrangements with Dr Mallya

Having received the necessary regulatory and competition authority clearances, Diageo completed its agreement to acquire a 50% interest in the company which owns United National Breweries' traditional sorghum beer business in South Africa on 27 June 2013. The remaining 50% is held by a company affiliated with Dr Mallya. Diageo has acquired its 50% interest for $36 million (approximately £24 million), subject to customary adjustments. Diageo announced its intention to form this joint venture on 9 November 2012, subsequently announcing its agreement to enter into such joint venture on 28 January 2013.

Following today's completion of the USL Transaction, the near-term priority of Diageo and Dr Mallya is the integration of USL into the Diageo group. Once that is successfully under way, Diageo and Dr Mallya will explore the opportunity of extending their relationship into other emerging markets in Africa and Asia (excluding India) through a further joint venture relationship on terms and with a scope as yet to be determined. It is not certain whether such a joint venture will be established or, if so, on what basis. If this wider emerging markets joint venture is established, it is expected that the South African joint venture would be contributed to it.

Other Important Information and Certain Potential Transaction Risks

This section sets out some additional important information relating to aspects of today's closing as well as certain potential continuing risks.

As described above, it has not been possible to complete at this time the acquisition of 3,459,090 USL shares (representing approximately 2.38% of the enlarged share capital of USL) under the Share Purchase Agreement from the USL Benefit Trust as certain lenders to USL are refusing to release security that they hold over those shares notwithstanding that they have been repaid in full. USL and the trustees of the USL Benefit Trust are taking steps to expedite release of the security to enable the balance of the sale under the Share Purchase Agreement to Diageo Bidco to take effect as soon as practicable. If it is not ultimately possible to complete the acquisition, the Share Purchase Agreement would lapse in relation to these shares and they would instead continue to be held by the USL Benefit Trust subject to an undertaking that the trustees would only vote the shares at the direction of USL.

As described above, the High Court of Karnataka (the "High Court") has recently granted leave to UBHL under sections 536 and 537 of the Indian Companies Act in respect of five winding-up petitions currently pending against UBHL to enable the sale by UBHL to take place notwithstanding the continued existence of those winding-up petitions. The leave granted by the High Court, which places certain conditions on UBHL in relation to the sale, is in respect of the five winding-up petitions (the "Original Petitions") that were pending on 9 November 2012, being the date on which the USL Transaction was agreed. Since then, two additional winding-up petitions have been brought against UBHL, and the leave granted by the High Court does not extend to them. It is also possible that the decision of the High Court in respect of the Original Petitions could be reviewed in the event of an appeal. It is considered unlikely that any appeal process in respect of the leave decision on the Original Petitions would definitively conclude on a timely basis. Accordingly, Diageo has, in relation to UBHL, waived the conditionality under the Share Purchase Agreement relating to the absence of insolvency proceedings and has acquired 10,141,437 USL shares from UBHL as part of today's closing.

In the event that a winding-up order is passed in respect of UBHL, today's sale of USL shares by UBHL to Diageo Bidco would, as a matter of Indian company law, be treated as automatically void unless leave of the court in respect of all relevant winding-up petitions had been or were obtained for that sale. Accordingly, it is possible that, if a winding-up order were to be passed in respect of UBHL, Diageo Bidco could lose title to the 10,141,437 USL shares acquired today from UBHL. If, following any such winding-up order, the sale of USL shares by UBHL to Diageo Bidco were to be treated as automatically void, it would remain open for retrospective leave to be sought for that sale in respect of any relevant winding-up petition. Whilst there can be no certainty as to the outcome of any such leave application, or the timeframe within which it would be concluded, Diageo believes that the acquisition price of INR 1,440 per USL share is fair and reasonable as regards USL, USL's shareholders and USL's secured and unsecured creditors. Diageo also takes comfort from the High Court's conclusion, after detailed consideration, that the acquisition from UBHL enhances the business opportunities of UBHL and that the transaction is genuine and bona fide for the purposes of promoting the interests of UBHL and its creditors, including the creditors who brought the Original Petitions.

Diageo also has the benefit of certain contractual undertakings and commitments from the relevant sellers in relation to potential challenges to its unencumbered title to the USL shares acquired today, including relating to the winding-up petitions described above and/or certain losses and costs that may be incurred in the event of third party actions relating to the acquisition of the USL shares.

As part of the arrangements being put in place at closing, Diageo Holdings Netherlands B.V. ("DHN") has agreed to issue a conditional back-stop guarantee to Standard Chartered Bank ("Standard Chartered") in respect of the liabilities of Watson Limited ("Watson"), a company affiliated with Dr Mallya and which is a significant shareholder in UBHL, under a $135 million facility that Standard Chartered expects, subject to agreement of full documentation and implementation of a security package, to advance to Watson to refinance certain existing loan facilities. The right of Standard Chartered to call on the guarantee from DHN would be subject to Standard Chartered having first taken certain agreed steps to recover from Watson, including defined steps towards enforcement of its expected security package. In addition, DHN would have, in respect of its potential liability under this guarantee, the benefit of certain counter-indemnity protection as well as the security package put in place for the Standard Chartered facility.

Following today's completion of the final part of the USL Transaction, Diageo will, as contemplated in the Transaction Announcement, now commence the implementation within the USL group of Diageo's operational and governance standards as part of the USL group joining Diageo's international group. As the principal operations of the USL group are located in India and are geographically and operationally devolved within that jurisdiction, it is possible that achieving Diageo's proposed implementation could involve commitment of greater management time, costs and resources than expected, with potential implications for the day-to-day operations of the USL business units.

Except as disclosed in this announcement or previously by Diageo, there has been no significant change affecting any matter contained in the Transaction Announcement and no other significant new matter has arisen which would have been required to be mentioned in the Transaction Announcement if it had arisen at the time of preparation of the Transaction Announcement.

Terms defined in the Transaction Announcement have the same meaning where used in this announcement.

Cautionary Note Regarding Forward-Looking Statements

This announcement contains certain forward-looking statements relating to the financial condition, results of operations and business of USL and certain plans and objectives of Diageo. These forward-looking statements can be identified by the fact that they do not relate only to historical or current facts. Forward-looking statements often use words such as "anticipate", "target", "expect", "estimate", "intend", "plan", "goal", "believe", "hope", "aims", "continue", "will", "may", "should", "would", "could", or other words of similar meaning. These statements are based on assumptions and assessments made by USL and/or Diageo in light of their experience and their perception of historical trends, current conditions, future developments and other factors they believe appropriate. 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 and circumstances could cause actual results and developments to differ materially from those expressed in or implied by such forward-looking statements. Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and you are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this document. In particular, no statement regarding earnings per share should be interpreted to mean that earnings per share will necessarily be greater than those for any relevant preceding financial period. Neither USL nor Diageo assumes any obligation to update or correct the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law.

Sources of information

The share price of Pioneer in this announcement has been taken from the website of National Stock Exchange of India.

Foreign exchange information included in this announcement for historic transactions is based on the actual exchange rates achieved by Diageo when implementing the relevant transaction. Foreign exchange calculations for transactions on or around the date of this announcement have been based on the Reserve Bank of India exchange rates prevailing as at 3 July 2013 (with the INR:£ rate being INR 91.07:£1).

For further information

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JM Financial acted as lead transaction and financial adviser to Diageo on the transaction. BofA Merrill Lynch acted as joint financial adviser.

Slaughter and May and Platinum Partners acted as legal advisers to Diageo. Deloitte LLP provided Financial and Tax due diligence services.

About Diageo

Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol brands across spirits, beer and wine. These brands include Johnnie Walker, Crown Royal, J B, Windsor, Buchanan's and Bushmills whiskies, Smirnoff, Cîroc and Ketel One vodkas, Baileys, Captain Morgan, Tanqueray and Guinness.

Diageo is a global company, with its products sold in more than 180 countries around the world. The company 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. For our global resource that promotes responsible drinking through the sharing of best practice tools, information and initiatives, visit DRINKiQ.com.

Celebrating life, every day, everywhere.

ENDS

Company	Diageo PLC
TIDM	DGE
Headline	Director/PDMR Shareholding
Released	15:10 10-Jul-2013
Number	31508-AAAD

TO: Regulatory Information Service

PR Newswire

RE: PARAGRAPH 3.1.4 OF THE DISCLOSURE AND TRANSPARENCY RULES

The notifications listed below were all received under Paragraph 3.1.2 of the Disclosure and Transparency Rules.

Diageo plc (the "Company") announces that:

1. It received notification on 10 July 2013 of the following allocations of ordinary shares of 28 101/108 pence each 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 July 2013 under the Plan, by Diageo Share Ownership Trustees Limited (the "Trustee"):

Name of Director	Number of Ordinary Shares
D Mahlan	9
PS Walsh	9

(ii) the following Persons Discharging Managerial Responsibilities ("PDMR") were allocated Ordinary Shares on 10 July 2013 under the Plan, by the Trustee:

Name of PDMR	Number of Ordinary Shares
N Blazquez	9
D Gosnell	9
A Morgan	9
S Moriarty	9
L Wood	9
I Wright	9

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 £20.14.

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.

2. It received notification on 10 July 2013 that Dr FB Humer, a director of the Company, had purchased 412 Ordinary Shares on 10 July 2013 under an arrangement with the Company, whereby he has agreed to use an amount of £ 8,000 each month, net of tax, from his director's fees to purchase Ordinary Shares. Dr Humer 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 £20.14.

As a result of the above transactions, interests of directors and PDMRs in the Company's Ordinary Shares and American Depository Shares ("ADS")* (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
Dr FB Humer	47,295
D Mahlan	132,342 (of which 131,691 are held as ADS)
PS Walsh	769,660

Name of PDMR	Number of Ordinary Shares
N Blazquez	71,202
D Gosnell	110,574
A Morgan	96,579
S Moriarty	28,768
L Wood	1,642
I Wright	56,324

P Tunnacliffe

Company Secretary

10 July 2013

*1 ADS is the equivalent of 4 Ordinary Shares.

Company	Diageo PLC
TIDM	DGE
Headline	Holding(s) in Company
Released	13:01 18-Jul-2013
Number	31300-288E

For filings with the FCA include the annex

For filings with issuer exclude the annex

TR-1: NOTIFICATION OF MAJOR INTEREST IN SHARES

1. Identity of the issuer or the underlying issuer of existing shares to which voting rights are attached:

Diageo Plc

2. Reason for the notification (please tick the appropriate box or boxes):

An acquisition or disposal of voting rights

Yes

An acquisition or disposal of qualifying financial instruments which may result in the acquisition of shares already issued to which voting rights are attached.

An acquisition or disposal of instruments with similar economic effect to qualifying financial instruments

An event changing the breakdown of voting rights

Other (please specify):

3. Full name of person(s) subject to the notification obligation: Legal & General Group Plc (L&G)

4. Full name of shareholder(s) N/A
(if different from 3.):

5. Date of the transaction and date on which the threshold is crossed or reached: 16 July 2013

6. Date on which issuer notified: 17 July 2013

7. Threshold(s) that is/are crossed or reached: L&G (Below 3%)

8. Notified details:

A: Voting rights attached to shares

Class/ type of shares if possible using the ISIN CODE	Situation previous to the triggering transaction		Resulting situation after the triggering transaction				
	Number of Shares	Number of Voting Rights	Number of shares	Number of voting rights		% of voting rights	
				Direct	Indirect	Direct	Indirect
ORD 28.935	99,894,002 (As on 21/10/2009)		Below 3%				

B: Qualifying Financial Instruments

Resulting situation after the triggering transaction

Type of financial instrument	Expiration date	Exercise/ Conversion Period	Number of voting rights that may be acquired if the instrument is exercised/ converted.	% of voting rights

C: Financial Instruments with similar economic effect to Qualifying Financial Instruments

Resulting situation after the triggering transaction

Type of	Exercise/	Number of voting	% of voting rights

financial instrument	Exercise price	Expiration date	Conversion period	rights instrument refers to		
					Nominal	Delta
Total (A+B+C)						

Number of voting rights	Percentage of voting rights
	Below 3%

9. Chain of controlled undertakings through which the voting rights and/or the financial instruments are effectively held, if applicable:

Legal & General Group Plc (Direct and Indirect) (Group)

Legal & General Investment Management (Holdings) Limited (LGIMH)

(Direct and Indirect)

Legal & General Investment Management Limited (Indirect) (LGIM)

Legal & General Group Plc (Direct) (L&G) (Below 3% = LGAS, LGPL & PMC)

Legal & General Investment Management (Holdings)

Legal & General Limited (Direct) (LGIMHD)

Insurance Holdings Limited (Direct) (LGIH)

Legal & General Assurance (Pensions Management)

Legal & General Limited (PMC)

Assurance Society Limited (LGAS & LGPL)

Legal & General Pensions Limited (Direct) (LGPL)

Proxy Voting:

10. Name of the proxy holder: N/A

11. Number of voting rights proxy holder will cease to hold: N/A

12. Date on which proxy holder will cease to hold voting rights: N/A

Notification using the total voting rights figure of

13. Additional information: 2,510,356,543

14. Contact name: Angela Hayter (LGIM)

15. Contact telephone number: 020 3124 3851

Company	Diageo PLC
TIDM	DGE
Headline	Approval to become sole shareholder in SJF Holdco
Released	07:00 23-Jul-2013
Number	9073J07

RNS Number : 9073J

Diageo PLC

23 July 2013

23 July 2013

Diageo receives approval to become sole shareholder in SJF Holdco, taking its holding in the Shanghai-listed company to 39.7%

Diageo has received approval from the Chinese authorities to acquire the remaining 47% stake in Sichuan Chengdu Shuijingfang Group Company Ltd. (SJF Holdco) (formerly Sichuan Chengdu Quanxing Group Company Ltd) owned by its Chinese partners. As a result, SJF HoldCo will be converted from a joint venture into a wholly foreign-owned enterprise owned by Diageo. On completion, Diageo's indirect interest in the Shanghai-listed company, Sichuan Shuijingfang Co., Ltd. (Shuijingfang), will rise from 21.05% to 39.71%. The total consideration for the 47% of SJF Holdco will be approximately £233 million.

Gilbert Ghostine, President of Diageo Asia Pacific, said:

"I am delighted to have gained approval from the Chinese authorities to acquire the rest of our Chinese partners' interest in SJF HoldCo. This is a milestone in the journey we began with our partners six years ago. As the controlling shareholder in Shuijingfang, Diageo will continue to work with the senior Chinese management to build Shuijingfang into the leading international Bai Jiu brand. I have every confidence in the long-term future of the Bai Jiu category in China."

Vermilion Partners acted as transaction adviser to Diageo. Haiwen acted as legal adviser to Diageo on the transaction. HSBC acted as partner bank for FX and Settlement.

ENDS

For further information

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About Diageo
Diageo is the world's leading premium drinks business with an outstanding collection of beverage alcohol brands across spirits, beer and wine. These brands include Johnnie Walker, Crown Royal, J B, Windsor, Buchanan's and Bushmills whiskies, Smirnoff, Cîroc and Ketel One vodkas, Baileys, Captain Morgan, Tanqueray and Guinness.

Diageo is a global company, with its products sold in more than 180 countries around the world. The company 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. For our global resource that promotes responsible drinking through the sharing of best practice tools, information and initiatives, visit DRINKiQ.com.

Celebrating life, every day, everywhere.

END

Company	Diageo PLC
TIDM	DGE
Headline	Preliminary Results
Released	07:00 31-Jul-2013
Number	5311K07

RNS Number : 5311K

Diageo PLC

31 July 2013

Preliminary results, year ended 30 June 2013

Results show Diageo is a strong business getting stronger

- Net sales growth of 5%, driven by 4 percentage points of positive price/mix
- Operating profit growth of 8%, driven by 0.8 percentage points of margin expansion
- Marketing investment up 5%, to 15.7% of net sales, focused on the strategic brands
- Strong performance in North America with net sales up 5% and operating profit up 9%
- Emerging markets' net sales are 42% of Diageo's business, following 11% net sales growth and acquisitions which added £233 million
- Emerging markets operating profit up 18%, as increased scale led to operating margin expansion
- Acquisition of the Ypióca brand in Brazil in August 2012
- Free cash flow was £1.5 billion, after making a £400 million contribution to the UK pension scheme
- Growth of 11% in eps pre-exceptional items, to 104.4 pence per share
- Board recommending a 9% increase in the final dividend
- Increased stake in Shuijingfang and acquired the major interest in USL since the year end

Ivan Menezes, Chief Executive, commenting on the year ended 30 June 2013

"These results reflect Diageo's strengths. We have delivered 5% net sales growth reflecting the strength of our US spirits business and continued double digit growth in the emerging markets, despite weakness in some markets. Price increases in each region, positive mix in North America and Latin America and the rigour we have in managing our cost of production and controlling our overheads drove significant expansion in operating margin.

The effectiveness of our marketing campaigns remains a competitive advantage for us and this year we have seen these campaigns extend the leadership of our brands in many markets during the year. This has been a key driver of our performance in scotch, our biggest and most profitable category, especially for Johnnie Walker which is now a 20 million case brand. Innovation is driving growth in every region, with our biggest launches in US spirits where we continue to lead the innovation agenda in the industry. Elsewhere, the investments we have made to enhance our routes to market in Africa, Latin America and Eastern Europe have driven strong growth.

The breadth of our good performance is reflected in the strength of the cash flow, in our double digit eps growth and a recommended 9% increase in the final dividend. This year we have again made a strong business stronger and we remain on track to deliver our medium term guidance."

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Key financials:

		2013	2012	Organic growth %	Reported growth %
Volume	EUm	165.0	156.5	1	5
Net sales	£million	11,433	10,762	5	6
Marketing spend	£million	1,787	1,691	5	6
Operating profit before exceptional items	£million	3,530	3,198	8	10
Operating profit	£million	3,431	3,158		9
Profit attributable to parent company's equity shareholders	£million	2,485	1,942		28
Free cash flow	£million	1,460	1,647		
Basic eps	pence	99.3	77.8		28
eps pre-exceptional items	pence	104.4	94.2		11
Recommended full year dividend	pence	47.40	43.50		9

Operating profit before exceptional items includes attributable transaction and integration costs of £8 million (2012 – £61 million) in respect of business acquisitions.

Income from associates of £199 million (2012 – £213 million) includes a deferred tax asset write-off of £23 million (2012 – £nil) in respect of DHN Drinks in South Africa.

The tax rate before exceptional items for the year ended 30 June 2013 remained unchanged at 17.7% compared with the year ended 30 June 2012. The reported tax rate, which includes tax on exceptional items, was 16.9% for the year ended 30 June 2013 compared with 33.3% for the year ended 30 June 2012. In the year ended 30 June 2012 tax authority negotiations were concluded resulting in a favourable change to the taxation basis of certain overseas profits and intangible assets and a write off of deferred tax assets of £524 million.

Organic growth by region:

	Volume %	Net sales %	Marketing spend %	Operating profit %
North America	1	5	10	9
Western Europe	(3)	(4)	(6)	(7)
Africa, Eastern Europe and Turkey	4	10	16	10
Latin America and Caribbean	4	15	11	26
Asia Pacific	(1)	3	(1)	6

The organic growth calculation does not include brands which were disposed of in the year ending 30 June 2013, primarily Nuvo, and Jose Cuervo as a result of the termination of the distribution agreement.

Exchange rate movement

	£million
Net sales	(60)
Operating profit before exceptional items	(4)

Exchange rate movement for net sales and operating profit before exceptional items are the translation of prior year reported results at current year exchange rates.

Using current exchange rates (£1 = $1.54 : £1 = €1.16) exchange rate movements for the year ending 30 June 2014 are expected to adversely impact operating profit by £55 million and increase net finance charges by £5 million. This guidance excludes the impact of IAS 21 and 39.

Update on strategic transactions

On 4 July 2013 Diageo announced the completion of the United Spirits Limited (USL) share purchase agreement with United Breweries (Holdings) Limited and the acquisition of a further 14.98% stake in USL for a total consideration of INR 31 billion (£344 million). This follows Diageo's subscription for the preferential allotment of 10% of the post issue share capital of USL and the acquisition of 58,668 additional shares through the mandatory tender offer. Diageo is now the major shareholder in USL with a shareholding of 25.02%. The total purchase consideration was INR 52 billion (£594 million).

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On 11 December 2012 Diageo announced that discussions between Diageo and JB y Compania S.A. de C.V. and Lanceros S.A. de C.V. in respect of the future of the Jose Cuervo brand had ended. The contract for the distribution of Jose Cuervo in North America and many other markets between Diageo and Jose Cuervo expired on 30 June 2013. In the year ended 30 June 2013 Diageo reported net sales of £308 million and operating profit of £76 million from Jose Cuervo.

Definitions

Unless otherwise stated in this announcement:

- volume is in millions of equivalent units (EUm)
- net sales are sales after deducting excise duties
- percentage movements are organic movements
- commentary refers to organic movements
- share refers to value share

See page 34 for additional information for shareholders and an explanation of non-GAAP measures.

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BUSINESS REVIEW

For the year ended 30 June 2013

North America

Larry Schwartz, President, Diageo North America, commenting on the year ended 30 June 2013, said:

"Diageo's organic performance in North America, with volume up 1% and net sales up 5%, has been driven by our strength in US spirits which continues to benefit from positive demographics and the consumers' wish to premiumise. Great innovation, impactful marketing campaigns, and our superior route to market have resulted in 3% volume growth and 8% net sales growth in US spirits. We have taken price increases across our brands, especially on our premium and super premium brands. The strong performance of Crown Royal, Johnnie Walker, Buchanan's, and Bulleit Bourbon, and double digit growth of our reserve brands, were the key contributors to mix. We have sustained our successful innovation pipeline and again we have 5 of the top 10 new launches in the United States, with Crown Royal Maple the number one US innovation this year. We have increased marketing spend 11% on our US spirits brands and we now have on air campaigns for all our core brands. DGUSA, in contrast, had a difficult year with increased competition from new entrants in flavoured beer. Wine has had a good year, benefiting from innovation and price increases. Canada has delivered good growth through price increases, innovation, and marketing investment in Tanqueray, Crown Royal, and Baileys. Strong price/mix across North America enhanced our gross margin and with our continued focus on overheads we were able to increase marketing investment while still delivering 120bpts of operating margin improvement."

Key financials £m:

	2012	FX	Acquisitions and disposals*	Organic movement	2013	Reported Movement %
Net sales	3,556	22	(24)	179	3,733	5
Marketing spend	547	6	(18)	50	585	7
Operating profit before exceptional items	1,360	14	(3)	113	1,484	9
Exceptional items	(11)				-	
Operating profit	1,349				1,484	10

* Diageo reported net sales of £267 million (2012 – £266 million) from Jose Cuervo in North America. Acquisitions and disposals are in respect of the year on year movement for Jose Cuervo, as a result of the termination of the distribution agreement, and for disposals made in the years ended 30 June 2013 and 30 June 2012. The variance is primarily driven by the sales decline of Nuvo.

Key markets and categories:	Organic volume* %	Organic net sales %	Reported net sales %	The strategic brands**:	Organic volume* %	Organic net sales %	Reported net sales %
North America	1	5	5	Johnnie Walker	5	12	13
				Crown Royal	14	17	17
US Spirits	3	8	7	Buchanan's	13	19	19
DGUSA	(7)	(6)	(6)	Smirnoff	2	5	6
Diageo Chateau &				Ketel One vodka	5	8	8
Estate Wines	1	3	4	Cîroc	1	4	5
Canada	-	8	7	Captain Morgan	-	4	4
				Baileys	4	7	8
Spirits**	2	8	8	Tanqueray	7	11	12
Beer	(2)	(1)	(3)	Guinness	(2)	(1)	-
Wine	1	4	4				
Ready to drink	(10)	(10)	(11)				

* Organic equals reported movement for volume except for Canada (1)%, beer (3)% ready to drink (12)%, and wine 0%, reflecting the disposals in North American wine and other disposals and the termination of the Jose Cuervo distribution agreement.

** Spirits brands excluding ready to drink.

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- **US spirits** net sales grew 8% driven by a strong performance in North American whiskey, scotch, and vodka. Crown Royal and Bulleit Bourbon contributed more than 45% of the net sales growth following successful innovations such as Crown Royal Maple Finished and Bulleit 10 year old which were launched this year. Smirnoff delivered a strong performance and grew net sales 6% with the expansion of the confectionery line and the launch of Smirnoff Kissed Caramel, Iced Cake and Root Beer Float. Johnnie Walker increased net sales 14% driven by the strong performance of both Johnnie Walker Black Label and Blue Label. 5ppts of positive price/mix arose from price increases put through across categories and positive mix from premiumisation as net sales of the reserve brands grew 9%. Net sales growth in the fourth quarter benefited from the shipment of a new Cîroc flavour which was launched in July.

- **Canada**'s net sales growth of 8% was driven by price increases across categories, successful innovation launches in whiskey, rum, and liqueurs, and the impact of increased marketing investment behind Johnnie Walker, Crown Royal and Baileys as well as bulk whiskey sales.

- Net sales in beer declined 1%. Guinness lost share in the United States as we lapped the introduction of Guinness Black Lager and Red Stripe was affected by supply disruptions.

- Ready to drink net sales declined 10% as Smirnoff Ice faced increased competition from established beer brands.

- Marketing investment was up 10% driven by an increased investment behind strategic brands. Increased spend of 24% on Johnnie Walker was focused on the 'My Label is Black' campaign which was designed to celebrate the Hispanic community. Successful campaigns included the 'Reign On' campaign for Crown Royal, the continuation of the 'Master of the Mix' programme, featuring a DJ competition on cable TV, sponsored by Smirnoff, and the 'Luck Be a Lady' campaign for Cîroc featuring Sean Combs. Increased investment behind Bulleit Bourbon was focused on raising consumer awareness of the brand.

- Price increases implemented across the portfolio and positive mix from the double digit net sales growth of our super and ultra premium brands drove 120bpts of organic operating margin improvement.

Western Europe

John Kennedy, President, Diageo Western Europe, commenting on the year ended 30 June 2013, said:

"Western Europe continued to be a challenging trading environment. Our Southern European markets and Ireland faced another very tough year and net sales declined 11%. Trading in Great Britain was resilient as double digit growth in reserve brands coupled with growth from innovation and improved performance from Smirnoff offset a 9% decline in ready to drink and a 3% decline in Guinness. Benelux, and Germany and Austria grew net sales double digit mainly driven by the strong performance of our scotch and rum brands. Marketing investment, while lower overall, was focused on the biggest opportunities, primarily on our strategic brands, Captain Morgan and Tanqueray as well as on Guinness which made share gains in the last quarter in Great Britain and Ireland. We increased marketing investment on Cîroc, Ketel One vodka, Zacapa, and Johnnie Walker and consequently reserve brands continued to be an area of significant growth, up double digits. Overall we are addressing the challenges we see in Southern Europe and Ireland and we are capturing growth in the stronger markets of Western Europe."

Key financials £m:

	2012	FX	Acquisitions and disposals	Organic Movement	2013	Reported movement %
Net sales	2,345	(36)	1	(90)	2,220	(5)
Marketing spend	355	(8)	1	(20)	328	(8)
Operating profit before exceptional items	717	(12)	(1)	(48)	656	(9)
Exceptional items	43				(31)	
Operating profit	760				625	(18)

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Key market and categories:

	Organic volume* %	Organic net sales %	Reported net sales %
Western Europe	(3)	(4)	(5)
Spirits**	(2)	(3)	(4)
Beer	(6)	(5)	(7)
Wine	(13)	(7)	(7)
Ready to drink	(13)	(8)	(9)

The strategic brands**:

	Organic volume* %	Organic net sales %	Reported net sales %
Johnnie Walker	(2)	(1)	(3)
J B	(18)	(24)	(26)
Smirnoff	2	(1)	(2)
Captain Morgan	17	15	13
Baileys	(4)	(6)	(7)
Guinness	(5)	(3)	(4)

* Organic equals reported movement for volume except for spirits (1)% and ready to drink (14)%.

** Spirits brands excluding ready to drink.

- In the stronger economies of **Germany, Austria, and Benelux** double digit net sales growth was delivered. Germany and Austria maintained strong momentum on the back of increased marketing investment and expansion of the sales force in the off trade. Captain Morgan and Smirnoff both grew volume and share while net sales of Mey İçki's brands in Germany, the largest export market for raki, grew following increased marketing.

- In **Great Britain,** innovation and growth of reserve brands offset the impact of a weaker beer market. Innovations included Pimm's Blackberry & Elderflower and a further range extension of pre-mix cans. Growth in reserve was driven by the introduction of Cîroc. Guinness net sales declined 3%, however in the last quarter Guinness gained share as a result of increased marketing investment.

- In **Ireland,** the beer market contracted across all channels due to the weak economy, and Guinness declined 5%. However, as a result of increased investment, the brand has gained share in the last quarter.

- Net sales in **France** declined 8% in a weak trading environment and J B lost share as promotional activity by competitors increased.

- **Iberia, Greece** and **Italy** now represent 3% of Diageo's net sales after a number of years of tough trading. In these Southern European markets, volume declined 13% and net sales declined 15% as deeper austerity measures affected overall consumption and sales mix. J B and Baileys were impacted the most, declining 30% and 18%, respectively.

- Captain Morgan was the best performing brand in Western Europe with 15% net sales growth primarily in Great Britain and Germany driven by higher marketing investment. Reserve continues to show significant growth across Western Europe, with strong growth from the Malts portfolio, while Tanqueray performed well in Great Britain, Benelux, and Germany and gained share in the key gin market of Spain.

- In Western Europe, innovation plays an increasingly important role. Innovation is focused on both sustaining prior year launches, such as Captain Morgan in Germany, and The Singleton in Northern Europe, and on ensuring successful new launches in this year, such as Pimm's Limited Editions, Johnnie Walker Gold Label Reserve, and Johnnie Walker Platinum Label.

- Net sales in **Diageo Wines Europe** declined 10% in the financial year, mainly due to the lapping of very strong En Primeur sales in the previous year, and the decision to exit from some low value wines.

Africa, Eastern Europe and Turkey

Nick Blazquez, President, Diageo Africa, Eastern Europe and Turkey commenting on the year ended 30 June 2013, said:

"This year we are reporting Africa, Eastern Europe, and Turkey as a newly formed region, which is now Diageo's second largest and is the biggest contributor to net sales growth. Net sales grew 10% from strong performance of spirits and a robust performance of beer in Africa, where we grew net sales despite volume declines. Our important spirits markets grew strongly driven by Johnnie Walker in scotch and Smirnoff in vodka. Growing scotch is our priority in spirits and I am pleased to see our strong share gains across the majority of our markets as we scaled up our marketing campaigns. In Eastern Europe and Turkey our focus is primarily on spirits, and Africa remains the key opportunity for growing our outstanding beer business, and expanding spirits. In Africa, while the economic and political situations vary and have impacted beer volume in certain markets, we are investing in beer capacity and building routes to market to fuel long term growth. We have continued to invest in supply and production capacity in Nigeria, Kenya, Ghana, Cameroon, and the expansion of the Meta Abo brewery in Ethiopia. We are also committed to our community and environmental responsibilities, driving down energy consumption, using local raw materials for beer production, and utilising returnable packaging. Our marketing investment grew 16% to support growth of well established brands and bring new brands and variants to emerging middle class consumers. We have introduced innovation at scale delivering new packaging and fantastic products such as Ruut Extra in Ghana, which is Diageo's first beer brewed using cassava, Jebel grain spirit in Kenya, and Shark Tooth rum in Russia. I am pleased with the progress we continue to make in building our brands and our organisation, and with these good results."

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Key financials £m:

	2012	FX	Acquisitions and disposals	Organic movement	2013	Reported movement %
Net sales	2,051	(28)	59	198	2,280	11
Marketing spend	232	(6)	3	36	265	14
Operating profit before exceptional items	575	(12)	31	60	654	14
Exceptional items	(7)				(5)	
Operating profit	568				649	14

Key markets and categories:

	Organic volume* %	Organic net sales %	Reported net sales %
Africa, Eastern Europe and Turkey	4	10	11
Africa	3	9	8
Nigeria	(1)	5	6
East Africa	3	10	13
Africa Regional Markets	(1)	9	7
South Africa	14	17	5
Russia and Eastern Europe	14	16	14
Turkey	(4)	8	22
Spirits**	8	13	14
Beer	(1)	5	6
Ready to drink	27	32	28

The strategic brands**:

	Organic volume* %	Organic net sales %	Reported net sales %
Johnnie Walker	22	22	19
J B	5	4	-
Smirnoff	8	19	11
Captain Morgan	17	19	12
Baileys	13	13	11
Guinness	(2)	2	1

* Organic equals reported movement for volume except for: Africa, Eastern Europe and Turkey 7%, Africa 5%, Africa Regional Markets 5%, Turkey 9%, spirits 11%, beer 1%, reflecting the acquisition of Meta Abo and Mey İçki.

** Spirits brands excluding ready to drink.

· **Africa, Eastern Europe and Turkey** delivered 10% net sales growth, with spirits net sales up 13% and beer net sales up 5% and therefore spirits have driven 59% of the region's net sales growth. Volume in the region was up 4% despite a challenging Africa beer market. Ready to drink net sales grew 32%, driven by Africa.

· **Nigeria** proved to be a challenging market as consumer confidence was negatively impacted by low government spending and the beer market continued to decline. Volume decreased 1%, however, net sales grew 5% as a result of 52% net sales growth in spirits and price/mix in beer. Beer volume decreased 4%, largely due to Harp and Guinness, however Diageo's beer business delivered net sales growth of 1% as the beer route to market was reinforced through investment in Guinness' distribution network, and an increased sales force. Malta Guinness delivered 15% net sales growth following the introduction of Malta Guinness Low Sugar last year, price increases, and marketing investment.

In spirits, Johnnie Walker net sales grew 63% and Baileys net sales were up 30%, as a result of increased distribution and marketing investment. Johnnie Walker spend was focused behind outdoor advertising, the 'Keep Walking' campaign, and event sponsorship, while Baileys increased visibility and promotions, coupled with a new bottle launch. Snapp, an apple flavoured ready to drink, targeting the female audience, performed well, benefitting from marketing support, strong distribution and launch events.

East Africa delivered 10% net sales growth from 3% volume growth. Beer net sales increased by 9%, driven by beer brands in Kenya. Guinness delivered 19% net sales driven by the 'Made of More' advertising campaign, and the Guinness Football Challenge promotion and grew margin as a result of price increases. Tusker net sales were up 13% largely because of favourable price/mix, and volume also grew due to strong marketing support through soccer sponsorships and the 'It's Our Time' campaign. Senator beer net sales grew 9% driven by growth of Senator Keg in Kenya, and the introduction of Senator in Tanzania. There was some weakness in local spirits, however, international spirits performed particularly well with Johnnie Walker and Smirnoff delivering 22% and 24% incremental net sales respectively. Johnnie Walker's performance was delivered through a mix of growth drivers, including building bar staff capability in premium spirits, educational whisky events for consumers, and on trade activations to promote smaller-sized bottles. Key drivers of Smirnoff growth were price increase and geographic mix. Ready to drink net sales were up 48% as Smirnoff Ice and Snapp continued to grow.

In **Africa Regional Markets** spirits growth was driven by Johnnie Walker which delivered double digit increases in net sales across all key markets. Beer net sales were driven by price increases in Ghana, Cameroon, and Seychelles. In Ghana, beer benefited from the government's tax concessions on products containing a majority of local raw materials. This helped to offset supply constraints, such as water shortages and increased energy costs. In Cameroon, growing competition from lagers and beer price increases impacted volume. Strong performance of Meta in Ethiopia contributed to total beer net sales growth. Marketing investment was focused behind Johnnie Walker in spirits as well as Ruut Extra in Ghana, Malta Guinness in Cameroon, and Meta beer.

South Africa delivered a strong performance in spirits driving net sales growth of 17%. Scotch was the largest contributor following national roll out of VAT 69 and J B promotion campaigns. The expansion of the Johnnie Walker Red Label 'Step Up' campaign and the launch of the 'Keep Walking' campaign targeted at emerging middle class consumers drove premiumisation. As a result, Johnnie Walker net sales grew 31% and share increased. In vodka, Smirnoff maintained last year's performance trajectory and grew net sales 19%. As pricing and value are key to growth of spirits against local beer and brandy, 500ml PET packaging was launched, following the successful introduction of the 200ml PET pack last year. Smirnoff introduced new flavours, Smirnoff Iced Cake and Smirnoff Kissed Caramel.

Russia and Eastern Europe delivered 16% net sales growth. Scotch contributed over half of this growth. Johnnie Walker maintained its leadership, posting its biggest share gains in Poland, Bulgaria, and Ukraine. In the standard segment, Bell's and Black&White drove volume growth recruiting emerging middle class consumers into the whisky category. Increased marketing investment was focused behind the strategic brands and innovation, which is one of the key growth drivers in the market. Captain Morgan performed strongly with net sales growth of over 30%, as did Bushmills.

Turkey net sales were up 8% while volume declined 4% driven by raki category, which was impacted by excise duty increases. Yeni Raki, which remains the most recognised raki brand in Turkey, grew net sales 7% as a result of price increases and better mix. Johnnie Walker and Smirnoff grew net sales double digit and gained share. Johnnie Walker Double Black, Johnnie Walker Gold Label Reserve, Smirnoff Gold, and Cîroc were introduced to widen the range of international brands. Captain Morgan Spiced Gold was introduced to meet the opportunity in cocktail consumption occasions. Marketing investment grew 12% and supported new brand introductions, as well as Johnnie Walker and Smirnoff.

Marketing investment in the region was up 16%, mainly driven by significant increases on spirits brands, which were up 25% in Africa, 25% in Russia and Eastern Europe, and 12% in Turkey. In Africa marketing investment in beer grew 8%.

Latin America and Caribbean

Randy Millian, President, Diageo Latin America and Caribbean, commenting on the year ended 30 June 2013, said:

"Our Latin America and Caribbean business has delivered another strong set of results. Net sales grew 15%, driven by volume, price and mix improvement. Strong double digit growth in Venezuela, Mexico, and West LAC offset a slowdown in Brazil, mostly due to destocking in the wholesale channel driven by a stricter enforcement of tax collections. Scotch remains the growth engine of the region contributing 81% of overall net sales growth. We have expanded our reach to emerging middle class consumers by investing strongly in Johnnie Walker Red Label, Black&White and White Horse. As we drive our premiumisation strategy, we have focused our marketing on super and ultra premium brands. Our reserve brands grew net sales double digit, with particularly strong performance of Johnnie Walker Gold Label Reserve, Buchanan's Special Reserve, and Cîroc. At the same time we have continued to invest in our route to market, particularly in Brazil and Mexico, and increased our focus on innovation which this year accounted for more than a tenth of the net sales in the region. Strong price/mix enabled us to increase marketing investment and still grow operating profit 26% with 300bpts of margin expansion. Overall, despite some headwinds in Brazil and volatility in Venezuela, these are long term, high-growth markets with favourable population demographics and we are well positioned to capture these opportunities and consolidate our leadership position in the region."

Key financials £m:

	2012	FX	Acquisitions and disposals	Organic movement	2013	Reported movement %
Net sales	1,239	(26)	62	182	1,457	18
Marketing spend	208	(5)	8	22	233	12
Operating profit before exceptional items	369	(4)	9	97	471	28
Exceptional items	(2)				-	
Operating profit	367				471	28

Key markets and categories:

	Organic volume* %	Organic net sales %	Reported net sales %
Latin America and Caribbean	4	15	18
PUB	1	1	10
Andean	7	39	41
Mexico	14	18	21
West LAC	2	12	10
Spirits**	4	17	21
Beer	1	5	2
Wine	(5)	4	(5)
Ready to drink	(6)	-	(4)

The strategic brands**:

	Organic volume* %	Organic net sales %	Reported net sales %
Johnnie Walker	6	11	9
Buchanan's	10	26	27
Smirnoff	(3)	3	(6)
Baileys	(8)	(1)	(1)

* Organic equals reported movement for volume except for: Latin America and Caribbean 35%, PUB 95%, spirits 39% reflecting the acquisition of Ypióca; Andean 9%, beer 4%, and ready to drink 0% reflecting restatements in the year.

** Spirits brands excluding ready to drink.

- Performance in **Paraguay, Uruguay** and **Brazil** (PUB) has been impacted by a slowdown in beverage alcohol in Brazil and declines in duty free in Paraguay and Uruguay**.** In Brazil, the government has made changes which have long term social benefits, including the elimination of some tax incentives and increased enforcement of inter-state taxes which led to destocking in the wholesale channel, stricter enforcement of drink driving laws, and the closure of outlets due to the introduction of nightclub safety guidelines which impacted the on trade. In addition, Diageo has begun to implement a dedicated distributor model which will reduce stock levels held by the distributors. The realignment of distributors will continue into the next financial year which will also negatively impact sales. The distributor realignment led to improved distribution with an increase in the size of the sales teams now focused on Diageo's brands. As a result, Diageo's scotch brands outperformed the category gaining 3.5ppts of share. In standard scotch, White Horse performed strongly and in the premium segment, Old Parr grew over 20%. In vodka, Diageo lost share to local competitors, however Smirnoff remains the category leader in Brazil.

- Performance in the **Andean** market was driven primarily by Venezuela where net sales increased 54% despite the political and economic instability which impacted the availability of local brands, due to production delays, and the restricted availability of imported products. Scotch delivered 75% of Venezuela's growth mainly in the premium segment while double digit net sales growth in rum, vodka, and gin also contributed. Three brands, Old Parr, Buchanan's and Cacique delivered over two thirds of the net sales increase, growing 55%, 60%, and 49%, respectively. Gordon's Flavours, the first locally-produced gin flavour, performed well. The price of imported brands increased by 80% to reflect the devaluation and high inflation. Local products increased 20%. Despite these price increases, Diageo maintained its leading position in Venezuela, with a 57% share in scotch, 50% in rum and 26% in imported vodka.

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- Diageo again delivered a strong performance in **Mexico** with volume up 14% and net sales up 18%. Diageo's strategy in Mexico is to grow the scotch category where Diageo is the clear leader, drive premiumisation, and widen the reach to middle class consumers by expanding the portfolio through innovation and through increasing use of on trade platforms and customer partnerships. Diageo's scotch brands grew 18% as Johnnie Walker Red Label grew share in standard scotch and Johnnie Walker Black Label gained share in premium scotch following the successful 'Keep Walking Mexico' campaign. Innovations were a key contributor to the strong performance. Buchanan's Master was focused on enhancing leadership in premium scotch. Captain Morgan expanded the reach to middle class consumers and Zacapa built Diageo's position in rum. Implementation of an in-store execution programme has increased share of shelf and display, and the launch of a successful strategic partnership programme with key wholesalers improved sales capabilities and contributed to the strong growth.

- **West LAC** is Diageo's biggest market in the region and growth was driven by the strong performance of scotch with a 17% net sales increase. Premium scotch, particularly Old Parr and Johnnie Walker Black Label, led the trend with 35% and 25% increases in net sales, respectively. The new 'Morning Keep Walking' campaign was launched with strong television communications throughout the region. Additionally, the House of Walker Mentor programme was introduced and together with scotch festival activations drove the Johnnie Walker brand performance. In Argentina, government restriction on imports resulted in low single digit top line growth during the year.

Asia Pacific

Gilbert Ghostine, President, Diageo Asia Pacific, commenting on the year ended 30 June 2013, said:

"Asia Pacific grew net sales 3% having faced a difficult trading environment in Korea and the duty free channel. In Korea, the traditional on trade channel has declined. We have delivered a strong performance from Smirnoff and Guinness however these newer categories are not yet large enough to offset a 23% decline in Windsor and therefore net sales in Korea were down 17%. Our travel retail business slowed due to softness in spend by Chinese travellers and destocking which will improve performance in the new fiscal year. In the emerging markets of Asia, which now account for over 60% of net sales in the region, net sales were up 8%. In South East Asia we continued to perform strongly with Johnnie Walker up 17% and double digit growth of Guinness. In China, despite weakness in the beverage alcohol sector in the second half, we delivered 7% net sales growth with a very strong performance from our super and ultra premium scotch brands which grew net sales 59% and gained 5ppts of share. In Taiwan, Japan, Australia and the Middle East we delivered good growth mainly driven by the performance of our scotch brands. Scotch is the biggest category in the region and the performance of our scotch brands across the region accounted for more than 50% of our top line growth. We have invested strongly behind our reserve brands which grew 17% and in December 2012 a new Johnnie Walker house opened in Beijing, which at four times larger than the Shanghai house is the world's largest embassy for luxury scotch. We also expanded our regional footprint in the year with further investment in Indonesia, Sri Lanka and Nepal. The weakness in Korea and Asia duty free did have a negative impact on operating margin, however this was more than offset by the strong improvement in margin we achieved in the emerging markets as we leveraged both marketing and overheads, and in total operating margin for the region improved by 60bpts."

Key financials £m:

	2012	FX	Acquisitions and disposals	Organic movement	2013	Reported movement %
Net sales	1,501	4	116	46	1,667	11
Marketing spend	343	5	27	(5)	370	8
Operating profit before exceptional items	342	11	40	21	414	21
Exceptional items	(10)				(1)	
Operating profit	332				413	24

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Key markets and categories:

	Organic volume* %	Organic net sales %	Reported net sales %
Asia Pacific	(1)	3	11
South East Asia	5	14	13
Greater China	1	8	75
India	(5)	(2)	(7)
Global Travel Asia & Middle East	(1)	(2)	(2)
Australia hub	(4)	3	4
North Asia	(9)	(11)	(11)
Spirits**	(1)	3	14
Beer	3	9	7
Ready to drink	(4)	2	2

The strategic brands**:

	Organic volume* %	Organic net sales %	Reported net sales %
Johnnie Walker	4	8	8
Windsor	(20)	(21)	(19)
Smirnoff	(8)	4	3
Baileys	3	8	9
Guinness	7	10	8

* Organic equals reported movement for volume except for Asia Pacific 2%, Greater China 30% and spirits 1% due to the Shuijingfang acquisition and Australia (3)% due to the termination of the distribution contract for Jose Cuervo.

** Spirits brands excluding ready to drink.

- **South East Asia** continued to deliver strong double digit net sales growth with 5% volume growth and 9ppts of positive price/mix. Johnnie Walker delivered a strong performance across all markets contributing more than 60% of the top line growth. Performance was particularly strong in Thailand from both Johnnie Walker Red Label and Johnnie Walker Black Label and grew net sales 17%, gaining a further 1ppt of share. Guinness grew volume 8% and net sales 13%. Growth was particularly strong in Indonesia with 19% net sales growth on the back of successful marketing activities such as 'Guinness Live Music', where consumers were offered the opportunity to vote for the best local band to represent Indonesia in the global Guinness Arthur's Day celebration in Dublin.

- **Greater China** delivered a solid performance, with volume up 1% and net sales up 8% despite a difficult trading environment, and continued share gains across all markets. Diageo's China hub, which includes China, Hong Kong and Macau, grew net sales 7% with 8ppts of positive price/mix largely due to a successful premiumisation strategy. Despite a slowdown in China in the second half, as a result of the anti-extravagance campaign launched by the government in China, net sales in the super and ultra premium segments grew 44% driven by Johnnie Walker and Windsor and share increased by 5ppts in China. Baileys net sales grew 30% and the 'Baileys Sisterhood' campaign was launched in Shanghai, leveraging an existing local 'Sisterhood Day' festival to create an off peak gifting occasion. In Taiwan net sales grew 10% with 5ppts of positive price/mix. The strong momentum of The Singleton continued and with 37% net sales increase was the fastest growing single malt brand in the category, gaining 2ppts of share. In the super premium segment Johnnie Walker Premier grew net sales 17% while Johnnie Walker XR 21 drove the 41% net sales growth in ultra premium.

- **India**'s net sales declined 2% and volume 5% as stock in trade was reduced in the first quarter. Diageo's scotch brands grew net sales 3% helped by an increased investment behind VAT 69 and Black&White which delivered strong net sales and volume growth and led to a 4ppts increase in the total Diageo scotch share. In a declining vodka category, Smirnoff gained 0.5ppts of share and grew net sales 1% with a volume decline of 6%. The high stock in trade in the first quarter was the main driver for the 5% decline of Johnnie Walker's net sales. Despite these uncertainties depletions growth for Johnnie Walker Black Label and Johnnie Walker Red Label was robust in the second half of the year.

- **Global Travel Asia & Middle East** net sales declined 2%, mainly driven by the Asia duty free business where net sales declined 15% with destocking among key customers. Political tension between North and South Korea negatively impacted passenger trends in South Korea, the largest Johnnie Walker Blue Label market in travel retail and contributed to net sales declining 14% for the variant. A strong performance from Cîroc and Ketel One vodka was unable to offset a decline in Smirnoff which resulted in a decline of the vodka category of 1%. Austerity measures implemented by the Chinese government led to a 33% net sales decline of Shui Jing Fang in duty free. Middle East grew net sales 10%. The scotch category delivered 15% net sales growth as Johnnie Walker Black Label and the expanded distribution of Johnnie Walker Double Black helped to deliver a combined net sales growth of 18% in the important premium segment. Successful launches of Johnnie Walker XR 21, John Walker & Sons Odyssey and the Johnnie Walker Explorers' Club Collection contributed to strengthen Diageo position in the ultra premium segment which grew net sales 28%.

- **Australia** grew net sales 3% despite a volume decline of 4% mainly due to price increases across the core brands and a focus on premiumisation. The ultra premium segment grew 22% overall with Cîroc and Ketel One vodka growing net sales 91% and 22%, respectively. Net sales growth of 8% was delivered in scotch, mainly driven by Dimple and Johnnie Walker Blue Label. Despite a volume decrease of 12% Smirnoff grew net sales 7% on the back of price increases. Increased marketing investment behind Gordon's and Tanqueray delivered solid growth in the gin category contributing 22% to the overall growth. Innovation launches of Bundaberg Select VAT and Master Distillers' Collection continued to play a key role in premiumising the Bundaberg brand and contributing to 1% net sales growth. Within the rum category Captain Morgan delivered excellent results growing net sales 85% by capitalising on the increasing popularity of spiced rums. Ready to drink volume and net sales decreased 7% and 1% respectively due to price increases taken during the year. The higher duty compared to beer and cider continued to hinder the category and the launch of new variants with lower ABV helped to soften the decline. Diageo Australia remains the category leader in scotch gaining a further 1.9ppts share during the year.

- **North Asia** performance was impacted by the contraction of the traditional on trade channel in Korea resulting in an overall 11% net sales decline. While performance improved in the second half, net sales in Korea decreased 17% with Windsor losing 3ppts of share due to price increases that were not immediately followed in the market. J B, Guinness and Smirnoff grew net sales 30%. Japan grew net sales 5% boosted by Johnnie Walker, which grew 34% helped by the introduction of new variants such as Johnnie Walker Platinum Label, Johnnie Walker Gold Label Reserve, and Smirnoff Ice, which grew net sales 30% and led the strong performance of the growing category of ready to drink.

- Marketing investment in the region decreased 1% mostly driven by a reduction in spend in Korea. Marketing on reserve brands increased 35% to drive premiumisation and it now accounts for nearly 30% of the marketing investment in the region. In China marketing activities such as Johnnie Walker's 'Blue Label 360 Tiger' aimed at highlighting brand rarity and the John Walker & Sons Odyssey launch on the Voyager yacht contributed to the net sales increase in the ultra premium segment. In the faster growing markets such as Southeast Asia, investment behind Johnnie Walker grew 18% led by successful experiential marketing campaigns such as Blacklist and REDrevolution in Thailand, which saw Johnnie Walker Red Label sponsor the biggest music event in the country.

Cost of sales

Cost of sales excluding exceptional items was £4,443 million in the year ended 30 June 2013 compared with £4,228 million in the year ended 30 June 2012. The 1% volume increase together with some favourable mix impact added £37 million to cost of sales. Acquisitions and disposals added £96 million, with Ypióca and Shuijingfang being the main contributors, and positive exchange movements reduced cost of sales by £23 million. As expected cost increases on materials, utilities and logistics amounted to around 4% of cost of sales. This was partially mitigated by cost reductions through packaging sourcing initiatives, asset rationalisation, procurement benefits and operational efficiencies arising from restructuring programmes implemented in recent years.

Corporate revenue and costs

Net sales were £76 million in the year ended 30 June 2013, up £6 million compared to last year. Net operating charges were £149 million in the year ended 30 June 2013 having been £165 million in the year ended 30 June 2012. The reduction comprised, a £10 million decrease in corporate costs, primarily due to a reduction in acquisition costs and a £6 million favourable exchange rate movements.

CATEGORY REVIEW

For the year ended 30 June 2013

Key financials category performance:

	Organic volume* %	Organic net sales %	Reported net sales %		Organic volume* %	Organic net sales %	Reported net sales %
Spirits**	2	7	9	Rum:	1	5	5
Beer	(2)	2	1	Captain Morgan	5	7	7
Wine	(9)	-	-				
Ready to drink	(3)	-	(3)	Liqueurs:	(1)	2	-
Total	1	5	6	Baileys	-	2	1
Strategic brand performance**				Tequila:	9	13	7
Whisk(e)y:	5	10	9	Gin:	3	8	7
Johnnie Walker	7	10	10	Tanqueray	8	12	12
Crown Royal	14	17	17				
J B	(12)	(15)	(17)	Beer:	(2)	2	1
Buchanan's	11	25	26	Guinness	(2)	1	-
Windsor	(20)	(21)	(19)				
Bushmills	11	12	12				
Vodka:	-	5	5				
Smirnoff	1	4	3				
Ketel One vodka	5	8	8				
Cîroc	5	8	8				

* Organic equals reported movement for volume except for total 5%, spirits 7%, beer (1)%, wine (8)%, ready to drink (4)%, vodka 1%, tequila 6%, reflecting the Mey İçki, Meta Abo, Ypióca and Shuijingfang acquisitions and the Jose Cuervo and North American wine disposal.

** Spirits brands excluding ready to drink.

Spirits represent 68% of Diageo's net sales, and generated 97% of the total net sales growth in the year.

Whisk(e)y represents 36% of Diageo's total net sales and was up 10%, contributing 68% of total net sales growth. Emerging markets contributed over half of total whiskey net sales. Scotch led whiskey growth, with net sales up 9% and volume up 4% driven by premium and super premium brands in faster growing markets.

- **Johnnie Walker** is now a 20 million 9 litre case brand, growing over 1 million cases this year. The emerging markets accounted for 80% of the total net sales growth. In developed markets, Johnnie Walker grew net sales by 14% in the United States, while the economic challenges in Southern Europe continued to impact the brand's commercial performance in Western Europe. From a variant perspective, the brand's performance is driven by premium and super premium variants, namely Johnnie Walker Black Label, the roll out of Johnnie Walker Platinum Label and Johnnie Walker Gold Label Reserve. Innovation continues to be a key driver of growth. Johnnie Walker Double Black is now sold in over 100 markets. The launches of John Walker & Sons Odyssey and the Johnnie Walker Explorers' Club Collection have received a strong positive response from customers and consumers. Johnnie Walker Red Label had strong momentum with 8% net sales growth, as Africa continued to deliver strong performance for the brand on the back of investment and expanded distribution.

- **Crown Royal** net sales grew 17% driven by strong performance in its primary market, North America. Crown Royal Deluxe, Crown Royal Black, and Crown Royal Maple Finished, which was launched in the first half, all grew strongly. Increased marketing investment of 8% was directed to the new 'Reign On' consumer recruitment campaign, with significant media support across North America. In Canada, Crown Royal is growing share as it outpaces the Canadian whiskey category.

- **J B** net sales declined 15% due to J B's exposure to Southern Europe and the excise duty increases in France. J B delivered 13% net sales growth in South Africa, the brand's third biggest market, with a strong on trade promotional programme.

- **Buchanan's** again delivered very strong growth, with volume up 11% and net sales up 25% led by the Latin American markets. In North America it also delivered a strong performance, with volume up 13% targeting Latin American consumers. In Latin America and Caribbean Buchanan's delivered 26% net sales growth; Venezuela and Mexico drove this performance through the new 'Share Yourself' campaign. Another growth driver was Buchanan´s Master, which became the second largest scotch in Venezuela and Mexico. Buchanan´s Special Reserve led the super premium segment in these key markets.

- **Windsor** declined double digit both by volume and net sales due to the downturn in the traditional on trade channel in Korea. This was driven by a change in business entertainment activities, growing consumer concerns over health and wellbeing, and stronger local regulation of the whisky industry. Windsor has recovered share from the first half decline and remains the leading scotch whisky in Korea.

- **Bushmills** grew volume 11% and net sales 12%. The brand grew in all regions with a particularly strong performance in Russia and Eastern Europe, growing 36%. The growth was driven by global and local 'Bushmills Live' marketing events and expanded distribution. Western Europe continues to deliver single digit growth in a tough economic environment.

- **Malts** performed strongly, delivering 17% of net sales growth. Talisker and The Singleton grew net sales 30% and 36%, respectively with the launch of 'Talisker Storm' and marketing investment in the impactful 'Singleton Sensorium' campaign.

Vodka delivered net sales growth of 5% and constitutes 12% of total Diageo net sales. North America, Diageo's largest vodka market, remained flat by volume with net sales up 5%. Category performance was again driven by super and ultra premium variants, with Cîroc and Ketel One vodka leading the growth.

- **Smirnoff** net sales grew 4% building on last year's strength. In North America, Smirnoff net sales were up 5%, driven by the United States, the largest Smirnoff market, which delivered 6% net sales growth. Strong innovation launches including Smirnoff Confectionery and Smirnoff Sorbet Light flavours added to the Smirnoff brand performance, which was sustained by marketing investment. In Western Europe, performance was mixed by market. In Great Britain, Smirnoff benefited from Smirnoff's 'World's Best Drinks' programme. However, this was offset by destocking. Ireland remains tough due to the economic environment, and in Germany, Smirnoff gained share. In emerging markets, Smirnoff led the establishment of the vodka category with strong double digit net sales growth in South Africa, Kenya and Ghana. In Latin America and Caribbean, the brand was affected in Brazil by the economic slowdown, however, this was offset by strong performance in other Latin American countries. In Asia Pacific, the brand also performed well in new vodka markets, particularly in Korea, Thailand, Indonesia and Japan.

- **Ketel One vodka** had another good year, growing both net sales and volume on the back of continued strong performance in North America driven by pricing. The brand delivered double digit growth outside the United States as distribution was expanded to over 70 markets across the world.

- **Cîroc** sells over 2 million 9 litre cases. In the United States growth was driven by Cîroc's base variant and the continued success of Cîroc Peach, the largest revenue generating innovation in the United States. Cîroc marketing investment increased double digit. Outside of the Unites States, Cîroc grew strongly especially in Western Europe, Brazil, and in Global Travel Retail.

Rum grew 5%, with strong performances from Captain Morgan and Zacapa, and constitutes 6% of total Diageo net sales.

- **Captain Morgan** grew net sales 7% with sales volume reaching 10 million cases this year. The 'To Life, Love and Loot' campaign in the United States continued with new creative executions, featuring the legendary Captain Henry Morgan. The brand also grew strongly in its newer markets of Western Europe, Eastern Europe, and Mexico, where the proven 'Keys to Adventure' experiential events and 'Captain Morgan Starts the Party' campaign, have continued to be key growth drivers.

- **Zacapa** delivered net sales growth in North America and Western Europe. In emerging markets, the brand grew net sales double digit, driving the super premium and the ultra premium segments of the rum category. Key growth drivers for the brand were sampling, PR and consumer experiences along with bartender programmes such as Diageo Reserve World Class.

Liqueurs, which represent 5% of Diageo net sales, grew 2% driven by growth in Baileys.

- **Baileys** delivered 2% net sales growth. This was driven by a global re-launch, supported by the new 'Cream with spirit' campaign, and the new pack, and retail design. In the United States, which accounts for more than a quarter of the brand's net sales, Baileys performed strongly with 9% net sales growth driven by the new advertising campaign and the launch of Baileys Hazelnut. In Western Europe Baileys declined 6%, driven by Great Britain, and Southern Europe; Germany and Austria, and Ireland performed well and grew net sales 10% and 9%, respectively. Baileys continues its growth trajectory in emerging markets, with double digit net sales growth in Russia, Africa and China.

Tequila, **Don Julio**, grew net sales 13% and volume 9%. In its primary market, North America, the brand maintained favourable price/mix and grew share. The performance was driven by increased investment in mentorship programmes, experiential sampling in the on trade, public relations, and above the line advertising. Outside North America, Don Julio continued to deliver strong double digit net sales growth, especially in Asia Pacific, and Africa, Eastern Europe and Turkey. In these markets, the brand was driven by experiential consumer events. In Canada, Western Europe, and Latin America, the key growth drivers were improved visibility, mentorship and sampling programmes in the on trade, as well as strong execution of Don Julio in Diageo Reserve World Class.

Gin grew net sales 8% and constitutes 3% of Diageo total net sales.

- **Tanqueray** net sales increased 12%, with strong growth across all regions, driven by the performance in the United States and continued growth in Western Europe. In the Unites States, Tanqueray returned to growth as the advertising campaign 'Tonight We Tanqueray' was amplified. Increased marketing investment, combined with commercial focus and execution drove strong brand awareness and sales. An educational experience for bartenders was activated in 30 markets this financial year. Outside the United States 'Tonight We Tanqueray' campaign was rolled out supported by increased investment.

- **Gordon's** grew net sales 5% globally driven by growth in the emerging markets of Eastern Europe, Turkey, Latin America and Caribbean, and in South East Asia.

Beer represents 21% of Diageo net sales and delivered 2% net sales growth driven by emerging markets, which grew net sales 6%. Volume declined 2%, principally in Western Europe.

- **Guinness** net sales increased 1% while volume declined 2%. Africa, the largest Guinness market by volume, delivered net sales growth of 2%, despite tough economic conditions in a number of African countries. In Western Europe, net sales were down 3% driven by the beer market decline and economic uncertainty. In Asia Pacific, Guinness delivered double digit growth, primarily in Indonesia, due to a combination of marketing, pricing, and strong commercial activations. Marketing investment was focused behind the 'Made of More' campaign in Western Europe and Africa, consumer participation programmes related to the Arthur's Day celebration in Dublin, rugby and football communication platforms, and the official broadcast partnership with the English Premier League in Africa.

Wine net sales represent 4% of Diageo's net sales and were flat following a decline of 7% of net sales in Western Europe and growth of 4% in North America.

Ready to drink represents 6% of Diageo net sales, and were flat. 10% net sales decline in North America was offset by strong net sales growth in Africa, which was driven by innovations: Smirnoff Black Ice in Cameroon, Smirnoff Double Black & Guarana in South Africa, and Snapp in Kenya and Nigeria.

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FINANCIAL REVIEW

Summary consolidated income statement

	Year ended 30 June 2013 £ million	Year ended 30 June 2012 £ million
Sales	15,487	14,594
Excise duties	(4,054)	(3,832)
Net sales	11,433	10,762
Operating costs before exceptional items	(7,903)	(7,564)
Operating profit before exceptional items	3,530	3,198
Exceptional operating items	(99)	(40)
Operating profit	3,431	3,158
Sale of businesses	(83)	147
Net finance charges	(424)	(397)
Share of associates' profits after tax	199	213
Profit before taxation	3,123	3,121
Taxation	(529)	(1,038)
Profit from continuing operations	2,594	2,083
Discontinued operations	-	(11)
Profit for the year	2,594	2,072
Attributable to:		
Equity shareholders of the parent company	2,485	1,942
Non-controlling interests	109	130
	2,594	2,072

Sales and net sales

On a reported basis, sales increased by £893 million from £14,594 million in the year ended 30 June 2012 to £15,487 million in the year ended 30 June 2013 and net sales increased by £671 million from £10,762 million in the year ended 30 June 2012 to £11,433 million in the year ended 30 June 2013. Exchange rate movements decreased reported sales by £81 million and reported net sales by £60 million. Acquisitions increased reported sales by £317 million and reported net sales by £233 million and disposals decreased both reported sales and net sales by £19 million.

Operating costs before exceptional items

On a reported basis, operating costs before exceptional items increased by £339 million from £7,564 million in the year ended 30 June 2012 to £7,903 million in the year ended 30 June 2013 due to an increase in cost of sales of £215 million from £4,228 million to £4,443 million, an increase in marketing spend of £96 million from £1,691 million to £1,787 million, and an increase in other operating expenses before exceptional costs of £28 million, from £1,645 million to £1,673 million. Exchange rate movements benefited total operating costs before exceptional items by £56 million.

Exceptional operating items

Net exceptional operating charges of £99 million in the year ended 30 June 2013 comprised:

- £25 million (2012 – £nil) for the Supply excellence restructuring programme,
- a charge of £44 million (2012 – £27 million) for the restructuring of the group's Global Supply operations in Ireland, Scotland and in the United States,
- a gain of £20 million in respect of changes to future pension increases for the Diageo Guinness Ireland Group Pension Scheme (2012 – £115 million in respect of the group's principal UK and Irish pension schemes), and
- a brand impairment charge of £50 million (2012 – £59 million) in respect of the Cacique brand.

In the year ended 30 June 2012 exceptional operating items also included a charge of £69 million for the operating model review announced in 2011.

In March 2013, Diageo announced that its Global Supply and procurement operation will be refocused to enhance alignment between supply operations and Diageo's markets. From 1 July 2013, responsibility for local operations was transferred to the markets and regional structures are being reduced. The Global Supply function will remain responsible for ensuring excellence across all supply operations. In addition, a number of initiatives have been launched to consolidate and streamline the supply operations to create greater operating efficiencies. Total exceptional operating charges in the three years ending 30 June 2015 in respect of the restructuring are estimated to be £100 million.

In the year ended 30 June 2013 total restructuring cash expenditure was £61 million (2012 – £158 million). An exceptional charge of approximately £85 million is expected to be incurred in the year ending 30 June 2014 in respect of the Supply excellence review and the restructuring of the group's supply operations in Ireland, and cash expenditure is expected to be approximately £110 million.

Post employment plans

The deficit in respect of post employment plans before taxation decreased by £533 million from £1,085 million at 30 June 2012 to £552 million at 30 June 2013 primarily as a result of the one off cash contribution of £400 million into the Diageo UK Pension Scheme. In addition, an increase in the market value of plan assets was partially offset by a decrease in the discount rates used to calculate the liabilities of the Irish plans and an increase in the inflation assumptions in the United Kingdom. Cash contributions to the group's UK and Irish post employment plans in the year ended 30 June 2013 were £531 million (2012 – £133 million) and are expected to be approximately £230 million for the year ending 30 June 2014.