

DIAGEO PLC
Form 6-K
July 30, 2015

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

30 July 2015

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-FX.....

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):

Preliminary results, year ended 30 June 2015

Dividend increase 9%. Free cash flow £2 billion.

- Reported net sales up 5%, with full consolidation of United Spirits
- Free cash flow of £2 billion. Up £0.7 billion
- 9% final dividend increase to give recommended full year dividend of 56.4 pence

- Organic net sales flat; organic operating margin up 24bps
- Shipment volume down 1%; depletion volume is estimated to be up 1%
- Basic eps 95.0 pence, up 6%
- eps before exceptional items 88.8 pence: due to adverse exchange and associates, offset by underlying improvements
- Productivity gains will release a further £500 million of cost to invest in growth and improve margin over a three year period from F17. No exceptional charge will be taken

Ivan Menezes, Chief Executive, commenting on the year ended 30 June 2015 said:

"Our F15 performance reflects the challenges we have seen on top line growth. However, it does not diminish my confidence in what we can achieve in F16 and even more so beyond that. Diageo has an enviable position, by geography, by brand and by category range, in an attractive consumer market place with strong long term growth drivers. This year we made further changes to build strong, sustained performance including embedding our sell out discipline, improving cash conversion and strengthening our route to consumer. We have consistently applied a long term perspective in making these changes, despite the short term challenges we have faced from an external environment where currency volatility continues to impact the emerging market consumer.

'We acquired control of United Spirits in the year giving Diageo unparalleled access to one of the world's most attractive spirits markets. We have enhanced our position in tequila by acquiring the remaining 50% of Don Julio, a brand that is already growing net sales double digit and for which I see significant potential now we have full control. Our participation strategy is clear by market and category. We are focused on our core and have a more proactive approach to our portfolio. We sold Gleneagles in the year, and since the year end, have sold the shares USL owned in United Breweries and we restructured our South African operations to focus on spirits and monetise investments worth £125 million.

'We are delivering the change which will further strengthen this business and deliver our performance ambition. In F16 we believe stronger volume growth will deliver an improved top line performance. As we achieve our productivity gains from F17 we expect to deliver mid single digit organic top line growth on a sustained basis and operating margin expansion of 100 basis points over 3 years. Our brands, our global footprint and our people give me confidence that Diageo can deliver strong and sustained performance.'

Ends

RESULTS SUMMARY
For the year ended 30 June 2015

Key financial information

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Key performance indicators		2015	2014
Organic net sales growth	%	-	-
Organic operating margin improvement	basis points	24	77
Earnings per share before exceptional items	pence	88.8	95.5
Free cash flow	£ million	1,963	1,235
Return on average invested capital (ROIC) (i)	%	12.3	14.1

(i) The group has revised the calculation of ROIC by excluding the net assets and net profit attributable to non-controlling interests. Before this adjustment, in the year ended 30 June 2014 the ROIC was reported as 13.7%.

Other financial information		2015 Reported	2014 Reported	Organic growth %	Reported growth %
Volume	EUm	246.2	156.1	(1)	58
Net sales	£ million	10,813	10,258	-	5
Marketing spend	£ million	1,629	1,620	(1)	1
Operating profit before exceptional items	£ million	3,066	3,134	1	(2)
Operating profit (i)	£ million	2,797	2,707		3
Share of associates and joint ventures profit after tax	£ million	175	252		(31)
Non-operating items	£ million	373	140		166
Net finance charges	£ million	412	388		6
Reported tax rate	%	15.9	16.5		(4)
Reported tax rate before exceptional items	%	18.3	18.2		1
Profit attributable to parent company's shareholders	£ million	2,381	2,248		6
Basic earnings per share	pence	95.0	89.7		6
Recommended full year dividend	pence	56.4	51.7		9

(i) Operating profit for the year ended 30 June 2015 includes an exceptional operating charge of £269 million (2014 - £427 million), an analysis of which is provided in the 'Additional Financial Information' section.

Organic growth by region	Volume %	EUm	Net sales % £ million	Marketing spend % £ million	Operating profit(i) %	£ million
North America	(3)	(1.4)	(1) (49)	(4) (21)	(2)	(37)
Europe	-	(0.2)	- 2	2 6	3	20
Africa	7	1.8	6 85	4 5	10	29
Latin America and Caribbean	(7)	(1.7)	(1) (11)	6 10	(3)	(7)
Asia Pacific	(3)	(0.5)	(2) (32)	(8) (25)	7	20
Corporate	-	-	3 1	175 7	(2)	(3)
Diageo	(1)	(2.0)	- (4)	(1) (18)	1	22

(i) Before exceptional items.

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	Net sales £ million	Marketing spend £ million	Operating profit £ million
Exchange rate movements (i)	(337)	(47)	(161)

(i) The exchange rate movement includes the translation of prior year reported results at current year exchange rates.

Reported net sales and operating profit were significantly impacted by adverse exchange movements driven by the devaluation of many currencies against the pound, in particular the euro, the Venezuelan bolivar, and the Russian rouble. Using current exchange rates (£1 = \$1.55; £1 = €1.41), the exchange rate movements for the year ending 30 June 2016 are estimated to adversely impact both net sales and operating profit by approximately £370 million and £100 million, respectively. This estimation excludes the impact of IAS 21 and IAS 39. It is estimated that the hyperinflation charge for the year ending 30 June 2016 will be approximately £25 million.

	Net sales 2015 £ million	Net sales 2014 £ million	Operating profit 2015 £ million	Operating profit 2014 £ million
Acquisitions and disposals (i)				
Acquisitions				
USL	921	-	48	(19)
Other	28	-	(5)	(5)
Total	949	-	43	(24)
Disposals				
Jose Cuervo	3	44	-	(9)
Bushmills	50	60	22	28
The Gleneagles Hotel	48	45	4	2
Others	1	6	-	1
Total	102	155	26	22

(i) Net of acquisition and integration costs.

Acquisitions added £949 million of net sales in the year, principally United Spirits Limited (USL) and Don Julio. Operating profit from acquisitions of £43 million in the year ended 30 June 2015 includes £8 million of acquisition and integration costs, with £5 million of integration costs in respect of USL. The £24 million of operating loss from acquisitions in the year ended 30 June 2014 represents acquisition and integration costs incurred in the year, with £19 million of this in respect of USL. For further details on the impact of acquisitions and disposals see 'Additional Information For Shareholders / Explanatory Notes / Acquisitions and disposals' section.

Exceptional items

Results for the year ended 30 June 2015 include £155 million of income in respect of exceptional operating and non-operating items after tax. This includes an exceptional operating charge of £269 million for restructuring charges, a settlement payment in respect of the Korean customs dispute and, an impairment charge in respect of the group's 45.56% equity investment in Hanoi Liquor Joint Stock Company in Vietnam. Tax relief on exceptional operating items was £51 million, giving a net exceptional operating charge of £218 million. Exceptional non-operating items comprised net income of £373 million primarily arising on the gain on the sale of Bushmills and Gleneagles Hotel and step up gains in respect of USL and Don Julio. For further details of exceptional items see Notes 3 (exceptional items).

Unless otherwise stated:

- commentary refers to organic movements
- volume is in millions of equivalent units (EUM)
- net sales are sales after deducting excise duties
- percentage movements are organic movements
 - share refers to value share
- GTME refers to Global Travel Asia and Middle East

See 'Additional Information For Shareholders / Explanatory Notes' explanation of non-GAAP measures.

FINANCIAL REVIEW
For the year ended 30 June 2015

Net sales growth (£ million)

The full consolidation of USL, partly offset by adverse exchange delivered reported net sales growth of 5%. Organic net sales flat

	£ million
Net sales	
2014 Reported	10,258
Acquisitions and disposals (i)	896
Exchange	(337)
Volume	(127)
Price/mix	123
2015 Reported	10,813

(i) Impact of acquisitions and disposals on F14 and F15. See 'Additional Information For Shareholders / Explanatory Notes / Acquisitions and disposals' for further details.

Reported net sales were up 5%, largely driven by the full consolidation of USL, which contributed £921 million of net sales. Currency weakness, other than the US dollar, had an adverse impact on net sales. Organic volume decline was largely driven by lower shipments in the United States, reduction in inventory levels in South East Asia and West LAC, and the impact of pricing in Venezuela and Brazil. While these price increases contributed to positive price, the main driver of organic price/mix was positive mix, led by growth of reserve and Crown Royal.

Change in operating margin (%)

Full consolidation of USL rebased operating margin by c200bps. Organic margin improved 24bps.

Operating margin	ppt
2014 Reported	30.55
Acquisitions and disposals	(1.83)
Exchange	(0.61)
Gross margin	(0.64)
Marketing spend	0.36
Other operating expenses	0.52
2015 Reported	28.35

(i)