DIAGEO PLC
Form 6-K
March 16, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 6-K

Report of Foreign Private Issuer

Pursuant to Rule 13a-16 or 15d-16 of the

Securities Exchange Act of 1934

16 March 2015

Commission File Number 1-10691

DIAGEO plc

(Translation of registrant s name into English)

Lakeside Drive, Park Royal, London NW10 7HQ, England

(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 o

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): o

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): o

This report on Form 6-K and any exhibits hereto shall be deemed to be filed and incorporated by reference in the registration statements on Form F-3 (File No. 333-110804, 333-132732, 333-153488 and 333-179426) and registration statements on Form S-8 (File Nos. 333-169934, 333-162490, 333-153481, 333-154338 and 333-182315) and to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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EXPLANATORY NOTE

Diageo plc (Diageo) is furnishing this report on Form 6-K to provide restated financial statements as of and for the three years ended 30 June 2014, which supersede in their entirety the financial statements included in Diageo s Annual Report on Form 20-F for the financial year ended 30 June 2014 (the 2014 Form 20-F), and update certain other business and financial information included in the 2014 Form 20-F, in each case to reflect a change in Diageo s reporting segments in the six months ended 31 December 2014.

In the six months ended 31 December 2014, Diageo changed its internal reporting structure to reflect changes made to management responsibilities. The proposed changes to Diageo s Executive Committee were described in Diageo s report on Form 6-K furnished on 8 August 2014. As a result of these changes, Diageo now reports the following geographical segments both for management reporting purposes and in its external financial statements: North America; Europe; Africa; Latin America and Caribbean; Asia Pacific; and Corporate. Diageo has updated the following applicable items that were contained in the 2014 Form 20-F reflecting the above mentioned changes:

- Strategic report - Business description - Our structure
- Strategic report - Business review - Operating results 2014 compared with 2013 - Highlights of the year and Organic growth by region
- Strategic report - Business review - Operating results 2014 compared with 2013 - Western Europe
- Strategic report - Business review - Operating results 2014 compared with 2013 - Africa, Eastern Europe and Turkey
- Strategic report - Business review - Operating results 2013 compared with 2012 - Western Europe
- Strategic report - Business review - Operating results 2013 compared with 2012 - Africa, Eastern Europe and Turkey
- Strategic report - Business review - Reconciliations of non-GAAP measures to GAAP measures - Organic movement calculations for the year ended 30 June 2014
- Strategic report - Business review - Reconciliations of non-GAAP measures to GAAP measures - Organic movement calculations for the year ended 30 June 2013
- Governance - Directors Remuneration Report - Extract from Directors shareholding requirements and share and other interests
- Governance - Directors Remuneration Report - Key management personnel related party transactions
- Financial statements - Notes to the consolidated financial statements - Note 2. Segmental information
- Financial statements - Notes to the consolidated financial statements - Note 3. Operating costs - (d) Staff costs and average number of employees
- Financial statements - Notes to the consolidated financial statements - Note 10. Intangible assets - (b) Goodwill and (d) Impairment testing

There is no change to Diageo s previously reported consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity and consolidated statement of cash flows included in the 2014 Form 20-F. Other than the items listed above, Diageo is not updating any other portion of the 2014 Form 20-F previously filed and this document should be read in conjunction with the 2014 Form 20-F. This report on Form 6-K does not reflect any events occurring after filing of the 2014 Form 20-F on 12 August 2014. For significant developments since the filing of the 2014 Form 20-F on 12 August 2014, please refer to Diageo s subsequent furnished or filed reports on Form 6-K.

Diageo began to report comparative results reflecting the above mentioned changes in the report on Form 6-K furnished on 29 January 2015 for Diageo s interim results for the six months ended 31 December 2014. By virtue of this report on Form 6-K, Diageo will be able to incorporate the updated information by reference into future registration statements or post-effective amendments to existing registration statements.

CAUTIONARY STATEMENT CONCERNING FORWARD-LOOKING STATEMENTS

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

These factors include, but are not limited to:

- changes in political or economic conditions in countries and markets in which Diageo operates, including changes in levels of consumer spending, failure of customer, supplier and financial counterparties or imposition of import, investment or currency restrictions;

- changes in consumer preferences and tastes, demographic trends or perceptions about health related issues, or contamination, counterfeiting or other circumstances which could harm the integrity or sales of Diageo s brands;

- developments in any litigation or other similar proceedings (including with tax, customs and other regulatory authorities) directed at the drinks and spirits industry generally or at Diageo in particular, or the impact of a product recall or product liability claim on Diageo s profitability or reputation;

- the effects of climate change and regulations and other measures to address climate change including any resulting impact on the cost and supply of water;

- changes in the cost or supply of raw materials, labour and/or energy;

- legal and regulatory developments, including changes in regulations regarding production, product liability, distribution, importation, labelling, packaging, consumption or advertising; changes in tax law, rates or requirements (including with respect to the impact of excise tax increases) or accounting standards; and changes in environmental laws, health regulations and the laws governing labour and pensions;

- the costs associated with monitoring and maintaining compliance with anti-corruption and other laws and regulations, and the costs associated with investigating alleged breaches of internal policies, laws or regulations, whether initiated internally or by external regulators, and any penalties or fines imposed as a result of any breaches;

- ability to maintain Diageo s brand image and corporate reputation, and exposure to adverse publicity, whether or not justified, and any resulting impacts on Diageo s reputation and the likelihood that consumers choose products offered by Diageo s competitors;

- increased competitive product and pricing pressures and unanticipated actions by competitors that could impact Diageo s market share, increase expenses and hinder growth potential;

- the effects of Diageo s strategic focus on premium drinks, the effects of business combinations, partnerships, acquisitions or disposals, existing or future, and the ability to realise expected synergies and/or costs savings;

- Diageo s ability to complete existing or future business combinations, restructuring programmes, acquisitions and disposals;

- contamination, counterfeiting or other events that could adversely affect the perception of Diageo s brands;

- increased costs or shortages of talent;

- disruption to production facilities or business service centres, and systems change programmes, existing or future, and the ability to derive expected benefits from such programmes;

- changes in financial and equity markets, including significant interest rate and foreign currency exchange rate fluctuations and changes in the cost of capital, which may reduce or eliminate Diageo s access to or increase the cost of financing or which may affect Diageo s financial results and movements to the value of Diageo s pension funds;

- renewal of supply, distribution, manufacturing or licence agreements (or related rights) and licences on favourable terms when they expire;

- technological developments that may affect the distribution of products or impede Diageo s ability to protect its intellectual property rights.

All oral and written forward-looking statements made on or after the date of this document and attributable to Diageo are expressly qualified in their entirety by the above factors and the Risk factors contained in the 2014 Form 20-F filed with the US Securities and Exchange Commission (the SEC). Any forward-looking statements made by or on behalf of Diageo speak only as of the date they are made. Diageo does not undertake to update forward-looking statements to reflect any changes in Diageo s expectations with regard thereto or any changes in events, conditions or circumstances on which any such statement is based. The reader should, however, consult any additional disclosures that Diageo may make in any documents which it publishes and/or files with the SEC. All readers, wherever located, should take note of these disclosures.

Past performance cannot be relied upon as a guide to future performance.

The information in this document does not constitute an offer to sell or an invitation to buy shares in Diageo or an invitation or inducement to engage in any other investment activities.

The contents of Diageo s website (www.diageo.com) should not be considered to form part of or be incorporated into this document.

The market data and competitive set classifications are taken from independent industry sources in the markets in which Diageo operates.

Business description

OUR STRUCTURE

Diageo s strength is in its geographic reach. We operate as 21 geographically based markets around the world and have a presence in over 180 countries. We employ 28,000 talented people across our global business. 39% of Diageo s business is in the emerging markets in Latin America, Asia, Africa, Eastern Europe and Turkey. This presence is balanced through our strong businesses in the world s most profitable beverage alcohol market, the United States, and an integrated business in Western Europe.

DIAGEO REPORTS AS FIVE REGIONS

	North America	Europe	Africa	Latin America and Caribbean	Asia Pacific
FINANCIALS BY REGION					
Volume (EUm)	49.3	44.6	24.4	23.0	14.8
Net sales* (£m)	3,444	2,814	1,430	1,144	1,347
Operating profit (£m)**	1,460	853	340	328	283
% SHARE BY REGION					
Volume (%)	32	28	16	15	9
Net sales* (%)	34	28	14	11	13
Operating profit (%)**	45	26	10	10	9

Reported net sales for the year ended 30 June 2014.

* Excluding corporate net sales of £79 million;

**Excluding exceptional operating charges of £427 million and corporate costs of £130 million.

% SHARE OF NET SALES BY OUR 21 MARKETS***

EACH OF OUR 21 MARKETS IS ACCOUNTABLE FOR ITS OWN PERFORMANCE AND FOR DRIVING GROWTH	North America	Europe	Africa	Latin America and Caribbean	Asia Pacific
>20%	US Spirits & Wines	Western Europe			
3-6%	Diageo-Guinness USA (DGUSA)	Turkey	Nigeria, East Africa, Africa Regional Markets	WestLAC, Paraguay, Uruguay & Brazil	Global Travel Asia & Middle East
2-3%	Canada	Russia and Eastern Europe	South Africa		South East Asia, Australia, North

			Asia, Greater China
<2%		Mexico, Venezuela, Colombia	India

Reported net sales for the year ended 30 June 2014.

***Throughout this Annual Report 2014, reference to Diageo s 21 geographically based markets will be stated as 21 markets .

Business review

Operating results 2014 compared with 2013

GROUP FINANCIAL REVIEW

This year was tougher than anticipated with mixed regional performance as North America delivered top-line growth and significant margin expansion; Western Europe was stable and performance in emerging markets reflected economic weakness and market specific challenges. Despite this tougher environment we have gained share in a number of markets, invested for the future, expanded margins and simplified the organisation.

Deirdre Mahlan,

Chief Financial Officer

HIGHLIGHTS OF THE YEAR

- Net sales, up 0.4%, reflecting mixed performance; growth in North America, stability in Western Europe and weakness in emerging market economies.
- Fourth quarter net sales up 0.8%.
- Positive consumer trends in higher priced categories, Diageo s reserve brands net sales were up 14% and targeted price increases drove 3ppt of positive price/mix.
- Operating margin improved 0.8ppt.
- Procurement driven savings, worth 4% of total marketing spend, more than offset the cost of increased activity, contributing 0.2ppt of the total margin improvement.
- Eps before exceptionals was down 7.6p to 95.5 pence per share as foreign exchange movements reduced eps by 10 pence per share.
- Free cash flow was £1,235 million.
- Recommended final dividend of 32.0 pence per share, up 9%.

Key performance indicators		**2014**	**2013 (restated)***
Organic net sales growth	%		5
Organic operating margin improvement	basis points	**77**	78
Earnings per share before exceptional items	pence	**95.5**	103.1
Free cash flow	£ million	**1,235**	1,452
Return on average invested capital	%	**13.7**	16.0

Other financial information		**2014**	**2013 (restated)***
Volume	EUm	**156.1**	164.2
Net sales	£ million	**10,258**	11,303
Marketing spend	£ million	**1,620**	1,769
Operating profit before exceptional items	£ million	**3,134**	3,479
Operating profit	£ million	**2,707**	3,380
Reported tax rate	%	**16.5**	16.6
Reported tax rate before exceptional items	%	**18.2**	17.4
Profit attributable to parent company s shareholders	£ million	**2,248**	2,452
Basic earnings per share	pence	**89.7**	98.0
Recommended full year dividend	pence	**51.70**	47.40

Business review (continued)

Organic growth by region	Volume %	Net sales %	Marketing spend %	Operating profit** %
North America	(1)	3	2	8
Europe	(1)	1	(1)	1
Africa	(6)		3	(2)
Latin America and Caribbean	(1)	2	1	3
Asia Pacific	(5)	(7)	(7)	(13)
Diageo * **	**(2)**		**(1)**	**3**

* Restated following the adoption of IFRS 11 and the amendment to IAS 19.

** Before exceptional items

*** Includes Corporate. In the year ended 30 June 2014 Corporate reported net sales and net operating charges of £79 million (2013 £76 million) and £130 million (2013 £151 million) respectively. The reduction in net operating charges primarily comprised lower costs in respect of global functions. For the reconciliation of reported to organic results, see pages 20-21.

Business review (continued)

EUROPE

Diageo is the largest premium drinks business in Western Europe. Consumer marketing programmes are developed at a market level to drive consistency, efficiency and scale across all countries. In Russia and Eastern Europe we are driving our premium core and reserve portfolio, whilst in Turkey, Diageo continues to focus its mainstream route to consumer presence to drive accelerated growth in international premium spirits.

Key financials	2013 Reported (restated)* £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	2014 Reported £ million	Reported movement %
Net sales	2,915	(77)	(41)	17	2,814	(3)
Marketing spend	431	(10)	(5)	(3)	413	(4)
Operating profit before exceptional items	903	(49)	(9)	8	853	(6)
Exceptional items	(31)				(20)	
Operating profit	872				833	(4)

*Restated following the adoption of IFRS 11 and the amendment to IAS 19.

Our markets

Europe comprises Western Europe, Russia and Eastern Europe and Turkey. Western Europe is managed as a single market with country teams focusing on sales and customer marketing execution. This market comprises Great Britain, Ireland, Iberia, France, Germany, Benelux, Italy, Nordics, Greece, Switzerland, Austria, Diageo Guinness Continental Europe beer business and European wines.

Route to market

In Great Britain we sell and market our products through three business units: Diageo GB (spirits, beer and ready-to-drink); Percy Fox & Co (wines); and Justerini & Brooks Retail (private client wines). Products are distributed both through independent wholesalers and directly to retailers. In the on trade, products are sold through major brewers, multiple retail groups and smaller regional independent brewers and wholesalers.

In both the Republic of Ireland and Northern Ireland, Diageo sells and distributes directly to both the on trade and the off trade through a telesales operation, sales calls to outlets and third-party logistics providers.

Across the remainder of Western Europe, we distribute our spirits brands primarily through our own distribution companies, except for France where products are sold through a joint venture arrangement with Moët Hennessy. In Norway and Sweden, off trade sales are controlled by state monopolies, with alcohol tax rates among the highest in the world.

Diageo Guinness Continental Europe, a specialist unit, distributes our beer brands in mainland Europe, focusing particularly in Germany, Russia and France, which for us are the largest mainland European beer markets by net sales.

Russia and Eastern Europe comprises the principal markets of Russia and Poland, where we operate through wholly-owned subsidiaries and use third party distributors for other Eastern Europe countries.

In Turkey, we sell our products via the distribution network of our wholly-owned subsidiary, Mey İçki. Mey İçki distributes both local brands (raki, other spirits and wine), which are produced in its distilleries and wineries, and Diageo s global spirits brands.

Supply operations

The International Supply Centre (ISC) comprises the supply operations in the United Kingdom, Ireland and Italy and distils, brews, matures and packages product for other Diageo companies throughout the world. The group owns 29 whisky distilleries in Scotland, an Irish whiskey distillery and a Dublin based beer brewery. The ISC ships whisk(e)y, vodka, gin, rum, beer, wine and other spirit-based drinks in a combination of bottles, cans, kegs and pouches to over 180 countries. In 2012, we announced a £1billion investment in Scotch whisky production and inventory.

To date we have focused on expanding malt distillation capacity across Scotland at existing sites and developed a major new warehousing site to mature our inventory investment. The investment program has generated additional employment and benefited local communities. We are also planning to build a new malt whisky distillery in Scotland. A brewing rationalisation programme will be completed in 2015.

Raki and vodka are produced in Turkey at a number of sites, and we produce Smirnov vodka in Russia.

Business review (continued)

Performance

Western Europe still has weak economies and fragile consumer confidence but there has been steady improvement and our business has stabilised year on year, gaining share of spirits. There was modest growth in Great Britain, Benelux, France and the Nordics which counter-balanced the slowing declines in Southern Europe and Ireland. Germany was weaker due to higher trade investment and an increasingly price competitive off trade. Marketing was targeted more effectively, and we kept our investment as a percentage of net sales flat while prioritising higher growth and margin brands. We have focused on fewer, bigger pan-regional innovation launches with Baileys Chocolat Luxe, Smirnoff Gold, frozen pouches and premix, and our reserve business was strong with net sales up 15% driven by the scotch malts, Cîroc, Zacapa and Johnnie Walker. Operating margin expansion of nearly 20bps was driven by product optimisation and reductions in warehousing and logistic costs. Our route to consumer programme focused on efficiency, effectiveness and expansion, increasing the focus of our sales people, improving their capabilities and putting more feet on the street, which has given us a strong platform as we move into next year. Net sales growth in Russia and Eastern Europe slowed this year to 2%. Following a much improved performance in the second half, net sales for Turkey grew 5%.

	Organic volume movement* %	Organic net sales movement %	Reported net sales movement %
Key categories:			
Europe	(1)	1	(3)
Western Europe			(2)
Russia and Eastern Europe	(1)	2	(7)
Turkey	(3)	5	(12)
Spirits **			(5)
Beer	(5)	(3)	(3)
Wine	(3)	(2)	(10)
Ready to drink	1	5	4
Global and local leaders **:			
Johnnie Walker		(2)	(4)
J B	(8)	(9)	(10)
Smirnoff		(5)	(6)
Captain Morgan	18	10	8
Baileys	(4)	(2)	(3)
Guinness	(4)	(3)	(2)

* Organic equals reported movement for volume except for Europe (2)%, Western Europe (2)%, Russia and Eastern Europe (2)%, spirits (1)%, wine (9)% and ready to drink flat, reflecting the termination of some agency brand distribution agreements including Jose Cuervo.

** Spirits brands excluding ready to drink.

Key highlights

- In **Great Britain,** in a relatively flat beverage alcohol market, net sales were up 2%. Baileys delivered a strong performance with top line growth of 8% on the back of a new advertising campaign and the launch of Chocolat Luxe which was one of the top five spirits sold on Amazon over the week of Christmas. Captain Morgan and Cîroc also performed well. Bell s was weaker as it faced increasingly intense price pressure. Smirnoff net sales declined 3% given the weak vodka category but it gained volume share supported by the Great Drinks Made Easy with Smirnoff campaign and the launch of Smirnoff Gold. Ready to drink was up double digit led by the success of premix, providing popular brands, such as Diageo s Gordon s and Pimm s in more convenient formats.

- Following a significant increase in excise duties in the first half of the year, the market in **Ireland** remained challenging and net sales declined 4%. Spirits were impacted and net sales were down double digit. Roughly half of the decline was driven by weakness in agency beer brands. Guinness net sales declined 3%, but brand equity improved with the launch on television and YouTube of the Basketball campaign, and the launch of an on trade footfall driver, the GUINNESS Plus app which provides consumers with in outlet experiences and discounts.

Business review (continued)

- In **Southern Europe,** which now represents 16% of Western Europe, net sales declined 3%. Greece and Italy net sales were down 7% and 5% respectively, as economic weakness continued to weigh on scotch and Smirnoff performance in both countries, and on Baileys performance in Italy. In Iberia the net sales decline moderated to 1%. Scotch net sales declined 8% as J B was impacted by an increasingly price competitive off trade environment but the brand gained share in the second half of the year. This was partly offset by the performance of Tanqueray which was up 14% on the back of a double digit increase in media spend and Baileys, which was up 2%. Increased investment in the Spanish route to consumer was partially offset by cost saving initiatives.

- In **France,** in an environment of intensified price competition amongst major off trade retailers, net sales grew 1%. The strong performance of scotch malts, which were up 7% led by The Singleton, Cardhu and Talisker, and of Captain Morgan where net sales more than doubled, offset weakness in J B.

- In **Germany,** following a number of years of double digit growth which has built Captain Morgan to be Diageo s second biggest brand, performance was weaker this year as Baileys and Smirnoff continued to decline.

- Net sales in **wine** declined 2%, with innovations on Blossom Hill and strong growth of [yellow tail] partially offsetting soft Bordeaux En Primeur performance and the decision to exit unprofitable sales channels and distribution agreements.

- In **Russia** net sales grew 4%. While performance was impacted by reduced consumer confidence and higher excise taxes, Diageo grew share in whisk(e)y with growth of White Horse and double digit growth of Bushmills and Bell s and in rum with strong growth of Captain Morgan.

- The impact of the crisis in Ukraine offset high single digit growth in the rest of Diageo s distributor markets in **Eastern Europe**. In Poland we retained leadership of the scotch category in softer than expected market conditions.

- In **Turkey** following two years of decline, the raki category volume is stabilising and through price increases and premiumisation, the business s raki net sales grew low single digit and contributed significantly to the markets positive price/mix. The scotch market has continued to show solid growth and scotch net sales grew double digit led by Johnnie Walker on the back of increased distribution and visibility in the off trade. Vodka net sales grew in the second half and recovered to flat for the full year with festivals and the new Apple Bite serve driving share gains and growth of Smirnoff.

- **Marketing spend** in Western Europe as a percentage of net sales was held at 15%. Spend in premium core, innovation and reserve were prioritised over lower margin local brands. In Russia and Eastern Europe and in Turkey, in response to marketing restrictions, investment was increasingly focused on commercial activations, driving improved visibility across trade channels, supporting new serves and bartender programmes to build brands.

Business review (continued)

AFRICA

In Africa our strategy is to grow Diageo s leadership across beer and spirits by providing brand choice across a broad range of consumer motivations, profiles, and occasions. We are focused on growing beer faster than the market and accelerating the growth of spirits through continued investment in infrastructure and brands.

Key financials	2013 Reported (restated)* £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	2014 Reported £ million	Reported movement %
Net sales	1,564	(124)	(3)	(7)	1,430	(9)
Marketing spend	162	(14)		4	152	(6)
Operating profit before exceptional items	400	(51)	(1)	(8)	340	(15)
Exceptional items	(5)				(23)	
Operating profit	395				317	(20)

*Restated following the adoption of IFRS 11 and the amendment to IAS 19.

Our markets

The region comprises Nigeria, East Africa (Kenya, Tanzania, Uganda, Burundi, Rwanda and South Sudan), Africa Regional Markets (including Ghana, Cameroon, Ethiopia, Angola and Mozambique) and South Africa.

Route to market

In Africa our largest businesses are in Nigeria, where we own 54.3% of a listed company whose principal brands are Guinness, Harp and Malta, and in East Africa, where we own 50.03% of East African Breweries Limited (EABL). EABL produces and distributes beer and spirits brands to a range of consumers in Kenya and Uganda, and has a 51% equity interest in Serengeti Breweries Limited, Tanzania. Within Africa Regional Markets, we have wholly-owned subsidiaries in Cameroon, Ethiopia, Mozambique and Reunion and majority-owned subsidiaries in Ghana and the Seychelles. Angola is supplied via a third-party distributor. In South Africa we sell spirits through a wholly-owned subsidiary and our beer, cider and ready-to-drink products through our 42.25% stake in DHN Ltd, a joint venture with Heineken and Namibia Breweries Ltd. In addition, we own a 50% equity stake in United National Breweries, a sorghum beer business. Diageo has brewing arrangements with the Castel Group to license, brew and distribute Guinness in the Democratic Republic of Congo, Gambia, Gabon, Ivory Coast, Togo, Benin, Burkina Faso, Chad, Mali and Guinea. Diageo sells spirits through distributors in most other sub-Saharan countries.

Business review (continued)

Supply operations

We have 14 breweries in Africa, including our 25% stake in Sedibeng in South Africa.

In addition, our beer and spirits brands are produced by third-parties under licence in 20 other African countries. We also own six manufacturing facilities including glass, blending, malting and cider plants.

Performance

In a tough year and despite facing significant challenges, net sales were flat as the region responded to the specific market challenges that it faced. In Nigeria, where beer performance was weak, we adjusted prices and increased our presence in the growing value segment. Innovation was a key enabler for responding to changing consumer trends through new formats and brands and the region delivered the highest growth rate for innovation through the success of brands such as Snapp in Nigeria, Jebel in Kenya, Smirnoff Black Ice in Cameroon and Ghana. We have expanded our route to consumer, revitalised the Guinness brand across its key markets in Africa and reserve brands grew 34%. Under recovery of fixed costs in supply due to lower beer volumes and cost and salary inflation drove an overall reduction in organic operating margin, although significant procurement and supply chain savings partly mitigated this impact.

	Organic volume movement* %	Organic net sales movement %	Reported net sales movement %
Key markets and categories:			
Africa	(6)		(9)
Nigeria	(9)	(9)	(14)
East Africa	(12)	2	(2)
Africa Regional Markets	(3)	2	(8)
South Africa	4	12	(9)
Spirits **	7	3	(10)
Beer	(16)	(5)	(11)
Ready to drink	46	36	23
Global and local leaders **:			
Johnnie Walker	1	2	(6)
J B	(4)	(4)	(16)
Smirnoff	(6)	(5)	(21)
Captain Morgan	2	4	(14)
Baileys	(9)	(6)	(12)
Guinness	(7)	1	(5)

* Organic equals reported movement for volume except for South Africa 3%, and spirits 1%, reflecting the termination of the Jose Cuervo distribution agreement.

** Spirits brands excluding ready to drink.

Key highlights

- **Nigeria** net sales declined 9% for the full year driven by beer, while spirits and ready to drink grew double digit. The beer market has become more price competitive, significantly impacting Harp, which lost share and some distribution. Although pricing was adjusted in the third quarter this was not fully passed through to consumers. Malta performance was similarly impacted by increased competition and pricing pressure. Despite these challenges, performance slightly improved in the second half, driven by growth of Guinness following reinvigoration of the brand, including a new pack, media campaign and trade promotion and the launch of Orijin, a new local spirit and ready to drink brand, which sold over 100k cases of the spirit format in the year.

Business review (continued)

- **East Africa s** net sales grew and price increases taken across the beer portfolio led to strong price/mix. For the market s two largest beer brands, Guinness and Tusker, double digit growth was driven by price increases, supported by increased investment behind strong marketing campaigns. Innovations such as Jebel and Senator Dark Extra, targeted at providing value for money offering to consumers, have driven growth. Balozi lager, launched last year and priced just below mainstream beer, has also contributed to growth. This strong performance was partly offset by Senator keg in Kenya where the brand declined around 80% post the duty change.

- In **Africa Regional Markets,** net sales grew 2% with growth of beer partly offset by the decline in spirits largely as a result of distributor changes in Angola. Growth was led by Malta both in its existing markets, aided by a new pack, as well as its launch in Ethiopia, the growth of Meta in Ethiopia and the launch of Harp Premium and the recovery of Guinness in Cameroon. Following the changes in Angola, while spirits shipments declined overall, depletions and share continued to grow and performance improved in the second half.

- **South Africa**. Despite softness in the economy, share gains and price increases resulted in spirits net sales growth of 2%. Johnnie Walker grew double digit with growth across price segments supported by the King of Flavours campaign and trade activation. This growth was partly offset by the decline of Smirnoff 1818 due to reduced inventory levels, although depletions and share of spirits grew and performance improved in the second half. South Africa s strong net sales performance includes the sale of Smirnoff Ice Double Black & Guarana at cost to Diageo Heineken Namibia Drinks (DHN Drinks) to cover demand in excess of supply capacity following the strong performance of the brand. This capacity shortage has now been resolved.

- **Marketing spend** increased 3%, benefiting from procurement efficiencies.

Business review (continued)

Operating results 2013 compared with 2012

2. SEGMENT REVIEW

The organic movements for volume, net sales, marketing spend and operating profit before exceptional items by reporting segment for the year ended 30 June 2013 were as follows:

	Volume	Net sales	Marketing spend	Operating profit*
Organic growth by region	%	%	%	%
North America	1	5	10	9
Europe	(1)	(1)		(2)
Africa	3	9	13	7
Latin America and Caribbean	4	15	11	26
Asia Pacific	(1)	3	(1)	6
Diageo**	1	5	5	8

* Operating profit excluding exceptional items

** Including Corporate. Corporate net sales were £76 million in the year ended 30 June 2013, up £6 million compared to last year. Corporate net operating charges were £151 million in the year ended 30 June 2013 having been £167 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 movement.

Business review (continued)

EUROPE

Key highlights

- 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 16% as deeper austerity measures affected overall consumption and sales mix. J B and Baileys were impacted the most, declining 30% and 18%, respectively.

- **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. Yenı 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.

- 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.

Business review (continued)

Performance

Key financials	2012 Reported £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	2013 Reported £ million	Reported movement %
Net sales	2,933	(39)	46	(25)	2,915	(1)
Marketing spend	440	(9)	2	(2)	431	(2)
Operating profit before exceptional items	909	(15)	23	(14)	903	(1)
Exceptional items	43				(31)	
Operating profit	952				872	(8)

[redacted]

Key categories:			
[redacted]			
[redacted]			
Russia and Eastern Europe	14	16	14
[redacted]			
[redacted]			
Beer	(6)	(6)	(7)
[redacted]			
Ready to drink	(13)	(9)	(10)
[redacted]			
Global and local leaders:**			
[redacted]			
J B	(17)	(22)	(24)
[redacted]			
Captain Morgan	19	18	17
[redacted]			
Guinness	(5)	(3)	(4)

Restated following the adoption of IFRS 11 and the amendment to IAS 19.

* Organic equals reported movement for volume except Europe 1%, Turkey 9%, spirits 2% and wine (12)%

** Spirits brands excluding ready to drink

Business review (continued)

AFRICA

Key highlights

- **Africa** delivered 9% net sales growth, with spirits net sales up 15% and beer net sales up 5% and therefore spirits have driven 41% of the region s net sales growth. Volume in the region was up 4% despite a challenging beer market. Ready to drink net sales grew 28%.

- **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, benefiting 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.

- Marketing investment in the region was up 13%, mainly driven by significant increases on spirits brands and beer, which grew 8%.

Business review (continued)

Performance

Key financials	2012 Reported £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	2013 Reported £ million	Reported movement %
Net sales	1,446	(25)	14	129	1,564	8
Marketing spend	147	(5)	2	18	162	10
Operating profit before exceptional items	377	(9)	7	25	400	6
Exceptional items	(7)				(5)	
Operating profit	370				395	7

	Organic volume movement* %	Organic net sales movement %	Reported net sales movement %
Key markets and categories:			
Africa	3	9	8
Nigeria	(1)	5	6
East Africa	3	10	13
Africa Regional Markets	(1)	9	7
South Africa	14	17	4
Spirits**	10	15	8
Beer	(1)	5	7
Ready to drink	28	35	31
Global and local leaders:**			
Johnnie Walker	28	32	26
J B	13	12	4
Smirnoff	10	20	9
Captain Morgan	5	5	(5)
Baileys	11	17	15
Guinness	(2)	2	1

Restated following the adoption of IFRS 11 and the amendment to IAS 19.

* Organic equals reported movement for volume except for Africa 5%, Africa Regional Markets 5% and beer 1%, reflecting the acquisition of Meta Abo.

** Spirits brands excluding ready to drink.

Business review (continued)

Reconciliations of non-GAAP measures to GAAP measures 2014 compared with 2013

Organic movements

Organic movement calculations for the year ended 30 June 2014 were as follows:

	North America units million	Europe units million	Africa units million	Latin America and Caribbean units million	Asia Pacific units million	Corporate units million	Total units million
Volume							
2013 reported	53.7	45.4	26.1	23.3	16.5		165.0
IFRS 11*	(0.1)				(0.7)		(0.8)
2013 reported (restated)	53.6	45.4	26.1	23.3	15.8		164.2
Disposals***	(4.3)	(0.5)	(0.1)	(0.2)	(0.2)		(5.3)
2013 adjusted	49.3	44.9	26.0	23.1	15.6		158.9
Acquisitions and disposals* **	**0.7**	**0.1**		**0.1**			**0.9**
Organic movement	**(0.7)**	**(0.4)**	**(1.6)**	**(0.2)**	**(0.8)**		**(3.7)**
2014 reported	**49.3**	**44.6**	**24.4**	**23.0**	**14.8**		**156.1**
Organic movement %	**(1)**	**(1)**	**(6)**	**(1)**	**(5)**	**n/a**	**(2)**

	North America £ million	Europe £ million	Africa £ million	Latin America and Caribbean £ million	Asia Pacific £ million	Corporate £ million	Total £ million
Sales							
2013 reported	4,272	5,093	2,016	1,745	2,285	76	15,487
IFRS 11*	(10)	(19)	(2)	(4)	(176)		(211)
2013 reported (restated)	4,262	5,074	2,014	1,741	2,109	76	15,276
Exchange**	(176)	(178)	(172)	(389)	(167)		(1,082)
Disposals***	(336)	(68)	(4)	(11)	(11)		(430)
2013 adjusted	3,750	4,828	1,838	1,341	1,931	76	13,764
Acquisitions and disposals* **	**52**	**9**		**1**			**62**
Organic movement	**113**	**98**	**8**	**62**	**(130)**	**3**	**154**
2014 reported	**3,915**	**4,935**	**1,846**	**1,404**	**1,801**	**79**	**13,980**
Organic movement %	**3**	**2**		**5**	**(7)**	**4**	**1**
Net sales							
2013 reported	3,733	2,934	1,566	1,457	1,667	76	11,433
IFRS 11*	(10)	(19)	(2)	(4)	(95)		(130)
2013 reported (restated)	3,723	2,915	1,564	1,453	1,572	76	11,303
Exchange**	(156)	(77)	(124)	(328)	(112)		(797)
Disposals***	(272)	(48)	(3)	(9)	(7)		(339)

2013 adjusted	3,295	2,790	1,437	1,116	1,453	76	10,167
Acquisitions and disposals* **	**41**	**7**		**1**			**49**
Organic movement	**108**	**17**	**(7)**	**27**	**(106)**	**3**	**42**
2014 reported	**3,444**	**2,814**	**1,430**	**1,144**	**1,347**	**79**	**10,258**
Organic movement %	**3**	**1**		**2**	**(7)**	**4**	

Business review (continued)

	North America £ million	Europe £ million	Africa £ million	Latin America and Caribbean £ million	Asia Pacific £ million	Corporate £ million	Total £ million
Marketing							
2013 reported	585	431	162	233	370	6	1,787
IFRS 11*	(4)				(14)		(18)
2013 reported (restated)	581	431	162	233	356	6	1,769
Exchange**	(27)	(10)	(14)	(30)	(27)		(108)
Disposals***	(27)	(5)		(2)			(34)
2013 adjusted	527	416	148	201	329	6	1,627
Acquisitions and disposals* **	**3**						**3**
Organic movement	**10**	**(3)**	**4**	**2**	**(24)**	**1**	**(10)**
2014 reported	**540**	**413**	**152**	**203**	**305**	**7**	**1,620**
Organic movement %	**2**	**(1)**	**3**	**1**	**(7)**	**17**	**(1)**
Operating profit before exceptional items							
2013 reported	1,484	909	401	471	414	(149)	3,530
IFRS 11 and amendment to IAS 19*	(6)	(6)	(1)	(3)	(33)	(2)	(51)
2013 reported (restated)	1,478	903	400	468	381	(151)	3,479
Exchange**	(54)	(49)	(51)	(151)	(35)	4	(336)
Acquisitions and disposals***	(59)	(6)	(1)	2	(1)		(65)
2013 adjusted	1,365	848	348	319	345	(147)	3,078
Acquisitions and disposals* **	**(12)**	**(3)**			**(18)**	**(2)**	**(35)**
Organic movement	**107**	**8**	**(8)**	**9**	**(44)**	**19**	**91**
2014 reported	**1,460**	**853**	**340**	**328**	**283**	**(130)**	**3,134**
Organic movement %	**8**	**1**	**(2)**	**3**	**(13)**	**13**	**3**
Organic operating margin %							
2014	**43.26%**	**30.50%**	**23.78%**	**28.70%**	**22.35%**	**n/a**	**31.04%**
2013	41.43%	30.39%	24.22%	28.58%	23.74%	n/a	30.27%
Margin improvement (bps)	**183**	**11**	**(44)**	**11**	**(140)**	**n/a**	**77**

(1) For the reconciliation of sales to net sales and operating profit before exceptional items to operating profit see page 46 of the 2014 Form 20-F and page 39.

(2) Percentages and margin improvement are calculated on rounded figures.

Notes: Information in respect of the organic movement calculations

* Prior year figures are restated following the adoption of IFRS 11 and the amendment to IAS 19, see note 1 and 18 to the consolidated financial statements.

** The exchange adjustments for sales, net sales, marketing and operating profit are principally in respect of the Venezuelan bolivar, the US dollar, the Turkish lira and the South African rand.

*** In the year ended 30 June 2014 the acquisitions and disposals that affected volume, sales, net sales, marketing and operating profit were as follows:

	Volume units million	Sales £ million	Net sales £ million	Marketing £ million	Operating profit £ million
2013					
Acquisitions					
Transaction costs					4
Integration costs					4
					8
Disposals					
Jose Cuervo	(4.7)	(379)	(295)	(29)	(72)
Nuvo	(0.2)	(14)	(13)	(5)	3
Other disposals	(0.4)	(37)	(31)		(4)
	(5.3)	(430)	(339)	(34)	(73)
Acquisitions and disposals	(5.3)	(430)	(339)	(34)	(65)
2014					
Acquisitions					
DeLeón				**3**	**(3)**
Transaction costs					**(13)**
Integration costs					**(12)**
				3	**(28)**
Disposals					
Jose Cuervo	**0.7**	**53**	**42**		**(9)**
Other disposals	**0.2**	**9**	**7**		**2**
	0.9	**62**	**49**		**(7)**
Acquisitions and disposals	**0.9**	**62**	**49**	**3**	**(35)**

Business review (continued)

Reconciliations of non-GAAP measures to GAAP measures   2013 compared with 2012

Organic movements

Organic movement calculations for the year ended 30 June 2013 were as follows:

	North America units million	Europe units million	Africa units million	Latin America and Caribbean units million	Asia Pacific units million	Corporate units million	Total units million
Volume							
2012 reported	53.0	45.2	24.9	17.2	16.2		156.5
IFRS 11*	(0.1)				(0.7)		(0.8)
2012 reported (restated)	52.9	45.2	24.9	17.2	15.5		155.7
Disposals***	(4.3)	(0.4)	(0.1)	(0.1)	(0.1)		(5.0)
2012 adjusted	48.6	44.8	24.8	17.1	15.4		150.7
Acquisitions and disposals* **	4.3	1.1	0.5	5.5	0.5		11.9
Organic movement	0.7	(0.5)	0.8	0.7	(0.1)		1.6
2013 reported	53.6	45.4	26.1	23.3	15.8		164.2
Organic movement %	1	(1)	3	4	(1)	n/a	1

	North America £ million	Europe £ million	Africa £ million	Latin America and Caribbean £ million	Asia Pacific £ million	Corporate £ million	Total £ million
Sales							
2012 reported	4,094	4,966	1,869	1,491	2,104	70	14,594
IFRS 11*	(9)	(16)	(1)	(3)	(173)		(202)
2012 reported (restated)	4,085	4,950	1,868	1,488	1,931	70	14,392
Exchange**	25	(48)	(40)	(33)	10	4	(82)
Disposals***	(372)	(45)	(4)	(16)	(10)		(447)
2012 adjusted	3,738	4,857	1,824	1,439	1,931	74	13,863
Acquisitions and disposals* **	349	155	21	78	142		745
Organic movement	175	62	169	224	36	2	668
2013 reported	4,262	5,074	2,014	1,741	2,109	76	15,276
Organic movement %	5	1	9	16	2	3	5
Net sales							
2012 reported	3,556	2,949	1,447	1,239	1,501	70	10,762
IFRS 11*	(9)	(16)	(1)	(3)	(94)		(123)
2012 reported (restated)	3,547	2,933	1,446	1,236	1,407	70	10,639
Exchange**	22	(39)	(25)	(26)	4	4	(60)
Disposals***	(306)	(26)	(3)	(13)	(7)		(355)

2012 adjusted	3,263	2,868	1,418	1,197	1,404	74	10,224
Acquisitions and disposals* **	282	72	17	75	123		569
Organic movement	178	(25)	129	181	45	2	510
2013 reported	3,723	2,915	1,564	1,453	1,572	76	11,303
Organic movement %	5	(1)	9	15	3	3	5
Marketing							
2012 reported	547	440	147	208	343	6	1,691
IFRS 11*	(4)				(16)		(20)
2012 reported (restated)	543	440	147	208	327	6	1,671
Exchange**	6	(9)	(5)	(5)	5	(1)	(9)
Disposals***	(46)	(5)		(3)	(1)		(55)
2012 adjusted	503	426	142	200	331	5	1,607
Acquisitions and disposals* **	28	7	2	11	28		76
Organic movement	50	(2)	18	22	(3)	1	86
2013 reported	581	431	162	233	356	6	1,769
Organic movement %	10		13	11	(1)	20	5

Business review (continued)

	North America £ million	Europe £ million	Africa £ million	Latin America and Caribbean £ million	Asia Pacific £ million	Corporate £ million	Total £ million
Operating profit before exceptional items							
2012 reported	1,360	915	377	369	342	(165)	3,198
IFRS 11 and amendment to IAS 19*	(8)	(6)		(1)	(33)	(2)	(50)
2012 reported (restated)	1,352	909	377	368	309	(167)	3,148
Exchange**	14	(15)	(9)	(4)	11	(1)	(4)
Acquisitions and disposals***	(64)	3	4	4	16	19	(18)
2012 adjusted	1,302	897	372	368	336	(149)	3,126
Acquisitions and disposals* **	61	20	3	5	24		113
Organic movement	115	(14)	25	95	21	(2)	240
2013 reported	1,478	903	400	468	381	(151)	3,479
Organic movement %	9	(2)	7	26	6	(1)	8
Organic operating margin %							
2013	41.18%	31.06%	25.66%	33.60%	24.64%	n/a	31.36%
2012	39.90%	31.28%	26.23%	30.74%	23.93%	n/a	30.58%
Margin improvement (bps)	128	(22)	(57)	286	71	n/a	78

(1) For the reconciliation of sales to net sales and operating profit before exceptional items to operating profit see page 68 of the 2014 Form 20-F and pages 39-40.

(2) Percentages and margin improvement are calculated on rounded figures.

Notes: Information relating to the organic movement calculations

* Prior year figures are restated following the adoption of IFRS 11 and the amendment to IAS 19.

** The exchange adjustments for sales, net sales, marketing and operating profit are principally in respect of the euro, the South African rand, the Australian dollar, the Turkish lira and the Brazilian real.

*** In the year ended 30 June 2013 the acquisitions and disposals that affected volume, sales, net sales, marketing spend and operating profit were as follows:

	Volume units million	Sales £ million	Net sales £ million	Marketing £ million	Operating profit £ million
2012					
Acquisitions					

Transaction costs					61
					61
Disposals					
Jose Cuervo	(4.5)	(387)	(304)	(45)	(67)
Nuvo	(0.2)	(29)	(27)	(9)	(3)
Other disposals	(0.3)	(31)	(24)	(1)	(9)
	(5.0)	(447)	(355)	(55)	(79)
Acquisitions and disposals	(5.0)	(447)	(355)	(55)	(18)
2013					
Acquisitions					
Mey İçki	0.8	113	47	3	17
SJF Holdco and Shui Jing Fang	0.4	130	115	28	22
Meta Abo Brewery	0.4	16			