

DIAGEO PLC
Form 6-K
February 05, 2019
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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
5 February 2019
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

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):

This report on Form 6-K shall be deemed to be filed and incorporated by reference in the registration statement on Form F-3 (File No. 333-224340) and registration statements on Form S-8 (File Nos. 333-223071, 333-206290, 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333-154338 and 333-182315) and to be a part thereof from the date on which this report is furnished, to the extent not superseded by documents or reports subsequently filed or furnished.

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INTRODUCTION

Diageo plc is a public limited company incorporated under the laws of England and Wales. As used herein, except as the context otherwise requires, the term “company” refers to Diageo plc and the terms “group” and “Diageo” refer to the company and its consolidated subsidiaries. References used herein to “shares” and “ordinary shares” are, except where otherwise specified, to Diageo plc’s ordinary shares.

PRESENTATION OF FINANCIAL INFORMATION

Diageo plc’s fiscal year ends on 30 June. The company publishes its consolidated financial statements in pounds sterling. In this document, references to “pounds sterling”, “sterling”, “£”, “pence” or “p” are to UK currency, references to “dollars”, “US\$”, “\$” or “¢” are to US currency and references to the “euro” or “€” are to the euro currency. For the convenience of the reader, this document contains translations of certain pounds sterling amounts into US dollars at specified rates, or, if not so specified, the noon buying rate in New York City for cable transfers in pounds sterling as certified for customs purposes by the Federal Reserve Bank of New York (the “noon buying rate”) on 31 December 2018 of £1 = \$1.28. No representation is made that the pounds sterling amounts have been, could have been or could be converted into US dollars at the rates indicated or at any other rates.

Diageo’s condensed consolidated financial information has been prepared in accordance with IAS 34 “Interim Financial Reporting” as adopted for use in the European Union (EU) and International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB). IFRS as adopted by the EU differs in certain respects from IFRS as issued by the IASB. The differences have no impact on the group’s consolidated financial statements for the years presented. Unless otherwise indicated, all financial information contained in this document has been prepared in accordance with IFRS. This interim condensed consolidated financial information is unaudited and has been prepared on the basis of accounting policies consistent with those applied in the consolidated financial statements for the year ended 30 June 2018 as disclosed in note 1 to the unaudited condensed consolidated financial information.

The business review, selected consolidated financial data and financial information included in this document for the six months ended 31 December 2018 and 31 December 2017 have been derived from the published Diageo interim condensed consolidated financial information.

The financial performance expectations related to future organic net sales growth and organic operating margin expansion (the financial performance expectations) included in this document have been prepared by, and are the responsibility of, Diageo’s management. PricewaterhouseCoopers LLP has not audited, reviewed, examined, compiled nor applied agreed upon procedures with respect to the financial performance expectations and, accordingly, PricewaterhouseCoopers LLP does not express an opinion or any other form of assurance with respect thereto. The financial performance expectations were not prepared with a view toward compliance with published guidelines of the Securities and Exchange Commission or the guidelines established by the American Institute of Certified Public Accountants for preparation, presentation of prospective financial information.

The principal executive office of the company is located at Lakeside Drive, Park Royal, London NW10 7HQ, England and its telephone number is +44 (0)20 8978 6000.

TRADEMARKS, TRADE NAMES AND MARKET DATA

This report on Form 6-K includes names of Diageo’s products which constitute trademarks or trade names which Diageo owns or which others own and license to Diageo for use. All rights reserved. © Diageo plc 2019.

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

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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, objectives and projections with respect to future matters, including trends in results of operations, margins, growth rates, overall market trends, the impact of changes in interest or exchange rates, the availability or cost of financing to Diageo, anticipated cost savings or synergies, expected investments, the completion of any strategic transactions or restructuring programmes, anticipated tax rates, changes in the international tax environment, expected cash payments, outcomes of litigation, anticipated changes in the value of assets and liabilities related to pension schemes and general economic conditions. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. There are a number of factors that could cause actual results and developments to differ materially from those expressed or implied by these forward-looking statements, including factors that are outside Diageo's control.

These factors include, but are not limited to:

economic, political, social or other developments in countries and markets in which Diageo operates, which may contribute to a reduction in demand for Diageo's products, adverse impacts on Diageo's customer, supplier and/or financial counterparties, or the imposition of import, investment or currency restrictions (including the potential impact of any global, regional or local trade wars or any tariffs, duties or other restrictions or barriers imposed on the import or export of goods between territories, including but not limited to, imports into and exports from the United States, Canada, Mexico, the United Kingdom and/or the European Union);

the negotiating process surrounding, as well as the final terms of, the United Kingdom's exit from the European Union, which could lead to a sustained period of economic and political uncertainty and complexity whilst detailed withdrawal terms and any successor trading arrangements with other countries are negotiated, finalised and implemented, potentially adversely impacting economic conditions in the United Kingdom and Europe more generally as well as Diageo's business operations and financial performance (see also Business Review Additional information on Brexit on page 12);

changes in consumer preferences and tastes, including as a result of changes in demographics, evolving social trends (including any shifts in consumer tastes towards locally produced small-batch products), changes in travel, vacation or leisure activity patterns, weather conditions, and/or a downturn in economic conditions;

any litigation or other similar proceedings (including with customs, competition, environmental, anti-corruption or other regulatory authorities), including litigation directed at the beverage alcohol industry generally or at Diageo in particular;

changes in the domestic and international tax environment, including as a result of the OECD Base Erosion and Profit Shifting Initiative and EU anti-tax abuse measures, leading to uncertainty around the application of existing and new tax laws and unexpected tax exposures;

the effects of climate change, or legal, regulatory or market measures intended to address climate change, on Diageo's business or operations, including on the cost and supply of water;

changes in the cost of production, including as a result of increases in the cost of commodities, labour and/or energy or as a result of inflation;

legal and regulatory developments, including changes in regulations relating to production, distribution, importation, marketing, advertising, sales, pricing, labelling, packaging, product liability, antitrust, labour, compliance and control systems, environmental issues and/or data privacy;

the consequences of any failure by Diageo or its associates to comply with anti-corruption, sanctions, trade restrictions or similar laws and regulations, or any failure of Diageo's related internal policies and procedures to comply with applicable law or regulation;

the consequences of any failure of internal controls, including those affecting compliance with existing or new accounting and/or disclosure requirements;

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contamination, counterfeiting or other circumstances which could harm the level of customer support for Diageo's brands and adversely impact its sales;

Diageo's ability to maintain its brand image and corporate reputation or to adapt to a changing media environment;

increased competitive product and pricing pressures, including as a result of actions by increasingly consolidated competitors or increased competition from regional and local companies, that could negatively impact Diageo's market share, distribution network, costs and/or pricing;

any disruption to production facilities, business service centres or information systems, including as a result of cyber-attacks;

Diageo's ability to derive the expected benefits from its business strategies, including in relation to expansion in emerging markets, acquisitions and/or disposals, cost savings and productivity initiatives or inventory forecasting;

increased costs for, or shortages of, talent, as well as labour strikes or disputes;

fluctuations in exchange rates and/or interest rates, which may impact the value of transactions and assets denominated in other currencies, increase Diageo's cost of financing or otherwise adversely affect Diageo's financial results;

movements in the value of the assets and liabilities related to Diageo's pension plans;

Diageo's ability to renew supply, distribution, manufacturing or licence agreements (or related rights) and licences on favourable terms, or at all, when they expire; or

any failure by Diageo 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 cautionary factors, by the "Risk Factors" section immediately preceding those and by the "Risk Factors" included in Diageo's Annual Report on Form 20-F for the year ended 30 June 2018 filed with the US Securities and Exchange Commission (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.

This document includes names of Diageo's products, which constitute trademarks or trade names which Diageo owns, or which others own and license to Diageo for use. All rights reserved. © Diageo plc 2019.

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

This document may include information about Diageo's target debt rating. A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organisation. Each rating should be evaluated independently of any other rating.

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

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The selected consolidated financial data set out below has been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted for use in the European Union (EU) and IFRS as issued by the International Accounting Standards Board (IASB) and should be read in conjunction with, and are qualified in their entirety by reference to, the unaudited financial information and notes presented elsewhere in this document and to Diageo's annual report on Form 20-F for the year ended 30 June 2018.

The following table presents selected consolidated financial data for Diageo: for the six months ended 31 December 2018 and 31 December 2017 and as at the respective period ends, derived from the unaudited interim condensed consolidated financial information presented elsewhere in this document; and for the five years ended 30 June 2018 and as at the respective year ends, derived from Diageo's consolidated financial statements audited by Diageo's independent auditor. The group's former auditors, KPMG LLP (KPMG) reported on the financial statements for the two years ended 30 June 2015. The unaudited interim condensed consolidated financial information, in the opinion of Diageo management, includes all adjustments, consisting solely of normal, recurring adjustments, necessary to present fairly the information contained therein. The results of operations for the six months ended 31 December 2018 are not necessarily indicative of the results for the year ending 30 June 2019.

	Six months ended					Year ended 30 June		
	2018	2018	2017	2018	2017	2016	2015	2014
Income statement data ⁽¹⁾	\$ million ⁽⁶⁾	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Sales	13,265	10,363	9,934	18,432	18,114	15,641	15,996	13,980
Operating profit	3,110	2,430	2,190	3,691	3,559	2,841	2,797	2,707
Profit for the period								
Continuing operations ⁽²⁾	2,646	2,067	2,127	3,144	2,827	2,362	2,467	2,264
Discontinued operations ⁽³⁾					(55)			(83)
Total profit for the period	2,646	2,067	2,127	3,144	2,772	2,362	2,467	2,181
Per share data	\$	pence	pence	pence	pence	pence	pence	pence
Dividend per share ⁽⁴⁾	0.33	26.1	24.9	65.3	62.2	59.2	56.4	51.7
Earnings per share								
Basic								
Continuing operations ⁽²⁾	1.04	80.9	82.2	121.7	108.2	89.5	95.0	93.0
Discontinued operations ⁽³⁾					(2.2)			(3.3)
Basic earnings per share	1.04	80.9	82.2	121.7	106.0	89.5	95.0	89.7
Diluted								
Continuing operations ⁽²⁾	1.03	80.6	81.8	121.1	107.7	89.1	94.6	92.6
Discontinued operations ⁽³⁾					(2.2)			(3.3)
Diluted earnings per share	1.03	80.6	81.8	121.1	105.5	89.1	94.6	89.3

	million	million	million	million	million	million	million	million
Average number of shares	2,442	2,442	2,505	2,484	2,512	2,508	2,505	2,506

	As at 31 December						As at 30 June	
	2018	2018	2017	2018	2017	2016	2015	2014
		£	£	£	£	£	£	£
Balance sheet data⁽¹⁾	\$ million⁽⁶⁾	million	million	million	million	million	million	million
Total assets	41,080	32,094	30,102	29,715	28,848	28,491	25,804	22,964
Net assets	14,250	11,133	11,690	11,713	12,028	10,180	9,256	7,590
Net borrowings ⁽⁵⁾	(13,251)	(10,352)	(9,198)	(9,091)	(7,892)	(8,635)	(9,527)	(8,850)
Equity attributable to the parent company's equity shareholders	11,988	9,366	9,922	9,948	10,313	8,530	7,771	6,823
Share capital	982	767	789	780	797	797	797	767

This information should be read in conjunction with the notes on pages 7 to 9.

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(1) IFRS accounting policies The unaudited condensed consolidated financial information for the six months ended 31 December 2018 and 31 December 2017 has been prepared in accordance with *IAS 34 Interim Financial Reporting* as issued by the International Accounting Standards Board (IASB) and adopted for use in the European Union.

(2) Exceptional items Exceptional items are those that in management's judgement need to be disclosed separately by virtue of their size or nature. Such items are included within the income statement caption to which they relate, and are separately disclosed in the notes to the unaudited condensed consolidated financial information and consolidated financial statements for the five years ended 30 June 2018 and as at the respective year ends, derived from Diageo's consolidated financial statements audited by Diageo's independent auditor. An analysis of exceptional items is as follows:

	Six months ended					Year ended 30 June	
	31 December		2018	2017	2016	2015	2014
	2018	2017					
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Items included in operating profit							
GMP equalisation	(21)						
Competition authority investigation in Turkey				(33)			
Customer claim in India				(32)			
Brand, goodwill, tangible and other assets impairment			(128)		(118)		(264)
Restructuring programmes						(82)	(163)
Duty settlements						(146)	
Associate impairment						(41)	
Disengagement agreements relating to United Spirits Limited							