DIAGEO PLC
Form 6-K
January 31, 2019

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

31 January 2019

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):

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Interim results, six months ended 31 December 2018
31 January 2019

Delivering our strategy through strong consistent performance

Reported net sales (£6.9 billion) was up 5.8% with organic growth partially offset by unfavourable exchange. Reported operating profit (£2.4 billion) was up 11.0%, driven by organic growth

All regions contributed to broad based organic net sales growth, up 7.5%, with organic volume up 3.5%

Organic operating profit grew 12.3%, ahead of top line growth, as cost inflation and higher marketing investment were more than offset by improved price/mix and efficiencies from our productivity programme

Cash flow continued to be strong, with net cash from operating activities at £1.6 billion, up £356 million and free cash flow at £1.3 billion, up £317 million

Basic eps of 80.9 pence was down by (1.6)%. Pre-exceptional eps was 77.0 pence, up 13.6%, driven by higher operating profit and lower finance charges, which more than offset an increased tax charge largely as a result of lapping the positive impact of US tax reform in the prior period

The interim dividend increased 5% to 26.1 pence per share

See Explanatory Notes for explanation of the use of non-GAAP measures.

Ivan Menezes, Chief Executive, commenting on the results said:

"Diageo delivered broad-based volume and organic net sales growth across regions and categories. We continue to expand organic operating margins while increasing investment in our brands ahead of organic net sales growth.

These results are further evidence of the changes we have made in Diageo to put the consumer at the heart of our business, to embed productivity and to act with agility to enable us to win sustainably.

At £1.3 billion, we delivered another period of strong free cash flow. As a result the board approved an incremental share buyback of £660 million, bringing the total programme up to £3.0 billion for the year ending 30 June 2019.

This half has benefitted from some one-time and phasing gains in both organic net sales and operating profit, and therefore we continue to expect to deliver mid-single digit organic net sales growth for the year and to expand operating margins in line with our previous guidance of 175 bps for the three years ending 30 June 2019.

As we deploy our strategy, we remain focused on building the long-term health of our brands and ensuring we grow our business in a consistent and sustainable way."

Key financial information
Six months ended 31 December 2018

Summary financial information

		F19 H1	F18 H1	Organicgrowth%	Reported growth%
Volume	EUm	130.5	126.4	4	3
Net sales	£ million	6,908	6,530	7	6
Marketing	£ million	1,054	968	9	9
Operating profit before exceptional items	£ million	2,451	2,190	12	12
Exceptional operating items(i)	£ million	(21)	-		
Operating profit	£ million	2,430	2,190		11
Share of associate and joint venture profit after tax	£ million	179	168		7
Exceptional non-operating gain(i)	£ million	146	-		
Net finance charges	£ million	(128)	(154)		
Exceptional taxation (charge)/credit(i)	£ million	(30)	360		
Tax rate including exceptional items	%	21.3	3.5		509
Tax rate before exceptional items	%	21.2	19.8		7
Profit attributable to parent company's shareholders	£ million	1,976	2,058		(4)
Basic earnings per share	pence	80.9	82.2		(2)
Earnings per share before exceptional items	pence	77.0	67.8		14
Interim dividend	pence	26.1	24.9		5

(i) For further details of exceptional items see Additional Financial Information (c) Exceptional items.

Outlook for exchange
Using exchange rates £1 = $1.32; £1 = €1.16, the exchange rate movement for the year ending 30 June 2019 is estimated to adversely impact net sales by approximately £80 million and operating profit by approximately £10 million.

Outlook for tax
The tax rate before exceptional items for the six months ended 31 December 2018 was 21.2% compared with 19.8% in the prior comparable period. Our current expectation is that the tax rate before exceptional items for the year ending 30 June 2019 will be in the range of 21% to 22%, which reflects changing business mix and the increased levels of uncertainty in the current tax environment for most multinationals. For further details on taxation see Additional Financial Information (d) Taxation.

Share buyback programme

On 26 July 2018 the Board approved a share buyback programme to return up to £2.0 billion to shareholders during the year ending 30 June 2019. On 20 December 2018 Diageo completed the sale of a portfolio of 19 brands to Sazerac. The net proceeds of approximately £340 million, after corporate tax and transaction costs, will be returned to shareholders through a share buyback programme, which brought the total programme to £2.34 billion.

On 30 January 2019 the board approved a further incremental share buyback programme of £660 million, bringing the total programme to up to £3.0 billion for the year ending 30 June 2019.

In the six months ended 31 December 2018, 46.5 million shares were repurchased for an aggregate consideration of £1.275 billion.

Acquisitions and disposals
The impact of acquisitions and disposals on the reported figures was primarily attributable to the disposal of a portfolio of 19 brands to Sazerac which was completed on 20 December 2018 and to the prior year acquisition of the Casamigos brand.

For further details on the impact of acquisitions and disposals see Explanatory Notes.)

Net sales (£ million)

Reported net sales were up 5.8% with organic growth partially offset by unfavourable exchange

Organic net sales grew 7.5% driven by volume up 3.5% and positive price/mix up 4.0%

(i

Net sales	£ million
F18 H1	6,530
Exchange(i)	(91)
Acquisitions and disposals	(7)
Volume	224
Price/mix	252
F19 H1	6,908

(i) Exchange rate movements reflect the translation of prior year reported results at current year exchange rates.

Reported net sales grew 5.8%, driven by organic growth which was partially offset by unfavourable exchange and acquisitions and disposals.

Organic volume growth of 3.5% and 4.0% positive price/mix drove 7.5% organic net sales growth. All regions reported organic net sales growth.

Operating profit (£ million)

Reported operating profit grew 11.0%

Organic operating profit grew 12.3%

Operating profit	£ million
F18 H1	2,190
Exceptional operating items	(21)
Exchange	-
Acquisitions and disposals	(3)
Organic movement	264
F19 H1	2,430

Reported operating profit was up 11.0% with organic growth partially offset by exceptional operating items and acquisitions and disposals. Organic operating profit grew ahead of net sales at 12.3%.

Operating margin (%)

Reported operating margin increased 164bps

Organic operating margin increased 152 bps

Operating margin	ppt
F18 H1	33.5
Exceptional operating items	(0.30)
Exchange	0.47
Acquisitions and disposals	(0.05)

Gross margin	0.50
Marketing	(0.26)
Other operating expenses	1.28
F19 H1	35.2

Reported operating margin increased 164bps driven by organic operating margin improvement and the positive impact on operating margin due to exchange, as a result of the higher negative impact of exchange on net sales relative to operating profit. Organic operating margin improved 152bps driven by improved price/mix and efficiencies from our productivity programme partially offset by higher marketing spend.

Basic earnings per share (pence)

Basic eps decreased 1.6% from 82.2 pence to 80.9 pence

Eps before exceptional items increased 13.6% from 67.8 pence to 77.0 pence

(i

Basic earnings per share	pence
F18 H1	82.2
Exceptional items after tax	(10.5)
Exchange on operating profit	0.1
Acquisitions and disposals	(0.1)
Organic operating profit growth(i)	10.4
Associates and joint ventures	0.4
Net finance charges	2.2
Tax	(4.0)
Share buyback	1.1
Non-controlling interests	(0.9)
F19 H1	80.9

(i) Excluding exchange

Basic eps declined 1.3 pence largely due to lapping the benefit of an exceptional tax credit in the prior period following the tax reduction in the United States under the US Tax Cut and Jobs Act.

Eps before exceptional items increased 9.2 pence as organic operating profit growth and lower finance charges more than offset the higher tax charge.

Free cash flow (£ million)

Net cash from operating activities(i) was £1,604 million, an increase of £356 million compared to the same period last year. Free cash flow was £1,346 million, an increase of £317 million

Free cash flow	£ million
F18 H1	1,029
Exchange(ii)	-
Operating profit(iii)	283
Working capital(iv)	(126)
Capex	(57)
Tax	179
Interest	23
Other(v)	15
F19 H1	1,346

(i) Net cash from operating activities excludes net capex, movements in loans and other investments (2018 - (£258) million; 2017 - (£219) million).
(ii) Exchange on operating profit before exceptional items.
(iii) Operating profit excludes exchange, depreciation and amortisation, post employment charges and non-cash items.
(iv) Working capital movement includes maturing inventory.
(v) Other items include post employment payments, dividends received from associates and joint ventures, and movements in loans and other investments.

Free cash flow continued to be strong at £1.3 billion largely driven by operating profit growth and lower tax payments which benefitted from the lapping of the one-off payment made to the UK tax authorities in August 2017. This increase was partially offset by a higher year on year working capital outflow, including increased investment in maturing inventory, and increased capex.

The operating working capital position, excluding maturing inventory, on the balance sheet improved in the half compared to the same period last year, largely as a result of higher creditors.

Return on average invested capital (%)(i)

ROIC improved 135bps

Return on average invested capital	ppt
F18 H1	16.5
Exchange	0.19
Acquisitions and disposals	(0.16)
Organic operating profit growth	2.38
Associates and joint ventures	(0.03)
Tax	(0.68)
Other	(0.35)
F19 H1	17.8

(i) ROIC calculation excludes exceptional items.

ROIC increased 135bps largely driven by organic operating profit growth which was partially offset by the impact from higher tax charges, acquisitions and disposals and associates and joint ventures.

Reported growth by region

Volume		Net sales		Marketing		Operating profit(i)	
%	EUm	%	£ million	%	£ million	%	£ million

North America	2	0.4	8	173	13	45	7	74
Europe and Turkey	2	0.5	2	34	6	14	3	15
Africa	1	0.2	6	47	10	8	28	33
Latin America and Caribbean	(1)	(0.1)	4	23	1	1	17	36
Asia Pacific	7	3.1	8	100	11	20	29	93
Corporate	-	-	4	1	(50)	(2)	11	10
Diageo	3	4.1	6	378	9	86	12	261

Organic growth by region

	Volume		Net sales		Marketing		Operating profit(i)	
	%	EUm	%	£ million	%	£ million	%	£ million
North America	3	0.6	6	130	10	36	4	36
Europe and Turkey	1	0.3	5	83	9	21	5	31
Africa	1	0.2	6	49	6	5	30	35
Latin America and Caribbean	(1)	(0.1)	9	57	6	6	21	44
Asia Pacific	7	3.4	13	156	13	24	35	106
Corporate	-	-	4	1	(50)	(2)	13	12
Diageo	4	4.4	7	476	9	90	12	264

(i) Before operating exceptional items.

Notes to the business and financial review

Unless otherwise stated:

commentary below 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

See Explanatory Notes for explanation of the calculation and use of non-GAAP measures.

BUSINESS REVIEW
Six months ended 31 December 2018

North America

North America delivered net sales growth of 6%, with growth across all markets. The disposal of a portfolio of 19 brands to Sazerac, that was completed on 20 December 2018, positively impacted net sales growth of the region by 78bps. In US Spirits, net sales increased 5%, with overall share trends improving. Net sales in Crown Royal increased 4%, largely driven by Regal Apple and the limited time offer Salted Caramel. Bulleit net sales were up 7% and continued to gain share in US whiskey. Scotch grew 10% with broad based growth across brands and share gains in the category. Vodka net sales were flat, an improvement versus last year, as the successful launch of Ketel One Botanical more than offset net sales decline in Smirnoff and Cîroc vodka. Captain Morgan net sales declined 9% and lost share in a declining category. In tequila, both Don Julio and Casamigos delivered strong double digit growth and gained share in the category. Diageo Beer Company USA net sales grew 13% largely driven by growth in ready to drink, as a result of successful prior year innovation launches. Performance in beer also improved. Net sales in Canada increased 5% as the spirits business lapped a weaker comparative in the same period last year and with good growth in ready to drink. Operating margin declined 112bps largely driven by gross margin decline as a result of negative market mix within the region, higher commodity and logistics costs and up-weighted marketing investment in US Spirits, with productivity efficiencies being reinvested in the business.

Key financials £ million:

	F18 H1	FX	Reclassifi-cation(i)	Acquisitionsanddisposals	Organic movement	F19 H1	Reported movement%
Net sales	2,183	44	1	(2)	130	2,356	8
Marketing	338	10	(1)	-	36	383	13
Operating profit	1,027	39	1	(2)	36	1,101	7

(i) Reclassification comprises a reallocation of the results of Travel Retail to the geographical regions.

Markets:

Organicvolumemovement Reportedvolumemovement

Global giants, local stars and reserve(i):

Organicvolumemovement(ii)

			Organicnet salesmovement	Reportednet salesmovement
	%	%	%	%
North America	3	2	6	8
US Spirits	1	-	5	7
DBC USA	10	10	13	15
Canada	5	5	5	3
Spirits	2	1	5	7
Beer	(1)	(1)	1	3
Ready to drink	23	23	22	24

		Organicnet salesmovement	Reportednet salesmovement
	%	%	%
Crown Royal	5	4	7
Smirnoff	-	(1)	-
Captain Morgan	(6)	(7)	(6)
Johnnie Walker	9	10	12
Ketel One(iii)	19	22	25
Cîroc vodka	(11)	(14)	(11)
Baileys	3	4	5
Guinness	(1)	2	4
Tanqueray	(2)	(5)	(1)
Don Julio	22	28	31
Bulleit	10	7	10
Buchanan's	12	7	9

(i) Spirits brands excluding ready to drink.
(ii) Organic equals reported volume movement except for Johnnie Walker 8%, Cîroc vodka (12%), Baileys 2% and Tanqueray (3%), largely due to the reallocation of the results of Travel Retail.
(iii) Ketel One includes Ketel One vodka and Ketel One Botanical.

Net sales in US Spirits were up 5%, broadly in line with depletions. The net sales growth benefitted from the disposal of a portfolio of 19 brands to Sazerac that was completed on 20 December 2018. Crown Royal net sales were up 4% and gained share in its category. Growth was largely driven by Regal Apple and the limited time offer Salted Caramel, which more than offset a net sales decline in Crown Royal Deluxe which lapped strong growth in the prior year. Net sales in Bulleit were up 7% as the brand benefitted from the scaled up "frontier work" platform. In scotch, share gains were achieved by Johnnie Walker, Buchanan's and the portfolio of scotch malts. Johnnie Walker net sales increased 9% largely driven by the successful launch of "White Walker by Johnnie Walker" inspired by the TV series Game of Thrones. In vodka, net sales were flat, an improvement, having declined 8% in the prior year. Ketel One vodka net sales were up 22% as the trademark benefitted from the successful launch of Ketel One Botanical, and offset declines in Smirnoff and Cîroc vodka. Smirnoff net sales declined 2% but brand equity scores improved through focus on its quality credentials at a great price and the introduction of the new "Fun Percent" campaign platform which highlights Smirnoff's unique view point of the world through "You Don't Need a Lot to Have a Good Time". Captain Morgan net sales declined 9% as the brand was impacted by a strong comparative in the prior year and category decline. Baileys grew 4% and gained category share as it continued to focus on reminding consumers of its indulgent treat year-round positioning. In tequila, Don Julio and Casamigos grew strong double digit and gained share in the period within the tequila category.

DBC USA net sales increased 13% with good performance in both ready to drink and beer. Ready to drink net sales increased 24%, as the business continued to benefit from the success of Smirnoff Spiked Seltzer and Smirnoff Ice Smashed roll out, as well as growth in core Smirnoff Ice. In beer, net sales were up 2% driven by Guinness, with the brand expanding consumption occasions at home and in craft bars and benefitting from the successful opening of its Open Gate Brewery and Barrel House in Maryland.

Net sales in Canada grew 5%, driven by growth in ready to drink and spirits. In ready to drink, growth was driven by Smirnoff Ice which benefitted from packaging renovation and the launch of new flavours. Spirits net sales were up 4% with broad based growth across all categories, as the business also benefitted from a weak comparative in the prior year.

Marketing grew 10% with an up-weight in investment to continue to strengthen brand equity and deliver sustainable growth in the medium term.

Europe and Turkey

Europe and Turkey delivered 5% net sales growth, reflecting another half year of consistent performance in Europe where net sales were up 5% with double digit growth in Turkey. Europe growth was driven by Great Britain, Ireland and Continental Europe. Strong growth in gin continued with Tanqueray and Gordon's growing double digit. Western Europe gained over 600bps of market share in gin. Both Gordon's and Tanqueray continued to benefit from strong growth across their core and innovation variants. Beer was up 4% driven by strong performance from Guinness Draught, continued growth of Hop House 13 Lager and the successful launch of Rockshore lager in Ireland. Scotch net sales were down 1% as innovation led growth in Johnnie Walker was more than offset by the weaker performance of JeB and scotch malts. Smirnoff net sales grew 1% driven by growth in Great Britain and Ireland partially offset by a decline in Continental Europe. Ready to drink grew 28% driven by strong growth across the Gordon's premix range. In Turkey, net sales were up 10% driven by inflation and excise led price increases. The operating margin remained flat as positive price/mix and productivity savings were offset by up-weighted marketing investment, as well as inflationary pressure, especially in Turkey.

Key financials £ million:

	F18 H1	FX	Reclassifi-cation(i)	Acquisitionsanddisposals	Organic movement	F19 H1	Reported movement%
Net sales	1,599	(60)	12	(1)	83	1,633	2
Marketing	246	(7)	-	-	21	260	6
Operating profit	599	(25)	9	-	31	614	3

(i) Reclassification comprises a reallocation of the results of Travel Retail to the geographical regions.

Markets:

Global giants and local stars(i):

	Organic volume movement	Reported volume movement	Organic net sales movement	Reported net sales movement
	%	%	%	%
Europe and Turkey	1	2	5	2
Europe	4	4	5	4
Turkey	(11)	(12)	10	(25)
Spirits	1	1	4	-
Beer	5	5	4	4
Ready to drink	24	23	28	27

	Organic volume movement(ii)	Organic net sales movement	Reported net sales movement
	%	%	%
Guinness	3	3	3
Johnnie Walker	(2)	3	6
Smirnoff	-	1	1
Baileys	(3)	-	(1)
Yenì Raki	(17)	5	(29)
Captain Morgan	2	(1)	(3)
JeB	(9)	(9)	(9)
Tanqueray	25	34	33

(i) Spirits brands excluding ready to drink.
(ii) Organic equals reported volume movement except for Johnnie Walker 1%, Captain Morgan 1%, JeB (8%) and Tanqueray 24% largely due to the reallocation of the results of Travel Retail.

In Europe, net sales were up 5%:

In Great Britain, net sales grew 14%. Gordon's and Tanqueray both delivered strong double digit growth. Diageo gained almost 700bps of share in an expanding gin category. Guinness net sales grew 6% and gained 14bps of market share, driven by a strong performance for Hop House 13 Lager. Scotch net sales were flat as growth in Johnnie Walker and Bell's was offset by an increasingly competitive environment in scotch malts. Johnnie Walker grew 6% partially driven by the launch of "White Walker by Johnnie Walker". Smirnoff returned to growth with a 4% increase. Baileys net sales declined 5% driven by shipment phasing, but gained share in the category.

Ireland grew net sales 5%. Beer grew net sales 3% driven by the launch of Rockshore lager and the continued growth of Hop House 13 Lager, partially offset by a 3% decline in Guinness Draught. In spirits net sales grew double digit largely driven by Gordon's and Baileys.

In Continental Europe, net sales were up 1%:

Iberia net sales grew 1%. Growth was driven by strong performance in Tanqueray, Baileys and Gordon's. Scotch declined 3% as growth in Cardhu and Johnnie Walker was offset by declines in JeB. In Spain market share in scotch was broadly flat, as the category continued to decline.

In Central Europe, net sales declined 6% largely driven by volume declines in Germany following recent pricing actions.

In Northern Europe net sales were up 10% driven by growth across both Benelux and the Nordics.

In Mediterranean Hub, net sales were down by 5% lapping a strong comparative performance in the prior period.

Europe Partner Markets grew net sales 6% driven by strong Guinness performance and continued growth in Johnnie Walker.

Russia net sales grew 2%. Growth was largely driven by scotch.

France net sales declined 1% due to a decline in JeB and Johnnie Walker, partially offset by double digit growth in Captain Morgan.

In Turkey, net sales grew 10% reflecting the impact of price taken in response to increases in excise duties and inflation. Growth was largely driven by Yenì Raki which grew net sales by 6% and scotch which grew double digit, led by strong growth in Johnnie Walker.

Marketing investment increased 9% focused on the most significant growth opportunities.

Africa

Africa net sales grew 6% with growth in East Africa, Africa Regional Markets and South Africa partially offset by a decline in Nigeria. In East Africa net sales grew 13% lapping prior year weakness following the presidential election in Kenya. Across Africa, beer net sales were up 5% with strong growth in Serengeti Lite in Tanzania and Senator Keg in Kenya. Guinness and Malta Guinness grew 5% and 10%, respectively across all key markets. Spirits delivered double digit net sales growth largely driven by Smirnoff 1818 and Tanqueray in South Africa, and Chrome Vodka in Kenya. Scotch has returned to growth at 1% driven by strong growth across East Africa, Africa Regional Markets and Nigeria, partially offset by declines in South Africa as a result of category weakness. Operating margin improved by 336bps driven by improved price/mix and the continued benefit from productivity initiatives more than offsetting cost inflation.

Key financials £ million:

	F18 H1	FX	Acquisitionsanddisposals	Organic movement	F19 H1	Reported movement%
Net sales	774	(1)	(1)	49	821	6
Marketing	83	3	-	5	91	10
Operating profit	120	(2)	-	35	153	28

Markets:

	Organicvolumemovement	Reportedvolumemovement	Organicnet salesmovement	Reportednet salesmovement
	%	%	%	%
Africa	1	1	6	6
East Africa	13	13	13	16

Global giants and local stars(i):

	Organicvolumemovement	Organicnet salesmovement	Reportednet salesmovement
	%	%	%
Guinness	3	5	5
Johnnie Walker	(8)	(1)	(1)
Smirnoff	2	14	12

Africa Regional Markets(ii)	(4)	4	6	10
Nigeria	(13)	(13)	(4)	(3)
South Africa(ii)	-	(10)	4	(8)
Spirits	5	5	11	9
Beer	1	1	5	7
Ready to drink	(1)	(1)	7	6

Other beer:			
Malta Guinness	4	10	7
Tusker	(8)	(3)	(1)
Senator	20	23	27
Serengeti	59	65	65

(i) Spirits brands excluding ready to drink.
(ii) In the six months ended 31 December 2018 the following countries, Mozambique, Zambia, Zimbabwe, St Helena and Malawi, moved on a management basis from South Africa to Africa Regional Markets. This reallocation has been reflected in the organic reporting.

In East Africa, net sales grew by 13%. Kenya benefitted from lapping prior year weakness driven by political uncertainty following the presidential election and Tanzania continued to grow double digit. Beer grew 12% led by continued strong growth in Serengeti Lite in Tanzania and a return to growth of Senator Keg in Kenya. Guinness grew by 3%. Mainstream spirits continued to grow strong double digit.

In Africa Regional Markets, net sales increased by 6% with growth in Ghana and a return to growth in Cameroon as it lapped prior year challenges in the distributor network. Beer grew 6% driven by growth across all key brands with particularly strong performance in Malta Guinness and return to growth in Guinness. Scotch also returned to growth lapping a weak comparative in Cameroon.

South Africa net sales returned to growth of 4% driven by strong spirits performance in Tanqueray, Captain Morgan and double digit growth in Smirnoff 1818.

In Nigeria, net sales declined by 4% as growth in Guinness and double digit growth in spirits was more than offset by competitive pressure impacting the lager segment.

Marketing investment increased 6%. In Nigeria, marketing was focused on key campaigns including Malta Guinness "Fuel Your Greatness". In East Africa last year's successful Guinness campaign was evolved as "Win a Chance to meet Rio Ferdinand" and Serengeti is a sponsor of the Tanzanian national football team.

Latin America and Caribbean

Latin America and Caribbean delivered 9% growth in net sales with strong performance in Mexico, Colombia and CCA, which benefitted from lapping the impact of last year's hurricanes. Growth in the region was broad based across all categories. Scotch grew 8% with continued solid performance of Johnnie Walker and primary scotch growing 8% and 15%, respectively. Buchanan's was up 8% and Old Parr returned to growth as the brands benefitted from lapping last year's tax changes in Colombia. Don Julio delivered double digit growth led by Mexico. Tanqueray and Smirnoff's double digit growth was driven by Brazil. Operating margin for the region increased 365bps benefitting from improved price/mix and productivity led efficiencies partially offset by inflationary pressure on commodity input costs.

Key financials £ million:

	F18 H1	FX	Reclassifi-cation(i)	Acquisitionsanddisposals	Organic movement	F19 H1	Reported movement%
Net sales	649	(35)	-	1	57	672	