

V F CORP  
Form 4  
July 06, 2015

**FORM 4**

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

OMB APPROVAL

OMB Number: 3235-0287  
Expires: January 31, 2015  
Estimated average burden hours per response... 0.5

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. See Instruction 1(b).

**STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES**

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person \*  
Shattock Matthew J

(Last) (First) (Middle)  
105 CORPORATE CENTER BLVD  
(Street)

GREENSBORO, NC 27408

(City) (State) (Zip)

2. Issuer Name and Ticker or Trading Symbol  
V F CORP [VFC]

3. Date of Earliest Transaction  
(Month/Day/Year)  
07/02/2015

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

\_\_\_ Director \_\_\_ 10% Owner  
\_\_\_ Officer (give title below) \_\_\_ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)  
\_X\_ Form filed by One Reporting Person  
\_\_\_ Form filed by More than One Reporting Person

**Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned**

1. Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)	4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)	5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Ownership Indirect Beneficial Ownership (Instr. 4)
				(A) or (D)	Code V Amount (D) Price		

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

**Persons who respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB control number.**

SEC 1474 (9-02)

**Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)**

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)	5. Number of Derivative Securities Acquired (A) or	6. Date Exercisable and Expiration Date (Month/Day/Year)	7. Title and Amount of Underlying Securities (Instr. 3 and 4)
--	------------------------------------	--------------------------------------	--	--------------------------------	--	--	---



Edgar Filing: V F CORP - Form 4

<b>Average shares</b>	million	million	million	million	million	million	million	million
	2,507	2,507	2,501	2,502	2,495	2,493	2,486	2,485

	2013	As at 31 December				As at 30 June		
		2013	2012	2013	2012	2011	2010	2009
		(restated)	(restated)	(restated)	(restated)	(restated)	(restated)	(restated)
<b>Balance sheet data(1)(2)(8)</b>	\$ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
Total assets	<b>40,247</b>	<b>24,245</b>	23,240	24,991	22,269	19,720	19,394	17,969
Net assets	<b>13,343</b>	<b>8,038</b>	7,431	8,088	6,792	5,959	4,762	3,855
Net borrowings(6)	<b>15,099</b>	<b>9,096</b>	7,891	8,403	7,573	6,480	6,980	7,443
Equity attributable to the parent company's equity shareholders	<b>11,763</b>	<b>7,086</b>	6,327	7,036	5,588	5,245	4,007	3,169
Share capital(7)	<b>1,323</b>	<b>797</b>	797	797	797	797	797	797

This information should be read in conjunction with the notes on pages 7 to 8. Comparative figures have been restated following the adoption of IFRS 11 and the amendment to IAS 19. See Note 1 and 15 to the financial information.

Table of Contents**Notes to the selected consolidated financial data**

**(1) IFRS accounting policies** The unaudited condensed consolidated financial information for the six months ended 31 December 2013 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) Impact of new accounting standards and amendments to accounting standards** As reported in Note 1 to the financial information, the group has adopted IFRS 11 and the amendment to IAS 19.

IFRS 11 has changed the accounting for certain joint arrangements which were formerly consolidated on a line by line basis but now the group's net share of their net income is included in the line 'Share of profits of associates after tax'. IAS 19 changes the calculation of the amounts for post employment arrangements included in operating profit, finance charges and the statement of comprehensive income. All comparative information has been restated.

The adoption of the changes reduced sales for the six months ended 31 December 2012 by £104 million (year ended 30 June 2013 £211 million; 2012 £202 million; 2011 £189 million; 2010 £165 million; 2009 £158 million), reduced net profit for the six months ended 31 December 2012 by £24 million (year ended 30 June 2013 £44 million; 2012 £51 million; 2011 £57 million; 2010 £35 million; 2009 £35 million) and reduced basic earnings per share for the six months ended 31 December 2012 by 0.7 pence (year ended 30 June 2013 1.3 pence; 2012 1.6 pence; 2011 1.9 pence; 2010 1.1 pence; 2009 1.2 pence). The impact on the balance sheet data is not material.

**(3) Exceptional items** Exceptional items are charges or credits which, in management's judgement, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information. Such items are included within the income statement caption to which they relate. An analysis of exceptional items is as follows:

	Six months ended 31 December					Year ended 30 June	
	2013 £ million	2012 £ million	2013 £ million	2012 £ million	2011 £ million	2010 £ million	2009 £ million
<b>Items included in operating profit</b>							
Restructuring programmes	(20)	(4)	(69)	(96)	(111)	(142)	(170)
Pension changes – past service credits		20	20	115			
Brand impairment			(50)	(59)	(39)	(35)	
Duty settlements					(127)		
SEC settlement					(12)		
	(20)	16	(99)	(40)	(289)	(177)	(170)
<b>Non-operating items</b>	<b>138</b>		(83)	147	(14)	(15)	
<b>Items included in taxation</b>							
Tax (charge)/credit on exceptional operating items	3	(2)	27	19	51	39	37

Edgar Filing: V F CORP - Form 4

Tax on non-operating items			28		3	10	
Loss of future tax amortisation				(524)			
Settlements with tax authorities					66		155
	<b>3</b>	(2)	55	(505)	120	49	192
<b>Exceptional items included in continuing operations</b>	<b>121</b>	14	(127)	(398)	(183)	(143)	22
Discontinued operations net of taxation (note 4)	<b>(92)</b>			(11)		(19)	2
<b>Exceptional items</b>	<b>29</b>	14	(127)	(409)	(183)	(162)	24

**(4) Discontinued operations** In the six months ended 31 December 2013 discontinued operations represented a charge after taxation of £92 million (year ended 30 June 2012 £11 million; 2010 £19 million) in respect of the settlement of the litigation in Australia and New Zealand and anticipated future payments to thalidomide injured individuals and thalidomide organisations. In the year ended 30 June 2009 discontinued operations are in respect of the packaged food business (Pillsbury sold 31 October 2001).

**(5) Dividends** The board expects that Diageo will pay an interim dividend in April and a final dividend in October of each year. Approximately 40% of the total dividend in respect of any financial year is expected to be paid as an interim dividend and approximately 60% as a final dividend. The payment of any future dividends, subject to shareholder approval, will depend upon Diageo's earnings, financial condition and such other factors as the board deems relevant. Proposed dividends are not considered to be a liability until they are approved by the board for the interim dividend and by the shareholders at the annual general meeting for the final dividend.

The table below sets out the amounts of interim, final and total cash dividends paid by the company on each ordinary share. The dividends are translated into US dollars per ADS (each ADS representing four ordinary shares) at the actual rate on each of the respective dividend payment dates.

Table of Contents

		Six months ended 31 December					Year ended 30 June	
		2013	2012	2013	2012	2011	2010	2009
		pence	pence	pence	pence	pence	pence	pence
Per ordinary share	Interim	<b>19.7</b>	18.1	18.1	16.6	15.5	14.6	13.9
	Final			29.3	26.9	24.9	23.5	22.2
	Total	<b>19.7</b>	18.1	47.4	43.5	40.4	38.1	36.1
			\$	\$	\$	\$	\$	\$
Per ADS	Interim	<b>1.30</b>	1.10	1.10	1.05	1.01	0.89	0.82
	Final			1.89	1.72	1.59	1.48	1.45
	Total	<b>1.30</b>	1.10	2.99	2.77	2.60	2.37	2.27

Note: The interim dividend for the six months ended 31 December 2013 will be paid on 7 April 2014, and payment to US ADR holders will be made on 10 April 2014. In the table above, an exchange rate of £1 = 1.65 has been assumed for this dividend, but the exact amount of the payment to US ADR holders will be determined by the rate of exchange on 7 April 2014.

**(6) Net borrowings definition** Net borrowings are defined as gross borrowings (short term borrowings and long term borrowings plus finance lease liabilities plus interest rate hedging instruments, cross currency interest rate swaps and funding foreign currency forwards and swaps used to manage borrowings) less cash and cash equivalents.

**(7) Share capital** During the year ended 30 June 2009 the company purchased 38 million ordinary shares for cancellation or to be held as treasury shares at a cost of £354 million as part of a share buyback programme.

**(8) Exchange rates** A substantial portion of the group's assets, liabilities, revenues and expenses is denominated in currencies other than pounds sterling. For the convenience of the reader, selected consolidated financial information for the six months ended 31 December 2013 has been translated into US dollars at the noon buying rate on 31 December 2013 of £1 = \$1.66.

The following table shows period end and average US dollar/pound sterling noon buying exchange rates, for the periods indicated, expressed in US dollars per £1.

		Six months ended 31 December					Year ended 30 June	
		2013	2012	2013	2012	2011	2010	2009
		\$	\$	\$	\$	\$	\$	\$
Period/year end		1.66	1.63	1.52	1.57	1.61	1.50	1.65
Average rate*		1.60	1.60	1.57	1.59	1.59	1.57	1.60

\* The average of the noon buying rates on the last business day of each month during the six months ended 31 December and during the years ended 30 June.

## Edgar Filing: V F CORP - Form 4

The average exchange rate for the period 1 January to 31 January 2014 was £1=\$1.65 and the noon buying rate on 31 January 2014 was £1=\$1.65.

These rates have been provided for information only. They are not necessarily the rates that have been used in this document for currency translations or in the preparation of the consolidated financial information. See Note 2 to the unaudited condensed consolidated financial information for the actual rates used in the preparation of the consolidated financial information.

Table of Contents**CAPITALISATION AND INDEBTEDNESS**

The following table sets out on an IFRS basis the unaudited capitalisation of Diageo as at 31 December 2013:

	<b>31 December 2013</b> <b>£ million</b>
Short term borrowings and bank overdrafts (including current portion of long term borrowings)	<b>3,007</b>
Long term borrowings	
Due from one to five years	<b>3,525</b>
Due after five years	<b>3,191</b>
	<b>6,716</b>
Finance lease obligations	<b>299</b>
Non-controlling interests	<b>952</b>
Equity attributable to the equity shareholders of the parent company	
Share capital	<b>797</b>
Share premium	<b>1,344</b>
Capital redemption reserve	<b>3,146</b>
Fair value, hedging and exchange reserve	<b>(606)</b>
Own shares	<b>(2,241)</b>
Other retained earnings	<b>4,646</b>
	<b>7,086</b>
Total capitalisation	<b>18,060</b>

**Notes**

- (1) At 31 December 2013, the group had cash and cash equivalents of £891 million.
- (2) At 31 December 2013, 2,754,201,224 ordinary shares of 28 101/108 pence each were issued, all of which were fully paid, including shares issued, shares issued and held in employee share trusts and those held as treasury shares.
- (3) On 3 July 2013 Diageo Holdings Netherlands B.V., a wholly owned subsidiary of Diageo, agreed to issue a conditional back-stop guarantee to Standard Chartered Bank for \$135 million (£81 million). This guarantee was subsequently issued. Apart from this there have been no material changes to the performance guarantees or indemnities to third parties from those reported in Diageo's Annual Report on Form 20-F for the year ended 30 June 2013.
- (4) Since 31 December 2013 no shares have been acquired by Diageo as part of the share buyback programs or to be held as treasury shares for hedging share scheme grants provided to employees.



Edgar Filing: V F CORP - Form 4

(5) On 31 January 2014, Diageo acquired an additional 2.41% equity share (3.5 million shares) in USL through an on-market purchase on the Bombay Stock Exchange at a cost of INR 2474 per share totalling INR 8.7 billion (£85 million). This brought the aggregate equity stake held by Diageo to 28.78% of USL.

(6) Save as disclosed above there has been no material change since 31 December 2013 in the group's net borrowings, performance guarantees, indemnities and capitalisation.

Table of Contents

**BUSINESS REVIEW**

**Information presented**

Diageo is the world's leading premium drinks business and operates on an international scale selling all types of beverage alcohol. It is one of a small number of premium drinks companies that operate globally across spirits, beer and wine.

The following discussion is based on Diageo's results for the six months ended 31 December 2013 compared with the six months ended 31 December 2012.

**Impact of new accounting standards**

In the six months ended 31 December 2013, the group has adopted IFRS 11 and the amendment to IAS 19. As a consequence, comparative prior period figures have been restated. See Note 1 and 15 to the condensed consolidated financial statements.

**Revised segmental information for prior reporting periods**

In the year ended 30 June 2013, Diageo changed its internal reporting structure to reflect changes made to management responsibilities. As a result of this change, Diageo reports the following geographical segments both for management reporting purposes and in the external financial statements: North America; Western Europe; Africa, Eastern Europe and Turkey; Latin America and Caribbean; Asia Pacific and Corporate. As a consequence of these changes, comparative prior period figures have been restated. Restated segmental information for volume, sales, net sales, marketing spend and operating profit before exceptional items for prior periods with a reconciliation to previously reported figures are provided in 'Definitions and reconciliations of non-GAAP measures to GAAP measures' on page 29.

**Recent developments**

On 30 January 2014, Diageo announced its plan to de-layer the organisation and deliver further operating efficiencies. Restructuring costs, expected to be reported as an exceptional charge, will be between £200 million and £250 million. It is expected that there will be some impact on cash flow in the six months ending 30 June 2014 but the significant cash expenditure in respect of the restructuring will be in the year ending 30 June 2015.

On 31 January 2014, Diageo acquired an additional 2.41% equity share (3.5 million shares) in USL through an on-market purchase on the Bombay Stock Exchange at a cost of INR 2474 per share totalling INR 8.7 billion (£85 million). This brought the aggregate equity stake held by Diageo to 28.78% of USL.

**Trend information**

Ivan Menezes, Chief Executive of Diageo, commenting on the six months ended 31 December 2013 said:

We have continued to demonstrate the strength of our broad portfolio and diverse global business in a period which saw a more challenging emerging market environment. Sustained performance in the US and improved performance in Western Europe enabled Diageo to absorb the current challenges in some of our emerging markets. We reacted quickly to the changing emerging market environment, reducing inventory levels in several key markets, which led to a weaker Q2, and tightly managing our cost base to deliver improved operating margins in line with our expectations. We continued to invest in the business increasing marketing spend ahead of net sales growth and keeping our strong focus on innovation and route to consumer improvements.

In the first half the organisation has aligned behind the six key performance drivers which I identified when I was appointed CEO; premium core brands, reserve, innovation, route to consumer, cost and talent. This clarity of focus at a market level enables me to take the changes I have already made to the operating model to the next level. Over the next two months we will set out detailed plans to simplify our processes and de-layer our organisation. This will create a more agile, accountable and effective organisation to deliver our performance ambition. I expect this to deliver cost savings of £200 million a year by the end of fiscal 2017.

We do expect some top line improvement in the second half and our focus across the business on the six key performance drivers means that even though some markets may remain challenging, this business is in good shape for the medium and long term and we remain committed to achieving our performance ambition.

The above comments were made by Ivan Menezes, Chief Executive of Diageo, in connection with the release of the Interim Announcement published on 30 January 2014.

Table of Contents**Operating results for the six months ended 31 December 2013 compared with the six months ended 31 December 2012**

	Six months ended 31 December 2013	Six months ended 31 December 2012 (restated)
	£ million	£ million
<b>Summary consolidated income statement</b>		
<b>Sales</b>	<b>8,014</b>	8,131
Excise duties	(2,082)	(2,156)
<b>Net sales</b>	<b>5,932</b>	5,975
Operating costs before exceptional items	(3,872)	(3,974)
<b>Operating profit before exceptional items</b>	<b>2,060</b>	2,001
Exceptional operating items	(20)	16
<b>Operating profit</b>	<b>2,040</b>	2,017
Non-operating items	138	
Net finance charges	(225)	(229)
Share of associates' profits after tax	181	140
<b>Profit before taxation</b>	<b>2,134</b>	1,928
Taxation	(388)	(351)
<b>Profit from continuing operations</b>	<b>1,746</b>	1,577
Discontinued operations	(92)	
<b>Profit for the period</b>	<b>1,654</b>	1,577
<b>Attributable to:</b>		
Equity shareholders of the parent company	1,599	1,521
Non-controlling interests	55	56
	<b>1,654</b>	1,577

**Sales and net sales**

On a reported basis, sales decreased by £117 million from £8,131 million in the six months ended 31 December 2012 to £8,014 million in the six months ended 31 December 2013 and net sales decreased by £43 million from £5,975 million in the six months ended 31 December 2012 to £5,932 million in the six months ended 31 December 2013. Exchange rate movements decreased reported sales by £143 million and reported net sales by £86 million. Disposals decreased reported sales by £179 million and reported net sales by £143 million.

**Operating costs before exceptional items**

On a reported basis, operating costs before exceptional items decreased by £102 million from £3,974 million in the six months ended 31 December 2012 to £3,872 million in the six months ended 31 December 2013 due to a decrease in cost of sales of £64 million from £2,248 million to £2,184 million, a decrease in marketing spend of £15 million from £918 million to £903 million, and a decrease in other operating expenses before exceptional costs of £23 million, from £808 million to £785 million. Exchange rate movements benefited total operating costs before exceptional items by £32 million.

**Exceptional operating items**

Exceptional operating charges of £20 million in the six months ended 31 December 2013 comprised £3 million (2012: £nil) in respect of the Supply excellence restructuring programme and £17 million (2012: £4 million) for the restructuring of the group's supply operations in Ireland.

In the six months ended 31 December 2012 exceptional operating items also included a gain of £20 million in respect of changes to future pension increases for the Diageo Guinness Ireland Group Pension Scheme.

In the six months ended 31 December 2013 total restructuring cash expenditure was £41 million (2012 £34million). An exceptional charge of approximately £70 million is expected to be incurred in the year ending 30 June 2014 in respect of the Supply excellence review and the restructuring of the group's supply operations in Ireland, and the cash expenditure in respect of these programmes is expected to be approximately £75 million.

**Operating profit**

Reported operating profit for the six months ended 31 December 2013 increased by £23 million to £2,040 million from £2,017 million in the comparable prior period. Before exceptional operating items, operating profit for the six months ended 31 December 2013 increased by £59 million to £2,060 million from £2,001 million in the comparable prior period. Exchange rate movements decreased both operating profit and operating profit before exceptional items for the six months ended 31 December 2013 by £54 million. Acquisitions increased reported operating profit by £22 million and disposals decreased reported operating profit by £38 million.

Table of Contents

**Non-operating items**

In the six months ended 31 December 2013 non-operating items of £138 million included a gain of £140 million following the acquisition of additional equity shares in United Spirits Limited (USL) which increased the group's equity interest in USL from 10.04% to 25.02% and triggered a change in accounting from available-for-sale investments to associates. As a result, the accumulated fair value movements, in respect of the 10.04% holding in USL, previously reported in other comprehensive income were recycled to the income statement.

**Net finance charges**

Net finance charges amounted to £225 million in the six months ended 31 December 2013 (2012 £229 million).

Net interest charge decreased by £13 million from £201 million in the comparable prior period to £188 million in the six months ended 31 December 2013. The effective interest rate was 4.1% (2012 4.9%) in the six months ended 31 December 2013 and average net borrowings increased by £1,016 million compared to the comparable prior period. For the calculation of effective interest rate, the net interest charge excludes fair value adjustments to derivative financial instruments and borrowings and average monthly net borrowings include the impact of interest rate swaps that are no longer in a hedge relationship but exclude the market value adjustment for cross currency interest rate swaps.

Net other finance charges for the six months ended 31 December 2013 were £37 million (2012 £28 million). There was a decrease of £15 million in finance charges in respect of post employment plans from £22 million in the six months ended 31 December 2012 to £7 million in the six months ended 31 December 2013. Other finance charges also included £3 million (2012 £6 million) in respect of the unwinding of discounts on liabilities and a hyperinflation adjustment of £27 million (2012 £2 million) in respect of the group's Venezuela operations.

**Associates**

The group's share of associates' profits after interest and tax was £181 million for the six months ended 31 December 2013 compared to £140 million in the comparable prior period. Diageo's 34% equity interest in Moët Hennessy contributed £164 million (2012 £132 million) to share of associates' profits after interest and tax.

**Profit before taxation**

Profit before taxation increased by £206 million from £1,928 million in the comparable prior period to £2,134 million in the six months ended 31 December 2013.

**Taxation**

The reported tax rate remained unchanged at 18.2% in the six months ended 31 December 2013 compared to the comparable prior period. The tax rate before exceptional items for the six months ended 31 December 2013 was 19.4% compared with 18.3% in the six months ended 31 December 2012. In the six months ended 31 December 2013 an increase in the hyperinflation charge for Venezuela which is not tax deductible, and an increase in the proportional share of profit from Venezuela impacted the tax charge for the period. Excluding the group's Venezuelan

operation, the tax rate before exceptional items was 17.9%, and it is expected that it will remain at approximately 18%.

### Discontinued operations

Discontinued operations in the six months ended 31 December 2013 represented a charge after taxation of £92 million (2012 £nil) in respect of the settlement of the litigation in Australia and New Zealand (£51 million) and anticipated future payments to thalidomide injured individuals and thalidomide organisations (£41 million). It is anticipated that approximately £65 million will be paid in the year ending 30 June 2014.

### Exchange rate and other movements

Exchange rate movements are calculated by retranslating the prior period results as if they had been generated at the current period exchange rates. The difference is excluded from organic growth. The estimated effect of exchange rate and other movements on profit before exceptional items and taxation for the six months ended 31 December 2013 is set out in the table below.

	Gains/(losses) £ million
Operating profit before exceptional items	
Translation impact	(9)
Transaction impact	(45)
<b>Total exchange effect on operating profit before exceptional items</b>	<b>(54)</b>
Interest and other finance charges	
Net finance charges translation impact	1
Mark to market impact of IAS 39 on interest expense	1
Impact of IAS 21 and IAS 39 on other finance charges	(1)
Associates translation impact	9
<b>Total effect on profit before exceptional items and taxation</b>	<b>(44)</b>

Table of Contents

	Six months ended 31 December 2013	Six months ended 31 December 2012
Exchange rates		
Translation £1 =	\$ 1.60	\$ 1.60
Transaction £1 =	\$ 1.58	\$ 1.59
Translation £1 =	1.18	1.25
Transaction £1 =	1.23	1.21

The results for the six months ended 31 December 2013 include net sales and operating profit attributable to Venezuela of £294 million (2012 £126 million) and £204 million (2012 £68 million), respectively. Cash and cash equivalents include £291 million denominated in Venezuelan bolivar as at 31 December 2013. A change in the exchange rate from \$1 = VEF9 (£1 = VEF14.9) to \$1 = VEF19 (£1 = VEF30.4) would, for the six months ended 31 December 2013, reduce net sales by £149 million (2012 £66 million), operating profit by £108 million (2012 £35 million) and cash and cash equivalents by £148 million. In the calculation of organic growth for the six months ended 31 December 2013, the group's Venezuelan operations have been translated at a rate of \$1 = VEF19 (£1 = VEF30.4) to ensure currency controls do not materially distort the group's performance. The rate of \$1 = VEF19 is derived from the consolidation rate of \$1 = VEF9 adjusted by inflation.

**Dividend**

An interim dividend of 19.7 pence per share will be paid to holders of ordinary shares and ADRs on the register as of 28 February 2014. This represents an increase of 9% on last year's interim dividend. The interim dividend will be paid to shareholders on 7 April 2014. Payment to US ADR holders will be made on 10 April 2014. A dividend reinvestment plan is available in respect of the interim dividend and the plan notice date is 14 March 2014.

**Analysis by reporting segments**

The organic movements for volume, net sales, marketing spend and operating profit before exceptional items by reporting segment for the six months ended 31 December 2013 were as follows:

	Volume	Net sales	Marketing spend	Operating profit*
	%	%	%	%
<b>Organic growth by region</b>				
North America	(2)	5	5	8
Western Europe	(2)	(1)	(2)	(3)
Africa, Eastern Europe and Turkey	(4)	2	8	(4)
Latin America and Caribbean	(2)	8	8	10
Asia Pacific	(4)	(6)	(3)	(4)
<b>Diageo**</b>	(3)	2	3	3

\* Operating profit excluding exceptional items.

\*\* Including Corporate.

**Corporate revenue and costs**

## Explanation of Responses:



Net sales were £42 million in the period ended 31 December 2013, flat relative to the comparable prior period. Net operating charges were £67 million in the period ended 31 December 2013 (2012 £72 million). The reduction comprised, a £6 million decrease in corporate costs, less a £1 million adverse exchange rate movement.

Table of Contents**North America**

Larry Schwartz, President, Diageo North America, commenting on the six months ended 31 December 2013, said:

Our North American business has delivered a strong set of results in a market where economic recovery has been uneven. Net sales grew 5% with 7ppts of positive price/mix, driven by price increases, favourable mix in US spirits and new innovation launches. Our reserve brands grew 26%, driven by Ciroc, Bulleit, Ketel One vodka and Johnnie Walker which gained a point of share and consolidated its leadership position in the category. Smirnoff's volume declined as it maintained its price position in an increasingly competitive standard vodka category. Our leadership in innovation continued to be a key driver of growth with a number of current and prior year launches amongst the strongest performers in innovation in the United States. Diageo Canada has been affected by economic slowdown as well as a decline in ready to drink and Baileys. While DGUSA net sales declined 10% as a result of destocking in the pouch segment, Guinness was back in growth as our new marketing campaign reinvigorated the brand. Marketing investment was up 5% and focused on key brands such as Guinness and Johnnie Walker and our reserve brands. We have continued to build on our already strong route to market, covering more retail outlets and increasing dedicated resources. Our strong price/mix drove gross margin expansion and overheads were reduced, resulting in an operating margin expansion of 1.3ppts.

	Six months ended 31 December 2012 (restated) £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	Six months ended 31 December 2013 £ million	Reported movement %
<b>Key financials:</b>						
Net sales	1,942	(9)	(111)	82	1,904	(2)
Marketing spend	299	(1)	(18)	13	293	(2)
Operating profit before exceptional items	822		(31)	60	851	4
Exceptional items					(1)	
Operating profit	822				850	3
				Organic volume* %	Organic net sales %	Reported net sales %
<b>Key markets and categories:</b>						
North America				(2)	5	(2)
US Spirits & Wines				(1)	6	(1)
DGUSA				(8)	(10)	(10)
Canada				(3)	(1)	(7)
Spirits**				(2)	5	(1)
Beer				(3)		(1)
Wine				(3)	5	5
Ready to drink				(10)	(17)	(30)
				Organic volume* %	Organic net sales %	Reported net sales %
<b>The strategic brands**:</b>						
Johnnie Walker				1	13	13

Edgar Filing: V F CORP - Form 4

Crown Royal	(3)	1	
Buchanan s	18	19	19
Smirnoff	(7)	(5)	(5)
Ketel One vodka	4	7	7
Cîroc	16	18	18
Captain Morgan	2	3	2
Baileys	(1)	2	1
Tanqueray	(4)	(3)	(3)
Guinness	1	4	3

\* Organic equals reported movement for volume except for North America (7)%, US Spirits & Wines (7)%, Canada (5)%, spirits (7)% and ready to drink (17)%, reflecting the disposal of Nuvo and the termination of the Jose Cuervo distribution agreement.

\*\* Spirits brands excluding ready to drink.

• In **US Spirits & Wines**, which grew net sales 6% with 7ppts of positive price/mix, super and ultra premium segments and new innovation launches fuelled growth. Weaker volume in Smirnoff was the main driver of the 1% volume decline. Good performance from the Smirnoff Sorbet line and the extension of the Confectionary line was not enough to offset a decline in the Smirnoff core variant, whose price premium in an increasingly price competitive segment has impacted volume. Net sales of Johnnie Walker grew 16% on the back of increased marketing investment and the successful launches of new super premium variants such as Johnnie Walker Platinum Label and Johnnie Walker Gold Label Reserve. Crown Royal and Bulleit continued to perform well in the growing North American whiskey category. Crown Royal grew net sales 1% after lapping last year s launch of Crown Royal Maple Finished, Bulleit outperformed the category and grew net sales 59%. Ketel One vodka and Cîroc grew ahead of the vodka category with Ketel One vodka net sales up 7% driven by the new Ketel One vodka of substance campaign and Cîroc up 16% following the successful launch of Cîroc Amaretto. Don Julio continued to perform strongly as net sales grew 25%, and gained share. Buchanan s volume and net sales grew double digit through its continued focus on the Hispanic community. Net sales growth in the second quarter benefited from the shipment of Captain Morgan white rum ahead of the launch in January.

Table of Contents

- In **Canada**, net sales were impacted by the weaker economy. Guinness and Cîroc grew while weakness in ready to drink and Baileys led to net sales decline of 1%.
- In **DGUSA** net sales were down 10% driven by category decline and destocking in the pouch segment, weakness in Smirnoff Ice, which continued to face competition from innovation in beer, and in Red Stripe. However, Guinness improved its performance and grew net sales 2%, benefiting from increased marketing investment on a new campaign.
- Marketing investment was up 5%, largely driven by increases in spend on premium core and reserve brands. Investment was focused on Johnnie Walker's super and ultra premium variants with the 'Keep walking' campaign aimed at maintaining the brand's relevance for a new generation of consumers, and on Guinness largely driven by the 'Basketball' national television commercial which generated 18 million views on YouTube. We increased media spend on proven campaigns such as the Crown Royal 'Reign on' campaign, 'Luck be a lady' campaign for Cîroc and launched the first Hispanic marketing programme for Captain Morgan, 'Noches del capitán', which contributed to making the brand popular amongst Hispanic male consumers. Marketing investment in our reserve portfolio grew 10% driven by increased commercial activation in Don Julio and support of the launch of Cîroc Amaretto.

**Western Europe**

*John Kennedy, President, Diageo Western Europe, commenting on the six months ended 31 December 2013, said:*

**The improvement in performance we delivered in the first quarter has continued through the half as a result of investment in brands and markets and successful innovation. The net sales decline of 1% was largely driven by the tough economic environment in Southern Europe and Ireland, where the beer market continues to decline. Great Britain and France both grew in this half and Germany continues to perform well. We continue to pursue our strategy to invest behind our premium core brands, our innovation agenda and our reserve portfolio. Overall marketing investment declined broadly in line with net sales, we have delivered greater efficiency in marketing spend and increased our media spend especially on Captain Morgan and Tanqueray which were the best performing brands in the region. Our upweighted investment on Cîroc, Johnnie Walker, Zacapa and Talisker has been an important driver of the continued double digit growth of our reserve brands. Innovation was a key contributor to Western Europe's improved performance, as we invested behind recent multi-country launches such as Baileys Chocolat Luxe and Parrot Bay Frozen Pouches, and sustained prior year launches. These results show we have the strategy to capture the growth opportunities in the region.**

	Six months ended 31 December 2012 (restated) £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	Six months ended 31 December 2013 £ million	Reported movement %
<b>Key financials:</b>						
Net sales	1,174	38	(21)	(12)	1,179	
Marketing spend	176	6	(2)	(3)	177	1
Operating profit before exceptional items	378	6	(2)	(12)	370	(2)
Exceptional items	20					
Operating profit	398				370	(7)



Table of Contents

	Organic volume* %	Organic net sales %	Reported net sales %
<b>Key market and categories:</b>			
Western Europe	(2)	(1)	
Spirits**	(1)	(1)	1
Beer	(7)	(4)	
Wine	(7)	(1)	(11)
Ready to drink	(1)		2

	Organic volume* %	Organic net sales %	Reported net sales %
<b>The strategic brands**:</b>			
Johnnie Walker	(1)	(2)	2
J B	(11)	(14)	(9)
Smirnoff	(2)	(4)	(2)
Captain Morgan	14	11	14
Baileys	(5)	(2)	1
Guinness	(6)	(3)	(1)

\* Organic equals reported movement for volume except for Western Europe (4)%, spirits (2)% and wine (15)%, reflecting the termination of the Jose Cuervo and Pommery distribution agreements.

\*\* Spirits brands excluding ready to drink.

- Volume in **Southern Europe** declined 7% and net sales 6% as the weak economy continued to affect consumption. Scotch net sales represents half of the business and declined double digit mainly driven by J B, as promotional activity was reduced. In contrast, Tanqueray grew double digit as the brand benefited from a new communication platform in the more vibrant gin category.

- In **Ireland** net sales were down 6% as the beer market continued to decline across all channels. As a result Guinness net sales declined 6% and the brand lost 0.5ppts of share mainly due to the warm summer. Excise duty was increased for the second year and contributed to the 16% net sales decline of the spirits portfolio.

- In **Great Britain** net sales grew 1%. Reserve brands performed strongly, up 24% driven by Ciroc and Talisker. Successful innovations also drove growth including Ciroc Red Berry, Smirnoff Gold and Baileys Chocolat Luxe. Pimm's net sales nearly trebled in the good summer weather and Captain Morgan performed well driven by increased media activity. Guinness performance was flat, however price increases and competitors pricing and promotional activity impacted Smirnoff and net sales declined 2%. The decision to hold price on Bell's impacted performance and net sales were down 21%.

- Germany** delivered net sales and volume growth of 6% and 3% respectively. Baileys and Johnnie Walker Red Label were weak as a result of price pressure. However the reserve portfolio performed well and net sales were up 22% driven by a strong performance of malts. Captain Morgan continued to perform strongly with net sales up 20%, gaining 2.6ppts of share on the back of a new television campaign.

- In **France** net sales were up 2% with 1ppt of positive price/mix, mainly driven by the solid performance of malts which gained share.

- Diageo Wines Europe** net sales declined 1% as Justerini & Brooks discontinued distribution of spirits to focus on the core wine business, which was up 1% overall.

## Explanation of Responses:

- Marketing investment decreased 2% mainly driven by Guinness, following last year's significantly increased investment. We upweighted our investment in media, supporting Johnnie Walker's "Where flavour is king" campaign, Captain Morgan's "Live like the captain" campaign in Germany which brings to life the legendary tales of Captain Henry Morgan and Baileys' "Christmas with spirit" campaign featuring a modern telling of the Nutcracker.
- Innovation has been a key contributor to Western Europe's performance. Successful recent launches include Baileys Chocolat Luxe, Parrot Bay frozen pouches, Ciroc Red Berry, Smirnoff Gold, Talisker Storm and Pimm's Blackberry and Elderflower.

#### **Africa, Eastern Europe and Turkey**

*Nick Blazquez, President, Diageo Africa, Eastern Europe and Turkey commenting on the six months ended 31 December 2013, said:*

**Our regional performance has been impacted by two factors; contraction of the beer market and the growth of value beers in Nigeria, and a decline in Senator keg as excise duty was introduced on the brand. This has led to a weaker top line performance and negatively impacted our margin. That said, the region has also achieved success in a number of areas; reserve brands grew strongly, South Africa delivered a very good performance, and in East Africa, net sales of Guinness and Tusker were up double digit. Russia and Poland delivered robust results through focused efforts on whiskey and Captain Morgan. Turkey delivered a solid performance given the recent duty increases and legislative changes to the sale and advertising of alcohol. We have continued to build our brands with the region's emerging market consumers and marketing was up 8%, driven by the rollout of successful innovations, notably in ready to drink in Africa and scotch in Russia and Eastern Europe. We relaunched the Guinness brand in Nigeria and East Africa with a step change in the quality of our packaging, new visibility materials, and a full suite of advertising assets as part of the new "Made of more" global positioning. We continued to make good progress in improving our route to consumer in Nigeria and Ghana and we have driven out costs in East Africa by optimising our supply chain. All of these initiatives further strengthen our position to capture the growth opportunities in the region.**

Table of Contents

	Six months ended 31 December 2012 (restated) £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	Six months ended 31 December 2013 £ million	Reported movement %
<b>Key financials:</b>						
Net sales	1,188	(50)	(3)	20	1,155	(3)
Marketing spend	137	(11)	(1)	10	135	(1)
Operating profit before exceptional items	371	(33)	1	(12)	327	(12)
Exceptional items					(2)	
Operating profit	371				325	(12)

	Organic volume* %	Organic net sales %	Reported net sales %
<b>Key markets and categories:</b>			
Africa, Eastern Europe and Turkey	(4)	2	(3)
Africa	(6)	2	(2)
Nigeria	(13)	(10)	(10)
East Africa	(9)	4	3
Africa Regional Markets	(8)	1	(2)
South Africa	7	20	1
Russia and Eastern Europe	4	5	3
Turkey	(5)	(1)	(10)
Spirits**	2	2	(6)
Beer	(16)	(4)	(5)
Ready to drink	91	70	62

	Organic volume* %	Organic net sales %	Reported net sales %
<b>The strategic brands**:</b>			
Johnnie Walker	4	2	(2)
J B	(4)	(3)	(10)
Smirnoff	(3)	(4)	(13)
Captain Morgan	21	17	9
Baileys	(11)	(5)	(6)
Guinness	(9)	(2)	(2)

\* Organic equals reported movement for volume except for: South Africa 6%, Russia and Eastern Europe 3% and Spirits 1% reflecting the termination of the Jose Cuervo distribution agreement.

\*\* Spirits brands excluding ready to drink.

• The beer market decline in **Nigeria** continued at a mid-single digit rate, and consumers continued to be drawn to value offerings, particularly in lager, as low government spending and high inflation constrained disposable incomes and Harp and Guinness were both impacted by this trading down and by the effect of price increases. Dubic, which was launched in fiscal 2012, is still a relatively small



proportion of the business but grew strongly and nearly doubled in size. In ready to drink, Snapp drove category net sales growth of 10%. Spirits volume was up 22% and net sales grew nearly 30% as a significant increase in marketing investment drove 39% growth on Johnnie Walker and reserve brands doubled.

- In **East Africa**, Senator keg was originally developed to replace illicit alcohol products and the government initially reduced and then eliminated duty on the brand. In October the duty remission was halved, leading to a 67% price increase. Following the price rise, volume fell significantly, and net sales were down for the half year. The bottled beer market in Kenya softened slightly following the introduction of the VAT act, but the Tusker brand remained strong and it delivered double digit net sales growth, maintained its leadership position and increased price. Guinness net sales also grew double digit and price increases were taken, supported by a significant increase in marketing investment behind the brand. The success of recent innovations, Jebel and Jebel Gold, a mid-proof spirit in a keg, drove almost half of the spirits net sales growth.

- Net sales in **Africa Regional Markets** grew 1%. While beer net sales in Ghana and Cameroon were roughly flat, as Malta compensated for softness in Guinness, Meta delivered a strong performance and the 15% growth of the brand drove 21% growth in Ethiopia. In West and Central Africa Johnnie Walker and Guinness net sales grew 35% and 21% respectively, on the back of strong brand execution and more consistent regional pricing. However, this was offset by the destock of Johnnie Walker in Angola as a result of the change in route to market which was introduced at the end of last year, and while net sales declined 74% in spirits, depletions continued to be strong.

- In **South Africa** net sales grew 20%, despite softness in the macroeconomic environment, on the success of recent innovations and the strength of marketing execution. Spirits performance was led by Johnnie Walker Red Label, with net sales growth of nearly 30%, as the brand was supported by increased distribution and activations in outlets. The growth of Johnnie Walker Red Label was offset in part by a 9% net sales decline in Smirnoff 1818, which continued to take share from competitor offerings but was lapping a strong performance in the comparable period. Ready to drink performed very well with the continued success of Smirnoff Ice Double Black & Guarana.

Table of Contents

- **Russia and Eastern Europe** delivered 5% net sales growth driven by whiskey and rum. In Russia, scotch volume was up 6%, with strong depletions driven by significant share gains on Johnnie Walker Red Label and Bell's, which was up 49%. Bushmills delivered a particularly good performance with net sales up 33%. Rums also performed well as Captain Morgan gained share against its main competitor in Russia with net sales up 36% and Zacapa net sales doubled. Vodka net sales declined slightly with a strong performance of Smirnoff in Poland offset by weakness in Smirnov in Russia where the mass vodka segment has been in double digit decline following duty increases.
- In **Turkey**, volume declined 5% and net sales were down 1%. Raki volume declined 6% in line with the category and the Diageo Raki portfolio maintained share. Scotch volume grew 2% but net sales declined as strong domestic depletions were offset by volume softness in duty free and North Cyprus, and recent price increases did not fully cover excise duty increases. In vodka, net sales declined 7%. Smirnoff domestic depletions were strong but price increases did not fully cover excise duty increases and Istanbul slowed in the increasingly price competitive value segment.

**Latin America and Caribbean**

Alberto Gavazzi, President, Diageo Latin America and Caribbean, commenting on the six months ended 31 December 2013, said:

Our performance in Latin America in the half has been solid reflecting resilience in consumer demand, albeit growth is now at more modest levels. This has resulted in the good performance of our domestic businesses. However the fluctuating currency environment has impacted trade in the free trade zone and border channels. This together with our tight management on pricing has led to destocking in West LAC. In Venezuela and Argentina the trading environment continues to be challenging. In both markets we are actively managing pricing and working to build our domestic portfolio and the strength of our scotch brands delivered good growth. In Brazil, performance improved, net sales were up mid-single digit, despite a destock which halved the rate of net sales growth. Our acquisition of Ypióca is now fully integrated and all the synergies identified. Our strong scotch portfolio continued to be a key driver of net sales growth, up 6% despite destocking and we are diversifying into other categories, with rums up over 20% and cachaça growing nearly 30%. We're building the strength of our brands with an 8% increase in marketing investment and we actively managed our cost base, driving operating margin expansion of 51 basis points, despite investment in route to consumer in Brazil, Mexico and Colombia.

	Six months ended 31 December 2012 (restated) £ million	Exchange*	Acquisitions and disposals £ million	Organic movement £ million	Six months ended 31 December 2013 £ million	Reported movement %
<b>Key financials:</b>						
Net sales	794	53	(5)	58	900	13
Marketing spend	120	(4)	(2)	9	123	3
Operating profit before exceptional items	301	60		25	386	28
Exceptional items					(1)	
Operating profit	301				385	28

\* The net foreign exchange adjustment for net sales, marketing spend and operating profit before exceptional items includes an adjustment to the calculation of Venezuela's organic growth of £83 million, £2 million and £73 million respectively, after adjusting the current and prior periods performance at \$1 = VEF19 (£1 = VEF30.4).



Table of Contents

	Organic volume* %	Organic net sales %	Reported net sales %
<b>Key markets and categories:</b>			
Latin America and Caribbean	(2)	8	13
PUB	5	3	(6)
Andean	(4)	83	92
Mexico	3		
West LAC	(13)	(14)	(17)
Spirits**	(2)	8	14
Beer	5	10	
Wine	(11)	9	(6)
Ready to drink	3	14	18
	Organic volume* %	Organic net sales %	Reported net sales %
<b>The strategic brands**:</b>			
Johnnie Walker	(4)	2	3
Buchanan's	(28)	6	23
Smirnoff		(2)	(9)
Baileys	3	13	13

\* Organic equals reported movement for volume except for: Andean (6)%, Mexico 2%, West LAC (14)% and Spirits (3)% reflecting the disposal of Nuvo and the termination of the distribution agreement with Cuervo.

\*\* Spirits brands excluding ready to drink.

- **Paraguay, Uruguay and Brazil (PUB)** delivered 3% net sales growth. Declines in Paraguay and Uruguay, resulted from currency movements which drove significant destocking in the duty free businesses in those countries. Net sales growth in Brazil was strong, driven by scotch and cachaça. Within scotch, super premium Johnnie Walker variants were up 29%, and Old Parr and White Horse were particularly strong with net sales growth of 50% and 46% respectively, reflecting the bifurcation of consumer spending patterns. The Ypióca brand was re-launched with new packaging and a media campaign featuring John Travolta. Ypióca has been fully integrated into the portfolio and top line growth was 31%. Vodka net sales declined 8% as softness in Smirnoff was only partially offset by strong double digit growth of Círoc. Smirnoff Ice declined as lower priced regional players gained share in a declining market.

- The **Andean business of Venezuela and Colombia** continued to grow. In Venezuela, price increases were taken on the scotch portfolio to address inflation and this has now impacted total volume which was down 5%. Net sales growth was driven by premium scotch, notably Buchanan's, Old Parr and Johnnie Walker Black Label. Net sales of rum more than doubled as price increases and on and off trade activations built on the already strong Cacique brand equity.

- Net sales were flat in **Mexico**. The strong performances of Johnnie Walker Black Label and Johnnie Walker super premium, which both delivered double digit net sales growth and Black & White which nearly trebled in size, were offset by weakness in Johnnie Walker Red Label and J B in the increasingly competitive standard segment, and Buchanan's 12 in the premium segment. Baileys continued to lead the liqueur category and support behind the Baileys with coffee platform helped drive 15% top line growth of the brand.

- Diageo's largest market in the region, **West LAC**, saw net sales decline 14%. This was driven almost exclusively by wholesale channels, where there was significant destocking and Chile, where price re-alignment led to significant destocking, impacting key brands such as

## Edgar Filing: V F CORP - Form 4

Buchanan's and Old Parr. In Argentina, Johnnie Walker, Smirnoff and Navarro wines performed well after import restrictions were eased. In Jamaica, new flavour innovations on Smirnoff and Smirnoff Ice and net sales growth of 11% on beer drove 17% top line growth.

Table of Contents**Asia Pacific**

*Gilbert Ghostine, President, Diageo Asia Pacific, commenting on the six months ended 31 December 2013, said:*

The region faced some specific challenges. Chinese white spirits declined significantly due to the anti-extravagance measures and South East Asia was impacted by weakness in some markets and channels, including Thailand. Aside from these difficulties, however, we had a number of successes. In Greater China, super and ultra premium scotch growth was fuelled by Johnnie Walker innovations and Blue Label and The Singleton which grew 35%. We had success in Korea, Windsor performance improved significantly and this along with growth of J B resulted in net sales growth. We saw strong growth in India and started to see benefits from the USL sales promotion agreement that we have put in place. Across a number of our markets we gained share in key categories including vodka in Japan, ready to drink in Australia and Japan and volume share gains in scotch in Korea, China and India. Organic operating margin improved as we increased focus on driving cost efficiencies, with a significant reduction in overheads.

	Six months ended 31 December 2012 (restated) £ million	Exchange £ million	Acquisitions and disposals £ million	Organic movement £ million	Six months ended 31 December 2013 £ million	Reported movement %
<b>Key financials:</b>						
Net sales	835	(36)	(3)	(44)	752	(10)
Marketing spend	182	(7)		(5)	170	(7)
Operating profit before exceptional items	201	(15)	16	(9)	193	(4)
Exceptional items						
Operating profit	201				193	(4)

	Organic volume* %	Organic net sales %	Reported net sales %
<b>Key markets and categories:</b>			
Asia Pacific	(4)	(6)	(10)
South East Asia	(15)	(11)	(13)
Greater China	(7)	(23)	(22)
India	27	35	19
GTME	4	1	
Australia hub	1	(1)	(13)
North Asia	(3)	4	(2)
Spirits**	(4)	(8)	(10)
Beer	1		(6)
Ready to drink	1	(1)	(12)

	Organic volume* %	Organic net sales %	Reported net sales %
<b>The strategic brands**:</b>			

Edgar Filing: V F CORP - Form 4

Johnnie Walker	(10)	(10)	(11)
Windsor	(7)	(1)	1
Smirnoff	3	4	(4)
Baileys	4	5	
Guinness	1		(7)

---

\* Organic equals reported movement for volume except for Greater China (8)% and Australia (1)% reflecting the termination of the distribution contract for Jose Cuervo.

\*\* Spirits brands excluding ready to drink.

- In **South East Asia** net sales declined 11%. In Thailand, political unrest, a weaker market environment and double digit price increases due to tax rises significantly impacted performance. Elsewhere in South East Asia, it has been a mixed picture. In some markets and channels, sales were impacted by lower shipments as economic softness and currency weakness affected trade confidence, while in Indonesia and Vietnam net sales have grown double digit. Guinness net sales growth in Indonesia slowed to 5%, impacted by tightening of government regulations which has reduced the number of outlets stocking beer.

- **Greater China** performance largely reflects the impact of the government's anti-extravagance measures. The Shui Jing Fang business was most affected, with significant price discounting by competitors in the baijiu category driving a 66% decline in net sales. Johnnie Walker Black Label net sales declined, with shipments impacted by management of trade stock levels, however, depletions increased slightly compared to last year and the brand grew volume share. Super and ultra premium scotch performed strongly and also gained volume share driven by Johnnie Walker Blue Label in China and Johnnie Walker Gold Label XR and The Singleton in Taiwan. Increased investment behind media, sampling and gifting resulted in continued growth of Baileys, with 37% net sales growth.

Table of Contents

- India** delivered strong double digit net sales growth driven by volume share gains and initial distribution gains resulting from our sales promotion agreement with USL, lower stock in trade at the start of the financial year and a soft comparison against the prior period. Momentum continued on scotch as Johnnie Walker net sales grew 87% and delivered almost half of India's growth. Smirnoff net sales returned to growth, growing double digit due to increased focus on flavours through upweighted on trade activation, experiential events and a new global brand campaign Smirnoff experience .
- Global Travel Asia & Middle East (GTME)** reflected the strong performance in the Middle East, largely offset by the Asia duty free business. In the Middle East, net sales grew double digit driven by improvement in our route to consumer and on trade growth partly due to increased tourism in the Gulf region. Innovation also played a key role in driving growth, particularly super and ultra premium variants in the Middle East travel retail channel. The Asia duty free business net sales declined significantly as a result of destocking by key customers.
- In **Australia**, growth in spirits was offset by the continued decline of ready to drink. Spirits net sales grew 5% driven by the launch of Smirnoff Double Black and the significant growth of Ketel One vodka, Tanqueray and Don Julio. Captain Morgan also contributed with rapid growth of the spiced rum segment resulting in 81% net sales growth. In the declining ready to drink category, net sales declined 6%. Within the segment, innovation, increased shopper activities and marketing campaigns resulted in share gains, particularly for vodka, gin and rum brands. Marketing investment declined 2% reflecting reduced spend behind ready to drink brands partly offset by increased focus on innovation and super premium brands.
- North Asia** returned to growth with net sales increasing 4%, through the recovery of scotch volume share in Korea and continued growth of Smirnoff Ice in Japan. In Korea, the whisky market continues to contract, but now that competitors have taken price increases, Diageo has regained and extended its volume share. Windsor net sales are in line with last year, supported by the launch of Windsor 17 Black. In Japan, Smirnoff Ice net sales grew double digit and gained share, with growth from Smirnoff Ice Red and incremental net sales from the launch of Smirnoff Ice Green Apple Bite. Net sales of Guinness in Japan declined, due to lower foot traffic in the on premise and loss of share as a result of significant investment by Japanese beers to capture growth in the craft beer segment.
- Marketing investment declined 3% largely driven by Korea in response to the contracting whisky market and in Thailand in response to market softness. Investment increased behind Baileys to support growth, particularly in Vietnam and China. Investment also increased behind Bundaberg rum in Australia to support the launch of Bundaberg 125th Anniversary in the ultra premium rum segment. Marketing spend on Shui Jing Fang increased to support the brand in the competitive environment and behind innovation.

**CATEGORY REVIEW**

	Organic volume* %	Organic net sales %	Reported net sales %
<b>Key financials category performance:</b>			
Spirits**	(1)	2	
Beer	(12)	(3)	(3)
Wine	(6)	3	(2)
Ready to drink	12	5	(6)
<b>Total</b>	(3)	2	(1)
<b>Strategic brand performance**</b>			
<b>Whisk(e)y:</b>	(3)	2	4
Johnnie Walker	(3)	(1)	(1)
Crown Royal	(3)	1	
J B	(9)	(9)	(9)
Buchanan's	(20)	9	23
Windsor	(7)	(1)	1

Explanation of Responses:



Edgar Filing: V F CORP - Form 4

Bushmills	17	13	14
<b>Vodka:</b>	(3)	3	2
Smirnoff	(4)	(3)	(5)
Ketel One vodka	6	9	8
Cîroc	20	22	22
	<b>Organic volume*</b>	<b>Organic net sales</b>	<b>Reported net sales</b>
	%	%	%
<b>Rum:</b>	9	9	10
Captain Morgan	6	6	5
<b>Liqueurs:</b>	(3)		(3)
Baileys	(3)	1	1
<b>Tequila:</b>	29	26	(67)
<b>Gin:</b>	(1)		1
Tanqueray	2	2	2
<b>Beer:</b>	(12)	(3)	(3)
Guinness	(5)	(1)	(1)

Table of Contents

---

\* Organic equals reported movement for volume except for total (5)%, spirits (4)%, wine (11)%, ready to drink 6%, liqueurs (5)%, and tequila (80)%, largely reflecting the disposal of Nuvo and the termination of the distribution agreement of Pommery and Jose Cuervo.

\*\* Spirits brands excluding ready to drink.

*Category percentages of net sales are for the year ended 30 June 2013.*

**Spirits** represents 69% of Diageo net sales and grew 2% and delivered 3ppts of positive price/mix. The growth was driven by North America, whereas volatility in emerging markets resulted in flat net sales. Super and ultra premium spirits led the growth and contributed to positive price/mix.

**Whisk(e)y** represents 36% of Diageo net sales and contributed over half of total net sales growth, driven by North America and Latin America and Caribbean. Scotch performance was in line with total whiskey, with net sales growth of 2% and volume decline of 4%.

- **Johnnie Walker** net sales declined slightly. The decline was driven by Johnnie Walker Red Label and Black Label performance which was impacted by market weakness in Thailand and destocking across a number of markets including South East Asia, Asia duty free, West LAC and PUB. Performance was also impacted by the comparison against the prior period in North America when Johnnie Walker Double Black was launched. Super and ultra premium variants grew double digit, largely driven by North America which along with pricing in Venezuela drove positive price mix. In North America as a result of the successful launches of new super premium and above variants and marketing activity aimed at recruiting the new generation of whisky drinkers, net sales grew 13%.
- Net sales of **Crown Royal** in North America grew, driven by the launch of Crown Royal XO, a super premium variant. This growth was partly offset by the comparison against the prior period when Crown Royal Maple Finished was launched. Marketing investment was focused on the Reign on marketing campaign. With strong brand equity in place, price was increased and delivered 4ppts of positive price/mix.
- **J B** net sales declined 9%, primarily driven by continued contraction in Spain and weakness in emerging markets also having an impact. This was partly offset by growth in South Africa, the brand's third largest market and growth in Korea where the brand more than doubled net sales.
- **Buchanan's** net sales increased despite volume decline. In Latin America and Caribbean, volume performance was significantly impacted by destocking in wholesale channels and a slow down in Mexico, offset by Venezuela, where price increases delivered significant net sales growth but volume declined. Net sales grew double digit in North America where the brand continued to target Latin American consumers and marketing investment increased to support the A lo Grande campaign, sponsorships and trade activation.
- **Windsor** performance improved and net sales were broadly in line with last year. In the brand's primary market, Korea, the brand has regained and extended its volume share position and a new super premium variant, Windsor 17 Black was launched to drive incremental growth in the on trade.
- **Bushmills** again performed strongly with particularly strong performance in Russia and Eastern Europe and in Germany and Austria where net sales for the brand more than doubled. Growth was driven by Bushmills live marketing events, collaborations with Elijah Wood and Aaron Paul and the expansion of the Bushmills Honey innovation in Western and Eastern Europe.
- **Malts** continue to perform well with net sales growth of 22%. The recently launched Talisker Storm and the Talisker Whisky Atlantic Challenge drove net sales growth for the brand of 44%. The Singleton and Lagavulin also contributed with net sales growth of 28% and 22% respectively.

**Vodka** represents 12% of Diageo net sales. Net sales grew 3%, with growth of super and ultra premium variants driving 6ppts of positive price/mix. North America contributed over 60% of vodka net sales and 90% of the net sales growth for the category.

- **Smirnoff** net sales declined in North America, its largest market, where the brand lost share in an increasingly price sensitive segment. However, innovations performed well, as the Smirnoff Light Sorbet line and the launch of new Smirnoff Wild Honey and Cinna-Sugar Twist flavoured vodka positively impacted performance. Net sales in Western Europe also declined, primarily driven by competitive pricing in the on trade in Great Britain and difficult market conditions in Ireland. This was largely offset by the launch of the new signature serve Smirnoff Apple Bite in both countries and Smirnoff Gold in Great Britain, with both innovations supported by strong marketing campaigns. In Australia, net sales grew 4% driven by the launch of Smirnoff Double Black, with a national campaign.
- **Ketel One** vodka grew both net sales and volume. In North America, net sales growth was driven by the launch of the Vodka of substance campaign and brand ambassador and mentoring programmes. Outside of North America, net sales grew by almost 50%, led by net sales in Australia more than doubling.
- **Ciroc** again performed strongly, with net sales growth of 22%. In North America, growth was driven by price increases and the launch of Ciroc Amaretto, supported by increased marketing investment behind the Luck be a lady campaign. Net sales doubled outside of the United States, with all markets performing well, in particular, Canada and Great Britain.

**Rum** represents 6% of Diageo net sales. Net sales of rum grew 9% driven by Captain Morgan, Cacique and Zacapa. Cacique net sales increased 38% driven by both volume growth and price increases in Venezuela.

- **Captain Morgan** net sales grew 6% fuelled by growth in Germany and Austria, Great Britain and Russia and Eastern Europe through success of the Keys to adventure experiential events and the new Live like the captain campaign. In North America, which contributes over 70% of net sales for the brand, net sales grew 3%. The sell in of Captain Morgan white rum ahead of a planned launch early in the second half and the Captain Morgan Sherry Oak limited edition offer offset the impact on performance of increased competition from flavoured whiskies and other spiced rums.

Table of Contents

- **Zacapa** performed strongly with double digit net sales growth, driven by 28% growth in its largest region, Western Europe. Investment focused on trade persuasion, mentoring and sampling. The successful Zacapa Rooms, a luxury temporary lounge dedicated to tasting events for key influencers, media and consumers, continued to be rolled out across Western Europe.

**Liqueurs** represents 5% of Diageo total net sales. Performance was driven by Baileys, which represents over 85% of the category.

- **Baileys** net sales grew 1% with mixed performance across markets. The brand continued to grow net sales in North America driven by the success of the Baileys Vanilla Cinnamon launch with the campaign *The most stylish shot of the night*. In Greater China, building on the success achieved in Shanghai, Baileys was launched in Beijing, growing net sales 37%. Baileys also grew in Latin America and Caribbean following the roll out of the global campaign *Cream with spirit* and activation in Mexico focused on *Baileys and coffee*. In Western Europe, net sales declined slightly. Performance was impacted by price increases in Germany and Benelux and high stock in trade levels at the start of the financial year in Great Britain, however, this was partly offset by the successful launch of Baileys Chocolat Luxe. Marketing investment increased slightly behind the global marketing campaign and local campaigns such as *Christmas with spirit*, the first Christmas television commercial in Great Britain for five years.

**Tequila** net sales grew 26% driven by strong performance of **Don Julio**. In its primary market, North America, net sales grew 25% and share increased. This was driven by a significant increase in marketing investment to support new brand positioning and commercial activation around the summer programme, *Elevate your summer*. Don Julio continued to perform strongly outside of the United States, growing net sales 33%.

**Gin** represents 3% of Diageo net sales and net sales were flat. Growth in Africa was offset by a 4% net sales decline of Gordons across all regions except Latin America and Caribbean.

- **Tanqueray** net sales grew 2% largely driven by a strong performance in Western Europe. The launch of new print and online communications is helping to drive significant net sales growth across the region. In North America, depletions performed well and Diageo grew share but shipments were impacted by higher stock levels at the start of the financial year.

**Beer**, which represents 21% of Diageo net sales declined 3% driven by Nigeria, where in a weak market consumers are trading down to value beer and by challenges in the beer market in Ireland.

- **Guinness** net sales declined 1%, delivering 4ppts of positive price/mix from price increases. Guinness performed well in East Africa, North America and South East Asia. In East Africa, a price increase drove net sales growth of 23%, and this was supported by a significant increase in marketing investment. In North America, the United States grew slightly and Canada grew net sales 15% supported by the *Basketball* advertising. Offsetting this growth was a decline in Nigeria and Ireland due to difficult market conditions and in Japan due to on premise decline and a significant increase in competitor investment in craft beer.

- Performance of local African beers was negatively impacted by the decline of mainstream beer and increased pricing pressure in Nigeria, with the Harp brand most affected. The excise duty impact on Senator in Kenya also resulted in net sales decline. These challenges were in part offset by growth of other local beer brands including Tusker which grew double digit driven by price increases and strong football related marketing programmes.

## Edgar Filing: V F CORP - Form 4

**Wine** represents 4% of Diageo net sales and grew 3%. Growth was largely driven by North America, as a result of price increases and innovation.

**Ready to drink** represents 6% of Diageo's net sales and grew 5% driven by South Africa, Venezuela and Japan, partly offset by a decline in North America and Australia. In South Africa, the growth was driven by the successful launch of Smirnoff Ice Double Black & Guarana. In Japan, net sales grew 32% driven by both Smirnoff Ice core variants and the launch of Smirnoff Ice Green Apple Bite as a permanent variant. Destocking of pouches largely drove the net sales decline in North America, and in Australia, category decline continued to impact performance.

Table of Contents

**Balance sheet**

At 31 December 2013 total equity was £8,038 million compared with £8,088 million at 30 June 2013. The decrease was mainly due to the dividend paid out of shareholders' equity of £735 million, adverse exchange movements of £770 million, a net remeasurement of the post employment liability of £89 million and fair value movements on available-for-sale investments of £90 million. These decreases were partially offset by the profit for the period of £1,654 million.

The deficit in respect of post employment plans before taxation decreased by £54 million from £541 million at 30 June 2013 to £487 million at 31 December 2013 primarily as a result of a one off 100 million (£85 million) cash contribution into the Irish pension plans. Cash contributions to the group's post employment plans in the six months ended 31 December 2013 were £182 million (2012 £98 million) and are expected to be approximately £290 million for the year ending 30 June 2014.

Net borrowings were £9,096 million at 31 December 2013, an increase of £693 million from £8,403 million at 30 June 2013. The principal components of this increase were £735 million (2012 £673 million) equity dividends paid, and £420 million (2012 £301 million) paid for the acquisition of businesses, primarily in respect of United Spirits Limited, which were partially offset by favourable exchange movements of £337 million (2012 £111 million) and free cash flow of £326 million (2012 £708 million).

To ensure that intangibles with indefinite useful lives are not carried above their recoverable amount an impairment triggering event review was carried out in the six months ended 31 December 2013 for all material intangibles and recent acquisitions. As a result of the weak performance in China, in particular in respect of the Shui Jing Fang brand, due to a downturn in the baijiu category, an impairment test was carried out to support the book value of the Shui Jing Fang brand and the Greater China cash generating unit. This resulted in no impairment charge for the six months ended 31 December 2013. As announced by Sichuan Shuijingfang Co., Ltd (Shuijingfang), a new strategy is currently being developed, based on which the impairment test will be updated in the second half of the financial year. At 31 December 2013, the book value of the Greater China cash generating unit was £660 million of which £499 million is in respect of the Shui Jing Fang brand. The non-controlling interest in respect of Shuijingfang amounted to £317 million.

**Liquidity and capital resources**

**Cash flow**

A summary of the consolidated cash flow and reconciliation to movement in net borrowings for the six months ended 31 December 2013 compared to the six months ended 31 December 2012 is as follows:

2013	Six months ended 31 December 2012 (restated)
£ million	£ million

<b>Operating profit</b>	<b>2,040</b>	2,017
Depreciation and amortisation	186	160
Movement in working capital	(913)	(748)
Post employment payments less amounts included in operating profit	(122)	(60)
Dividend received and other items	(22)	64
<b>Cash generated from operations</b>	<b>1,169</b>	1,433
Net interest paid	(275)	(262)
Taxation paid	(288)	(176)
<b>Net cash from operating activities</b>	<b>606</b>	<b>995</b>
Net capital expenditure	(279)	(264)
Net purchase of investments	(1)	(23)
<b>Free cash flow</b>	<b>326</b>	708
Acquisitions and disposals	(420)	(301)
Net purchase of own shares for share schemes	(61)	(56)
Dividends paid to equity non-controlling interests	(61)	(59)
Purchase of non-controlling interests	(35)	
Net equity dividends paid	(735)	(673)
Exchange adjustments	337	111
Non-cash items	(44)	(48)
<b>Increase in net borrowings</b>	<b>(693)</b>	(318)
Net borrowings at beginning of the period	(8,403)	(7,573)
<b>Net borrowings at end of the period</b>	<b>(9,096)</b>	(7,891)

Comparatives have been restated following the adoption of IFRS11. For an explanation of the effect of the restatement see Note 15 to the unaudited condensed consolidated financial information.

The primary source of the group's liquidity has been cash generated from operations. These funds have generally been used to pay interest, taxes and dividends, and to fund capital expenditure and acquisitions.

**Net cash from operating activities** Cash generated from operations decreased from £1,433 million in the six months ended 31 December 2012 to £1,169 million in the six months ended 31 December 2013. The decrease of £264 million is primarily driven by lower creditors across the regions as the result of larger proportion of marketing activities being incurred in the first quarter in the current period coupled with a one off 100 million (£85 million) payment into the Irish pension plans and the dividend from Moët Hennessy being received earlier in the comparable prior period. Cash generated from operations is stated after £41 million (2012 £34 million) of cash outflows in respect of exceptional operating items. Other items include the fair market value change in respect of share-based incentive plans of £19 million (2012 - £22 million). Tax payments in the six months ended 31 December 2013 were £112 million higher than in the same period last year primarily as the result of increased taxable profits and tax audit payments.

Table of Contents

**Net cash from investing activities** The net purchase of tangible fixed assets and computer software increased from £267 million in the six months ended 31 December 2012 to £343 million in six months ended 31 December 2013 mainly driven by the continued investments made to increase capacity in Africa and improve efficiencies in operations in Scotland and Ireland. Property disposals increased from £3 million in the six months ended 31 December 2012 to £64 million in the six months ended 31 December 2013 as a result of the receipt of £56 million following the disposal of land in China.

In the six months ended 31 December 2013 cash outflows of £420 million arose in respect of business acquisitions. This included £389 million in respect of USL, the leading spirits company in India. In the six months ended 31 December 2012 cash outflows of £301 million arose in respect of business acquisitions. This included £284 million in respect of 100% equity stake in Ypióca Bebidas S.A. (Ypióca), the leading producer and distributor of a cachaça brand, Ypióca in Brazil.

**Free cash flow** Free cash flow decreased by £382 million to £326 million in the six months ended 31 December 2013 compared to the same period last year. Free cash flow comprises net cash flow from operating activities and net cash from investing activities apart from cash payments and receipts arising from the purchase and disposal of subsidiaries, associates and businesses.

**Cash flows from financing activities** Cash flows from financing activities included the purchase of treasury shares for scheme hedging of £116 million (2012 £94 million) less receipts from employees on the exercise of share options of £55 million (2012 £38 million). Equity dividends paid increased from £673 million in the six months ended 31 December 2012 to £735 million in the six months ended 31 December 2013.

**Capital structure and targeted credit rating** The group's management is committed to enhancing shareholder value in the long term, both by investing in the businesses and brands so as to deliver continued improvement in the return from those investments and by managing the capital structure. Diageo manages its capital structure to achieve capital efficiency, maximise flexibility and give the appropriate level of access to debt markets at attractive cost levels. This is achieved by targeting a range of ratios which are currently broadly consistent with an A band credit rating. Diageo would consider modifying these ratios in order to effect strategic initiatives within its stated goals, which could have an impact on its rating. If Diageo's ratings were to be negatively impacted by the financing of an acquisition, it would seek over time to return to such ratios that are consistent with an A band credit rating.

**Capital repayments** The group regularly assesses its debt and equity capital levels against its stated policy for capital structure.

Authorisation was given by shareholders on 19 September 2013 to purchase a maximum of 251,039,000 shares at a minimum price of 28101/108 pence and a maximum price of the higher of (a) 105% of the average of the middle market quotations for an ordinary share for the five preceding business days and (b) the higher of the price of the last independent trade and the highest current independent bid on the London Stock Exchange at the time the purchase is carried out. The programme expires at the conclusion of the next Annual General Meeting or on 18 December 2014, if earlier.

**Movements in net borrowings** Adverse non-cash movements of £44 million (2012 £48 million) predominantly comprise new finance leases and the fair value movement of net borrowings.



**Borrowings** The group policy with regard to the expected maturity profile of borrowings of group finance companies is to limit the proportion of such borrowings maturing within 12 months to 50% of gross borrowings less money market demand deposits, and the level of commercial paper to 30% of gross borrowings less money market demand deposits. In addition, it is group policy to maintain backstop facility terms from relationship banks to support commercial paper obligations.

The group's net borrowings and gross borrowings in the tables below are measured at amortised cost with the exception of borrowings designated in fair value hedge relationships, interest rate hedging instruments and foreign currency swaps and forwards. For borrowings designated in fair value hedge relationships, Diageo recognises a fair value adjustment for the risk being hedged in the balance sheet, whereas interest rate hedging instruments and foreign currency swaps and forwards are measured at fair value. Net borrowings, reported on this basis, comprise the following:

Table of Contents

	<b>31 December 2013 £ million</b>
Overdrafts	(134)
Other borrowings due within one year	(2,873)
Borrowings due within one year	(3,007)
Borrowings due between one and three years	(1,588)
Borrowings due between three and five years	(1,937)
Borrowings due after five years	(3,191)
Fair value of foreign currency forwards and swaps	35
Finance lease obligations	(299)
<b>Gross borrowings</b>	<b>(9,987)</b>
Offset by:	
Cash and cash equivalents	891
<b>Net borrowings</b>	<b>(9,096)</b>

The group's gross borrowings and cash and cash equivalents at 31 December 2013 were denominated in the following currencies:

	<b>Total £ million</b>	<b>US dollar %</b>	<b>Sterling %</b>	<b>Euro %</b>	<b>Korean won %</b>	<b>Venezuelan bolivar %</b>	<b>Other* %</b>
Gross borrowings (including foreign exchange forwards and swaps and finance lease obligations)	(9,987)	22	50	22	3		3
Cash and cash equivalents	891	2	2	9	20	33	34

\* No currency included within the other category exceeds 10% of the total cash and cash equivalents balance.

Based on average monthly net borrowings and net interest charge, the effective interest rate for the six months ended 31 December 2013 was 4.1%. For this calculation, net interest charge excludes fair value adjustments to derivative financial instruments and borrowings and average monthly net borrowings include the impact of interest rate swaps that are no longer in a hedge relationship but exclude the market value adjustment for cross currency interest rate swaps.

In the six months ended 31 December 2013, the group repaid bonds of 1,150 million (£983 million). The group did not issue any new bonds in the period.

The £693 million increase in net borrowings from 30 June 2013 to 31 December 2013 principally includes £735 million equity dividends paid, £420 million paid for the acquisition of businesses, primarily in respect of United Spirits Limited, partially offset by favourable exchange movements of £337 million and free cash flow of £326 million.

The group has been issuing short term commercial paper regularly to finance its day-to-day operations.

The group had available undrawn committed bank facilities as follows:

	<b>31 December 2013 £ million</b>
Expiring between one and two years	<b>377</b>
Expiring after two years	<b>1,732</b>
	<b>2,109</b>

Commitment fees are paid on the undrawn portion of these facilities and accounted for on an accruals basis. Borrowings under these facilities will be at prevailing LIBOR rates (dependent on the period of drawdown) plus an agreed margin. These facilities can be used for general corporate purposes and, together with cash and cash equivalents, support the group's commercial paper programmes.

There are no financial covenants on the group's short and long term borrowings. Certain of these borrowings contain cross default provisions and negative pledges.

Table of Contents

The committed bank facilities are subject to a single financial covenant, being minimum interest cover ratio of two times (defined as the ratio of operating profit before exceptional items, aggregated with share of associates' profits after tax, to net interest). They are also subject to pari passu ranking and negative pledge covenants.

Diageo management believes that it has sufficient funding for its working capital requirements.

**Off-balance sheet arrangements**

Neither Diageo plc nor any member of the Diageo group has any off-balance sheet financing arrangements that currently have or are reasonably likely to have a material future effect on the group's financial condition, changes in financial condition, results of operations, liquidity, capital expenditure or capital resources.

**Definitions and reconciliations of non-GAAP measures to GAAP measures**

**Volume**

Volume is a non-GAAP measure that is measured on an equivalent units basis to nine-litre cases of spirits. An equivalent unit represents one nine-litre case of spirits, which is approximately 272 servings. A serving comprises 33ml of spirits, 165ml of wine, or 330ml of ready to drink or beer. Therefore, to convert volume of products, other than spirits, to equivalent units, the following guide has been used: beer in hectolitres divide by 0.9, wine in nine-litre cases divide by five, ready to drink in nine-litre cases divide by 10 and certain pre-mixed products that are classified as ready to drink in nine-litre cases divide by five.

**Organic movements**

Diageo's strategic planning process is based on organic movements in volume, sales, net sales, marketing spend, operating profit and operating margin, a ratio calculated by dividing organic operating profit by organic net sales and expressed as a percentage. These non-GAAP measures are chosen for planning, reporting and incentive purposes since they represent those measures which local managers are most directly able to influence and they enable consideration of the underlying business performance without the distortion caused by fluctuating exchange rates, exceptional items and acquisitions and disposals. The group's management believes these measures provide valuable additional information for users of the financial statements in understanding the group's performance since they focus on that element of the core brand portfolio which is common to both years. They should be viewed as complementary to, and not replacements for, the comparable GAAP measures and reported movements therein.

## Edgar Filing: V F CORP - Form 4

In the discussion of the performance of the business, organic information is presented using pounds sterling amounts on a constant currency basis. This retranslates prior period reported numbers at current period exchange rates and enables an understanding of the underlying performance of the market that is most closely influenced by the actions of that market's management. Exchange impacts in respect of the external hedging of inter group sales of products and the inter group recharging of third party services are allocated to the geographical segment to which they relate. Residual exchange impacts are reported in Corporate. In the six months ended 31 December 2013, an adjustment was made to the organic calculation of the group's Venezuelan operations to ensure currency controls do not materially distort the group's performance. A rate of \$1 = VEF19 (£1 = VEF30.4) is used to adjust both the current and the prior period's performance which is derived from the consolidation rate adjusted by inflation. Applying this methodology, the exchange rate for the year ending 30 June 2014 is expected to be approximately \$1 = VEF26 (£1 = VEF42.4).

Acquisitions, disposals and exceptional items also impact the reported performance and therefore the reported movement in any period in which they arise. Management adjusts for the impact of such transactions in assessing the performance of the underlying business.

For acquisitions in the current period, the post acquisition results are excluded from the organic movement calculations. For acquisitions in the prior period, post acquisition results are included in full in the prior period but are included in the organic movement calculation from the anniversary of the acquisition date in the current period. The acquisition column also eliminates the impact of transaction costs that have been charged to operating profit in the current or prior period in respect of acquisitions that in management's assessment are expected to complete.

Where a business, brand, brand distribution right or agency agreement was disposed of, or terminated, in the current or prior period, the group, in the organic movement calculations, excludes the results for that business from the current and prior period. In the calculation of operating profit, the overheads included in disposals are only those directly attributable to the businesses disposed of, and do not result from subjective judgements of management. Exceptional items are those which, in management's judgement, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information. Such items are included within the income statement caption to which they relate.

The underlying performance on a constant currency basis and excluding the impact of exceptional items, acquisitions and disposals is referred to as organic performance. Organic movement calculations enable the reader to focus on the performance of the business which is common to both periods.

The organic movement percentage is the amount in the column headed 'Organic movement' in the tables below expressed as a percentage of the aggregate of the amount in the first column of the table, the amount in the column headed 'Exchange', the amounts included in the columns headed 'Adjustment to Venezuela organic growth' and

Table of Contents

Acquisitions and disposals that have impacted the comparable prior period. The inclusion of the column headed "Exchange" in the organic movement calculation reflects the adjustment to recalculate the prior period results as if they had been generated at the current period's exchange rates.

The organic movement calculations for volume, sales, net sales, marketing spend and operating profit for the six months ended 31 December 2013 were as follows:

<b>Volume</b>	<b>2012 Reported (restated) units million</b>	<b>Acquisitions and disposals*** units million</b>	<b>Organic movement units million</b>	<b>2013 Reported units million</b>	<b>Organic movement %</b>
North America	28.5	(1.5)	(0.5)	26.5	(2)
Western Europe	18.3	(0.2)	(0.4)	17.7	(2)
Africa, Eastern Europe and Turkey	20.3	(0.1)	(0.8)	19.4	(4)
Latin America and Caribbean	12.8	(0.1)	(0.2)	12.5	(2)
Asia Pacific	8.5		(0.3)	8.2	(4)
<b>Total volume</b>	<b>88.4</b>	<b>(1.9)</b>	<b>(2.2)</b>	<b>84.3</b>	<b>(3)</b>

<b>Sales</b>	<b>2012 Reported (restated) £ million</b>	<b>Exchange* £ million</b>	<b>Adjustment to Venezuela organic growth** £ million</b>	<b>Acquisitions and disposals*** £ million</b>	<b>Organic movement £ million</b>	<b>2013 Reported £ million</b>	<b>Organic movement %</b>
North America	2,218	(9)		(135)	75	2,149	4
Western Europe	1,977	52		(28)	(31)	1,970	(2)
Africa, Eastern Europe and Turkey	1,791	(95)		(3)	46	1,739	3
Latin America and Caribbean	965	(36)	96	(7)	84	1,102	10
Asia Pacific	1,138	(56)		(6)	(64)	1,012	(6)
Corporate	42	1			(1)	42	(2)
<b>Total sales</b>	<b>8,131</b>	<b>(143)</b>	<b>96</b>	<b>(179)</b>	<b>109</b>	<b>8,014</b>	<b>1</b>

<b>Net sales</b>	<b>2012 Reported (restated) £ million</b>	<b>Exchange* £ million</b>	<b>Adjustment to Venezuela organic growth** £ million</b>	<b>Acquisitions and disposals*** £ million</b>	<b>Organic movement £ million</b>	<b>2013 Reported £ million</b>	<b>Organic movement %</b>
North America	1,942	(9)		(111)	82	1,904	5
Western Europe	1,174	38		(21)	(12)	1,179	(1)
Africa, Eastern Europe and Turkey	1,188	(50)		(3)	20	1,155	2
Latin America and Caribbean	794	(30)	83	(5)	58	900	8
Asia Pacific	835	(36)		(3)	(44)	752	(6)
Corporate	42	1			(1)	42	(2)
<b>Total net sales</b>	<b>5,975</b>	<b>(86)</b>	<b>83</b>	<b>(143)</b>	<b>103</b>	<b>5,932</b>	<b>2</b>

<b>Marketing spend</b>	<b>2012 Reported (restated) £ million</b>	<b>Exchange* £ million</b>	<b>Adjustment to Venezuela organic growth** £ million</b>	<b>Acquisitions and disposals*** £ million</b>	<b>Organic movement £ million</b>	<b>2013 Reported £ million</b>	<b>Organic movement %</b>
------------------------	---	--------------------------------	---	--	---	--	-----------------------------------

Edgar Filing: V F CORP - Form 4

North America	299	(1)		(18)	13	293	5
Western Europe	176	6		(2)	(3)	177	(2)
Africa, Eastern Europe and Turkey	137	(11)		(1)	10	135	8
Latin America and Caribbean	120	(6)	2	(2)	9	123	8
Asia Pacific	182	(7)			(5)	170	(3)
Corporate	4			1		5	
<b>Total marketing spend</b>	<b>918</b>	<b>(19)</b>	<b>2</b>	<b>(22)</b>	<b>24</b>	<b>903</b>	<b>3</b>

Table of Contents

	2012 Reported (restated) £ million	Exchange* £ million	Adjustment to Venezuela organic growth** £ million	Acquisitions and disposals*** £ million	Organic movement £ million	2013 Reported £ million	Organic movement %
<b>Operating profit</b>							
North America	822			(31)	60	851	8
Western Europe	378	6		(2)	(12)	370	(3)
Africa, Eastern Europe and Turkey	371	(33)		1	(12)	327	(4)
Latin America and Caribbean	301	(13)	73		25	386	10
Asia Pacific	201	(15)		16	(9)	193	(4)
Corporate	(72)	1			4	(67)	6
<b>Operating profit before exceptional items</b>	2,001	(54)	73	(16)	56	2,060	3
Exceptional items****	16					(20)	
<b>Total operating profit</b>	2,017					2,040	

Notes: Information relating to the organic movement calculations

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

\*\* A change in the exchange rate for Venezuela from \$1 = VEF9 (£1 = VEF14.9) to \$1 = VEF19 (£1 = VEF30.4) resulted in an adjustment to organic sales, net sales, marketing spend and operating profit for the six months ended 31 December 2013 of £173 million (2012 £77 million), £149 million (2012 £66 million), £5 million (2012 £3 million) and £108 million (2012 £35 million), respectively. The adjustment included in the organic movement tables comprises the difference between the amounts for the six months ended 31 December 2013 and 31 December 2012.

\*\*\* The impacts of acquisitions and disposals are excluded from the organic movement. In the six months ended 31 December 2013 the acquisitions and disposals that affected volume, sales, net sales, marketing spend and operating profit were as follows:

Six months ended 31 December 2013	Volume units million	Sales £ million	Net sales £ million	Marketing spend £ million	Operating profit £ million
<b>Acquisitions 2013</b>					<b>(7)</b>
Acquisitions 2012					29
Jose Cuervo	0.4	26	20		(3)
Other disposals		2	2		
<b>Disposals 2013</b>	<b>0.4</b>	<b>28</b>	<b>22</b>		<b>(3)</b>
Jose Cuervo	(2.0)	(175)	(135)	(19)	(29)
Nuvo	(0.1)	(12)	(11)	(3)	(2)
Other disposals	(0.2)	(20)	(19)		(4)
Disposals 2012	(2.3)	(207)	(165)	(22)	(35)
	<b>(1.9)</b>	<b>(179)</b>	<b>(143)</b>	<b>(22)</b>	<b>(16)</b>

Includes transaction costs in respect of acquisitions not yet completed

Represents transaction and integration costs incurred in respect of acquisitions



\*\*\*\* See page 11 for an explanation of exceptional operating items

In the year ended 30 June 2013, Diageo changed its internal reporting structure to reflect changes made to management responsibilities. As a result of this change, Diageo reports the following geographical segments both for management reporting purposes and in the external financial statements: North America; Western Europe; Africa, Eastern Europe and Turkey; Latin America and Caribbean; Asia Pacific and Corporate. In addition, as reported in Note 1 and 15, the group has adopted IFRS 11 and the amendment to IAS 19. As a result of these changes, the segmental information for volume, sales, net sales, marketing spend and operating profit before exceptional items for the six months ended 31 December 2012 have been restated as follows:

### Segmental information

for the six months ended 31 December 2012

	North America units million	Europe units million	Western Europe units million	Africa units million	Africa, Eastern Europe and Turkey units million	Latin America and Caribbean units million	Asia Pacific units million	Corporate units million	Total units million
<b>Volume</b>									
<b>As reported</b>	<b>28.6</b>	<b>24.9</b>		<b>13.7</b>		<b>12.8</b>	<b>8.8</b>		<b>88.8</b>
Analysis of Eastern Europe and Turkey		(24.9)	18.3	(13.7)	20.3				
Adoption of IFRS 11	(0.1)						(0.3)		(0.4)
<b>Restated</b>	<b>28.5</b>		<b>18.3</b>		<b>20.3</b>	<b>12.8</b>	<b>8.5</b>		<b>88.4</b>

Table of Contents

	North America £ million	Europe £ million	Western Europe £ million	Africa £ million	Africa, Eastern Europe and Turkey £ million	Latin America and Caribbean £ million	Asia Pacific £ million	Corporate £ million	Total £ million
<b>Sales</b>									
<b>As reported</b>	<b>2,223</b>	<b>2,735</b>		<b>1,043</b>		<b>967</b>	<b>1,225</b>	<b>42</b>	<b>8,235</b>
Analysis of Eastern Europe and Turkey		(2,735)	1,985	(1,043)	1,793				
Adoption of IFRS 11	(5)		(8)		(2)	(2)	(87)		(104)
<b>Restated</b>	<b>2,218</b>		<b>1,977</b>		<b>1,791</b>	<b>965</b>	<b>1,138</b>	<b>42</b>	<b>8,131</b>
<b>Net sales</b>									
<b>As reported</b>	<b>1,947</b>	<b>1,577</b>		<b>795</b>		<b>796</b>	<b>882</b>	<b>42</b>	<b>6,039</b>
Analysis of Eastern Europe and Turkey		(1,577)	1,182	(795)	1,190				
Adoption of IFRS 11	(5)		(8)		(2)	(2)	(47)		(64)
<b>Restated</b>	<b>1,942</b>		<b>1,174</b>		<b>1,188</b>	<b>794</b>	<b>835</b>	<b>42</b>	<b>5,975</b>
<b>Marketing spend</b>									
<b>As reported</b>	<b>301</b>	<b>234</b>		<b>79</b>		<b>120</b>	<b>188</b>	<b>4</b>	<b>926</b>
Analysis of Eastern Europe and Turkey		(234)	176	(79)	137				
Adoption of IFRS 11	(2)						(6)		(8)
<b>Restated</b>	<b>299</b>		<b>176</b>		<b>137</b>	<b>120</b>	<b>182</b>	<b>4</b>	<b>918</b>
<b>Operating profit before exceptional items</b>									
<b>As reported</b>	<b>825</b>	<b>528</b>		<b>225</b>		<b>302</b>	<b>220</b>	<b>(71)</b>	<b>2,029</b>
Analysis of Eastern Europe and Turkey		(528)	381	(225)	372				
Adoption of IAS 19 amendment	(1)		(2)		(1)			(1)	(5)
Adoption of IFRS 11	(2)		(1)			(1)	(19)		(23)
<b>Restated</b>	<b>822</b>		<b>378</b>		<b>371</b>	<b>301</b>	<b>201</b>	<b>(72)</b>	<b>2,001</b>
<b>Free cash flow</b>									

Free cash flow is a non-GAAP measure that comprises the net cash flow from operating activities aggregated with the net movements in loans and other investments and with the net purchase of property, plant and equipment and computer software that form part of net cash flow from investing activities. The group's management believes the measure assists users of the financial statements in understanding the group's cash generating performance as it comprises items which arise from the running of the ongoing business.

The remaining components of net cash flow from investing activities that do not form part of free cash flow, as defined by the group's management, are in respect of the acquisition and sale of businesses. The group's management regards the purchase and disposal of property,

## Edgar Filing: V F CORP - Form 4

plant and equipment and computer software as ultimately non-discretionary since ongoing investment in plant, machinery and technology is required to support the day-to-day operations, whereas acquisitions and sales of businesses are discretionary. Where appropriate, separate discussion is given for the impacts of acquisitions and sale of businesses, dividends paid and the purchase of own shares, each of which arises from decisions that are independent from the running of the ongoing underlying business.

The free cash flow measure is used by management for their own planning, reporting and incentive purposes since it provides information on those elements of performance which local managers are most directly able to influence.

### **Tax rate before exceptional items**

Tax rate before exceptional items is a non-GAAP measure that is calculated by dividing the total tax charge on continuing operations before tax charges and credits classified as or in respect of exceptional items by profit before taxation adjusted to exclude the impact of exceptional operating and non-operating items, expressed as a percentage. The measure is used by management to assess the rate of tax applied to the group's continuing operations before tax on exceptional items.

Table of Contents

The tax rates from continuing operations before exceptional and after exceptional items for the six months ended 31 December 2013 and 31 December 2012 were calculated as follows:

	2013 £ million	2012 (restated) £ million
Tax before exceptional items (a)	391	349
Tax in respect of exceptional items	(3)	2
Taxation on profit from continuing operations (b)	388	351
Profit from continuing operations before taxation and exceptional items (c)	2,016	1,912
Non-operating items	138	
Exceptional operating items	(20)	16
Profit before taxation (d)	2,134	1,928
<b>Tax rate before exceptional items (a/c)</b>	<b>19.4%</b>	18.3%
Tax rate from continuing operation after exceptional items (b/d)	18.2%	18.2%

**Other definitions**

Volume share is a brand's volume when compared to the volume of all brands in its segment. Value share is a brand's retail sales when compared to the retail sales of all brands in its segment. Unless otherwise stated, share refers to value share. Share of voice is the media spend on a particular brand when compared to all brands in its segment. The share data, competitive set classifications and share of voice data contained in this document are taken from independent industry sources in the markets in which Diageo operates.

Net sales are sales after deducting excise duties. Diageo incurs excise duties throughout the world. In some countries excise duties are based on sales and are separately identified on the face of the invoice to the external customer. In others it is effectively a production tax which is incurred when the spirit is removed from bonded warehouses. In these countries excise duties are part of the cost of goods sold and are not separately identified on the sales invoice. Changes in the level of excise duties can significantly affect the level of reported sales and cost of sales without directly reflecting changes in volume, mix or profitability, which are the variables that have an impact on the element of sales retained by the group.

Price/mix is the number of percentage points by which the organic movement in net sales exceeds the organic movement in volume. The difference arises because of changes in the composition of sales between higher and lower priced variants or as price changes are implemented.

References to emerging markets include Russia and Eastern Europe, Turkey, Africa, Latin America and Caribbean and Asia Pacific excluding Australia, Korea and Japan.

References to ready to drink also include ready to serve products, such as pre-mix cans in some markets, and progressive adult beverages in the United States and certain markets supplied by the United States.

References to beer include non-alcoholic malt based products such as Guinness Malta.

References to reserve brands include Johnnie Walker Blue Label, Johnnie Walker Green Label, Johnnie Walker Gold Label 18 year old, Johnnie Walker Gold Label Reserve, Johnnie Walker Platinum Label 18 year old, John Walker & Sons Collection, Johnnie Walker The Gold Route, Johnnie Walker The Royal Route, and other Johnnie Walker super premium brands, The Singleton, Cardhu, Talisker, Lagavulin and other Malt brands, Buchanan's Special Reserve, Buchanan's Red Seal, Bulleit Bourbon, Bulleit Rye, Tanqueray No. TEN, Tanqueray Malacca, Cîroc, Ketel One vodka, Don Julio, Zacapa and Bundaberg SDlx.

Table of Contents

**NEW INTERNATIONAL FINANCIAL REPORTING STANDARDS**

A number of IFRS standards and interpretations have been issued by the IASB or IFRIC. Those that are of relevance to the group are discussed in Note 1 to the unaudited condensed consolidated financial information.

Table of Contents

**INDEX TO THE UNAUDITED CONDENSED FINANCIAL INFORMATION  
FOR THE SIX MONTHS ENDED 31 DECEMBER 2013 AND 31 DECEMBER 2012**

	<b>Page</b>
<u>Unaudited condensed consolidated income statement</u>	F-2
<u>Unaudited condensed consolidated statement of comprehensive income</u>	F-3
<u>Unaudited condensed consolidated balance sheet</u>	F-4
<u>Unaudited condensed consolidated statement of changes in equity</u>	F-5
<u>Unaudited condensed consolidated statement of cash flows</u>	F-6
<u>Notes to the unaudited condensed consolidated financial information</u>	F-7

The unaudited condensed consolidated financial information was approved by the board of directors on 29 January 2014.

Table of Contents

## UNAUDITED CONDENSED CONSOLIDATED INCOME STATEMENT

		Six months ended 31 December 2013	Six months ended 31 December 2012 (restated)
	Notes	£ million	£ million
<b>Sales</b>	2	<b>8,014</b>	8,131
Excise duties		(2,082)	(2,156)
<b>Net sales</b>	2	<b>5,932</b>	5,975
Cost of sales		(2,200)	(2,251)
<b>Gross profit</b>		<b>3,732</b>	3,724
Marketing		(903)	(918)
Other operating expenses		(789)	(789)
<b>Operating profit</b>	2	<b>2,040</b>	2,017
Non-operating items	3	138	
Net interest payable	4	(188)	(201)
Net other finance charges	4	(37)	(28)
Share of associates' profits after tax		181	140
<b>Profit before taxation</b>		<b>2,134</b>	1,928
Taxation	5	(388)	(351)
<b>Profit from continuing operations</b>		<b>1,746</b>	1,577
Discontinued operations	3	(92)	
<b>Profit for the period</b>		<b>1,654</b>	1,577
<b>Attributable to:</b>			
Equity shareholders of the parent company		1,599	1,521
Non-controlling interests		55	56
		1,654	1,577
<b>Basic earnings per share</b>			
Continuing operations		67.5p	60.8p
Discontinued operations		(3.7)p	
		63.8p	60.8p
<b>Diluted earnings per share</b>			
Continuing operations		67.2p	60.4p
Discontinued operations		(3.7)p	
		63.5p	60.4p
Average shares (in million)		2,507	2,501

Figures for the six months ended 31 December 2012 have been restated following the adoption of IFRS 11 and the amendment to IAS 19. See Note 1 and 15 to the financial information.



Table of Contents**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME**

	Six months ended 31 December 2013	Six months ended 31 December 2012 (restated)
	£ million	£ million
<b>Other comprehensive income</b>		
<b>Items that will not be recycled subsequently to the income statement</b>		
Net remeasurement of post employment plans		
- group	(90)	(80)
- associates	1	
Tax credit on post employment plans	11	7
	(78)	(73)
<b>Items that may be recycled subsequently to the income statement</b>		
Exchange differences on translation of foreign operations excluding borrowings		
- group	(862)	(206)
- non-controlling interests	(82)	(31)
- associates	(191)	9
Exchange differences on borrowings and derivative net investment hedges	365	103
Tax on exchange differences on borrowings and derivative net investment hedges	(7)	2
Effective portion of changes in fair value of cash flow hedges		
- gains/(losses) taken to other comprehensive income	30	(14)
- recycled to income statement	49	11
Tax on effective portion of changes in fair value of cash flow hedges	2	9
Fair value movements on available-for-sale investments		
- gains taken to other comprehensive income	56	
- recycled to income statement	(146)	
Hyperinflation adjustment	51	2
Tax on hyperinflation adjustment	(11)	
	(746)	(115)
<b>Other comprehensive loss, net of tax, for the period</b>	(824)	(188)
Profit for the period	1,654	1,577
<b>Total comprehensive income for the period</b>	830	1,389
<b>Attributable to:</b>		
Equity shareholders of the parent company	859	1,365
Non-controlling interests	(29)	24
<b>Total comprehensive income for the period</b>	830	1,389

Figures for the six months ended 31 December 2012 have been restated following the adoption of IFRS 11 and the amendment to IAS 19. See Note 1 and 15 to the financial information.

Table of Contents

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEET

		31 December 2013			30 June 2013 (restated)	31 December 2012 (restated)	
	Notes	£ million	£ million	£ million	£ million	£ million	£ million
<b>Non-current assets</b>							
Intangible assets		8,324		9,013		8,877	
Property, plant and equipment		3,393		3,425		3,083	
Biological assets		34		36		34	
Investments in associates		3,329		2,521		2,407	
Other investments		68		412		98	
Other receivables		110		127		115	
Other financial assets	9	276		393		449	
Deferred tax assets		229		242		326	
Post employment benefit assets		177		312		18	
			15,940		16,481		15,407
<b>Current assets</b>							
Inventories	6	4,320		4,207		4,165	
Trade and other receivables		2,957		2,437		2,849	
Assets held for sale		8		51		76	
Other financial assets	9	129		65		57	
Cash and cash equivalents	7	891		1,750		686	
			8,305		8,510		7,833
<b>Total assets</b>			24,245		24,991		23,240
<b>Current liabilities</b>							
Borrowings and bank overdrafts	7	(3,007)		(1,852)		(2,205)	
Other financial liabilities	9	(153)		(122)		(123)	
Trade and other payables		(3,040)		(3,212)		(3,220)	
Corporate tax payable		(276)		(224)		(416)	
Provisions		(90)		(109)		(99)	
			(6,566)		(5,519)		(6,063)
<b>Non-current liabilities</b>							
Borrowings	7	(6,716)		(8,217)		(6,220)	
Other financial liabilities	9	(453)		(473)		(506)	
Other payables		(103)		(118)		(96)	
Provisions		(268)		(256)		(273)	
Deferred tax liabilities		(1,437)		(1,467)		(1,519)	
Post employment benefit liabilities		(664)		(853)		(1,132)	
			(9,641)		(11,384)		(9,746)
<b>Total liabilities</b>			(16,207)		(16,903)		(15,809)
<b>Net assets</b>			8,038		8,088		7,431
<b>Equity</b>							
Share capital		797		797		797	
Share premium		1,344		1,344		1,344	
Other reserves		2,540		3,154		3,127	
Retained earnings		2,405		1,741		1,059	
<b>Equity attributable to equity</b>							
shareholders of the parent company			7,086		7,036		6,327
Non-controlling interests			952		1,052		1,104
<b>Total equity</b>			8,038		8,088		7,431

## Edgar Filing: V F CORP - Form 4

Figures as at 31 December 2012 and as at 30 June 2013 have been restated following the adoption of IFRS 11. See Note 1 and 15 to the financial information.

F-4

---

Table of Contents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Share capital £ million	Share premium £ million	Other reserves £ million	Own shares £ million	Retained earnings/(deficit) Other retained earnings £ million	Total £ million	Equity attributable to parent company share- holders £ million	Non- controlling interests £ million	Total equity £ million
<b>At 30 June 2013 as previously reported</b>	797	1,344	3,154	(2,232)	3,973	1,741	7,036	1,071	8,107
Prior year adjustments (see note 1)									
- Adoption of IFRS 11								(19)	(19)
<b>At 30 June 2013 as restated</b>	797	1,344	3,154	(2,232)	3,973	1,741	7,036	1,052	8,088
Total comprehensive income			(614)		1,473	1,473	859	(29)	830
Employee share schemes				(9)	(51)	(60)	(60)		(60)
Share-based incentive plans					19	19	19		19
Share-based incentive plans in respect of associates					1	1	1		1
Tax on share-based incentive plans					(13)	(13)	(13)		(13)
Acquisition of businesses								8	8
Change in fair value of put options					(4)	(4)	(4)		(4)
Purchase of non-controlling interests					(17)	(17)	(17)	(18)	(35)
Dividends paid					(735)	(735)	(735)	(61)	(796)
<b>At 31 December 2013</b>	797	1,344	2,540	(2,241)	4,646	2,405	7,086	952	8,038
<b>At 30 June 2012 as previously reported</b>	797	1,344	3,213	(2,257)	2,491	234	5,588	1,223	6,811
Prior year adjustments (see note 1)									
- Adoption of IFRS 11								(19)	(19)
<b>At 30 June 2012 as restated</b>	797	1,344	3,213	(2,257)	2,491	234	5,588	1,204	6,792
Total comprehensive income			(86)		1,451	1,451	1,365	24	1,389
Employee share schemes				(19)	(25)	(44)	(44)		(44)
Share-based incentive plans					21	21	21		21
Share-based incentive plans in respect of associates					1	1	1		1
Tax on share-based incentive plans					7	7	7		7
Change in fair value of put options					(3)	(3)	(3)		(3)
Dividends paid					(673)	(673)	(673)	(59)	(732)
Transfers					65	65	65	(65)	
<b>At 31 December 2012 as restated</b>	797	1,344	3,127	(2,276)	3,335	1,059	6,327	1,104	7,431

Figures for the six months ended 31 December 2012 have been restated following the adoption of IFRS 11. See Note 1 and 15 to the financial information.

Table of Contents

## UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

		Six months ended 31 December 2013	Six months ended 31 December 2012 (restated)
	£ million	£ million	£ million
<b>Cash flows from operating activities</b>			
Cash generated from operations (see note 11)	1,169		1,433
Interest received	71		64
Interest paid	(346)		(326)
Taxation paid	(288)		(176)
<b>Net cash from operating activities</b>		<b>606</b>	<b>995</b>
<b>Cash flows from investing activities</b>			
Disposal of property, plant and equipment and computer software	64		3
Purchase of property, plant and equipment and computer software	(343)		(267)
Movements in loans and other investments	(1)		(23)
Acquisition of businesses	(420)		(301)
<b>Net cash outflow from investing activities</b>		<b>(700)</b>	<b>(588)</b>
<b>Cash flows from financing activities</b>			
Net purchase of own shares for share schemes	(61)		(56)
Dividends paid to equity non-controlling interests	(61)		(59)
Purchase of shares of non-controlling interests	(35)		
Net increase in loans	139		14
Equity dividends paid	(735)		(673)
<b>Net cash outflow from financing activities</b>		<b>(753)</b>	<b>(774)</b>
<b>Net decrease in net cash and cash equivalents</b>		<b>(847)</b>	<b>(367)</b>
Exchange differences		(41)	
Net cash and cash equivalents at beginning of the period		1,645	1,015
<b>Net cash and cash equivalents at end of the period</b>		<b>757</b>	<b>648</b>
<b>Net cash and cash equivalents consist of:</b>			
Cash and cash equivalents		891	686
Bank overdrafts		(134)	(38)
		<b>757</b>	<b>648</b>

Figures for the six months ended 31 December 2012 have been restated following the adoption of IFRS 11. See Note 1 and 15 to the financial information.

Table of Contents

**NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL INFORMATION**

**1. Basis of preparation**

The financial information included within this report has been prepared using accounting policies in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted for use in the European Union (EU), and in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority. The condensed consolidated financial statements have been prepared in accordance with IAS 34 Interim Financial Reporting. 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 2013 except for the impact of adoption of new accounting standards explained below. IFRS is subject to ongoing review and endorsement by the EU or possible amendment by interpretative guidance and the issuance of new standards by the IASB.

The directors have a reasonable expectation that the group has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the condensed consolidated financial statements.

**Adopted by the group**

The following accounting standards and amendments, issued by the International Accounting Standards Board (IASB), are effective for the first time in the current financial year and have been adopted by the group:

*IFRS 10 Consolidated financial statements* replaces the guidance of control and consolidation in IAS 27 and SIC-12 *Consolidation special purpose entities*. The core principle that a consolidated entity presents a parent and its subsidiaries as if they were a single entity remains unchanged, as do the mechanics of consolidation. Application of IFRS 10 has not affected the scope of the consolidation.

*IFRS 11 Joint arrangements* requires joint arrangements to be accounted for as a joint operation or as a joint venture depending on the rights and obligations of each party to the arrangement. This means that for certain entities the group's share of their sales and other financial items is no longer consolidated on a line by line basis but the group's net share of their net income is included in the line Share of profits of associates after tax. Following the adoption of IFRS 11, the group has restated its financial information.

*IFRS 12 Disclosure of interests in other entities* requires enhanced disclosures of the nature, risks and financial effects associated with the group's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

*IFRS 13 Fair value measurement* explains how to measure fair value and aims to enhance fair value disclosures. The standard does not materially change the measurement of fair values but codifies it in one place.

*Amendments to IAS 19 Employee benefits* changes a number of disclosure requirements for post employment arrangements and restricts the options currently available on how to account for defined benefit pension plans. The most significant change that impacts the group is that the amendment requires the expected returns on pension plan assets, previously calculated based on management's estimate of expected returns, to be replaced by a credit on the pension plan assets calculated at the liability discount rate.

As a consequence of the above changes, comparative prior period figures have been restated. The impact on the group's consolidated statement of comprehensive income, net assets and net cash flow are provided in Note 15 to the financial information. Restated segmental information for the six months ended 31 December 2012 is provided on page 29.

The following accounting standards and amendments, issued by the IASB, have been adopted by the group from 1 July 2013 with no significant impact on its consolidated results or financial position:

*Amendment to IAS 1 Clarification of the requirements for comparative information*

*Limited scope amendment to IAS 12 Income taxes*

*Amendment to IAS 16 Classification of servicing equipment*

*IAS 27 (Revised) Separate financial statements*

*IAS 28 (Revised) Investments in associates and joint ventures*

*Amendment to IAS 32 Tax effect of distribution to holders of equity instruments*

*Amendment to IAS 34 Interim financial reporting*

*Amendment to IFRS 7 Disclosures Offsetting financial assets and financial liabilities*

The comparative figures for the financial year ended 30 June 2013 are not the company's statutory accounts for that financial year. Those accounts have been reported on by the company's auditor and delivered to the registrar of companies. The report of the auditor was (i) unqualified, (ii) did not include a reference to any matters to which the auditor drew attention by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

Table of Contents**2. Segmental information**

Diageo presents segmental information for the manufacture, distribution and selling of premium drinks in operating segments based on the geographical location of third party customers. The information presented is consistent with management reporting provided to the chief operating decision maker, which has been identified as the executive committee.

The executive committee considers the business principally from a geographical perspective and the business analysis is presented by geographical segment. In addition to these geographical selling segments, a further segment reviewed by the executive committee is Global Supply, which manufactures products for other group companies and includes the production sites in the United Kingdom, Ireland and Italy. Continuing operations also include the Corporate function. In view of the focus on the geographical segments in explaining the group's performance in the Business review, the results of the Global Supply segment have been allocated to the geographical segments. Corporate revenues and costs are in respect of central costs, including finance, corporate relations, human resources and legal, as well as certain information systems, facilities and employee costs that do not relate to the geographical segments or to Global Supply and hence are not allocated. They also include rents receivable in respect of properties not used by the group in the manufacture, sale or distribution of premium drinks and the results of Gleneagles Hotel.

The segmental information for net sales and operating profit before exceptional items is reported at budgeted exchange rates in line with management reporting. For management reporting purposes the group measures the current period at, and restates the prior period net sales and operating profit to, the current period's budgeted exchange rates. These exchange rates are set prior to the financial year as part of the financial planning process and provide a consistent exchange rate to measure the performance of the business throughout the year. The adjustments required to retranslate the segmental information to actual exchange rates and to reconcile it to the group's reported results are shown in the tables below. The comparative segmental information, prior to retranslation, has not been restated at the current period's budgeted exchange rates but is presented at the budgeted rates for the year ended 30 June 2013.

In addition, for management reporting purposes Diageo excludes the impact of acquisitions and disposals completed in the current and prior period from the results of the geographical segments in order to provide comparable results. The impact of acquisitions and disposals on net sales and operating profit is disclosed under the appropriate geographical segments in the tables below at budgeted exchange rates.

Six months ended	North America	Western Europe	Africa, Eastern Europe and Turkey	Latin America and Caribbean	Asia Pacific	Global Supply	Eliminate inter-segment sales	Total operating segments	Corporate and other	Total
31 December 2013	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million	£ million
<b>Sales</b>	<b>2,149</b>	<b>1,970</b>	<b>1,739</b>	<b>1,102</b>	<b>1,012</b>	<b>821</b>	<b>(821)</b>	<b>7,972</b>	<b>42</b>	<b>8,014</b>
<b>Net sales</b>										
At budgeted exchange rates*	1,934	1,134	1,191	741	792	864	(821)	5,835	42	5,877
Acquisitions and disposals	20	2	1					23		23
Global Supply allocation	6	23	6	4	4	(43)				
Retranslation to actual exchange rates	(56)	20	(43)	155	(44)			32		32
<b>Net sales</b>	<b>1,904</b>	<b>1,179</b>	<b>1,155</b>	<b>900</b>	<b>752</b>	<b>821</b>	<b>(821)</b>	<b>5,890</b>	<b>42</b>	<b>5,932</b>

Explanation of Responses:



Edgar Filing: V F CORP - Form 4

<b>Operating profit/(loss)</b>									
At budgeted exchange rates*	866	338	351	263	217	56	2,091	(69)	2,022
Acquisitions and disposals	(4)	2	(1)		(7)		(10)		(10)
Global Supply allocation	8	29	8	6	5	(56)			
Retranslation to actual exchange rates	(19)	1	(31)	117	(22)		46	2	48
<b>Operating profit/(loss) before exceptional items</b>									
	851	370	327	386	193		2,127	(67)	2,060
Exceptional items	(1)		(2)	(1)		(16)	(20)		(20)
<b>Operating profit/(loss)</b>	<b>850</b>	<b>370</b>	<b>325</b>	<b>385</b>	<b>193</b>	<b>(16)</b>	<b>2,107</b>	<b>(67)</b>	<b>2,040</b>
Non-operating items									138
Net finance charges									(225)
Share of associates profits after tax									
- Moët Hennessy									164
- Other associates									17
<b>Profit before taxation</b>									<b>2,134</b>

F-8

Table of Contents

<b>Six months ended 31 December 2012 (restated)</b>	<b>North America</b>	<b>Western Europe</b>	<b>Africa, Eastern Europe and Turkey</b>	<b>Latin America and Caribbean</b>	<b>Asia Pacific</b>	<b>Global Supply</b>	<b>Eliminate inter- segment sales</b>	<b>Total operating segments</b>	<b>Corporate and other</b>	<b>Total</b>
	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>	<b>£ million</b>
<b>Sales</b>	2,218	1,977	1,791	965	1,138	1,396	(1,396)	8,089	42	8,131
<b>Net sales</b>										
At budgeted exchange rates*	1,980	1,190	1,156	793	805	1,473	(1,425)	5,972	43	6,015
Acquisitions and disposals		1	62	30	51			144		144
Global Supply allocation	7	23	6	7	5	(48)				
Retranslation to actual exchange rates	(45)	(40)	(36)	(36)	(26)	(29)	29	(183)	(1)	(184)
<b>Net sales</b>	<b>1,942</b>	<b>1,174</b>	<b>1,188</b>	<b>794</b>	<b>835</b>	<b>1,396</b>	<b>(1,396)</b>	<b>5,933</b>	<b>42</b>	<b>5,975</b>
<b>Operating profit/(loss)</b>										
At budgeted exchange rates*	819	371	364	308	221	63		2,146	(75)	2,071
Acquisitions and disposals			18	3	(17)			4		4
Global Supply allocation	27	21	6	4	5	(63)				
Retranslation to actual exchange rates	(24)	(14)	(17)	(14)	(8)			(77)	3	(74)
<b>Operating profit/(loss) before exceptional items</b>	<b>822</b>	<b>378</b>	<b>371</b>	<b>301</b>	<b>201</b>			<b>2,073</b>	<b>(72)</b>	<b>2,001</b>
Exceptional items		20				(4)		16		16
<b>Operating profit/(loss)</b>	<b>822</b>	<b>398</b>	<b>371</b>	<b>301</b>	<b>201</b>	<b>(4)</b>		<b>2,089</b>	<b>(72)</b>	<b>2,017</b>
Net finance charges										(229)
Share of associates profits after tax										
- Moët Hennessy										132
- Other associates										8
<b>Profit before taxation</b>										<b>1,928</b>

\* These items represent the IFRS 8 performance measures for the geographical and Global Supply segments.

(i) The group's net finance charges are managed centrally and are not attributable to individual operating segments.

Approximately 40% of annual net sales occur in the last four months of each calendar year.

Weighted average exchange rates used in the translation of income statements were US dollar £1 = \$1.60 (2012 £1 = \$1.60) and euro £1 = 1.18 (2012 £1 = 1.25). Exchange rates used to translate assets and liabilities at the balance sheet date were US dollar £1 = \$1.66 (30 June 2013 £1 = \$1.52, 31 December 2012 £1 = \$1.63) and euro £1 = 1.20 (30 June 2013 £1 = 1.17, 31 December 2012 £1 = 1.23). The group uses foreign exchange transaction hedges to mitigate the effect of exchange rate movements.



Table of Contents**3. Exceptional items**

Exceptional items are those which, in management's judgement, need to be disclosed by virtue of their size or incidence in order for the user to obtain a proper understanding of the financial information.

	Six months ended 31 December 2013 £ million	Six months ended 31 December 2012 £ million
<b>Items included in operating profit</b>		
Supply excellence review	(3)	
Restructuring of Irish brewing operations	(17)	(4)
	(20)	(4)
Pension changes - past service credits		20
	(20)	16
<b>Non-operating items</b>		
Fair value gain on USL	140	
Sale of business	(2)	
	138	
<b>Exceptional items before taxation</b>	118	16
Tax on exceptional operating items	3	(2)
<b>Exceptional items in continuing operations</b>	121	14
<b>Discontinued operations net of taxation</b>		
Thalidomide (Australia and New Zealand)	(51)	
Thalidomide (Other)	(41)	
	(92)	
<b>Total exceptional items</b>	29	14
<b>Items included in operating profit are charged to:</b>		
Cost of sales	(16)	(3)
Other operating expenses	(4)	19
	(20)	16

**4. Net interest and other finance charges**

	Six months ended 31 December 2013 £ million	Six months ended 31 December 2012 (restated) £ million
Interest payable	(239)	(250)
Interest receivable	52	51

Edgar Filing: V F CORP - Form 4

Market value movements on interest rate instruments	(1)	(2)
<b>Net interest payable</b>	<b>(188)</b>	<b>(201)</b>
Net finance charges in respect of post employment plans	(7)	(22)
Unwinding of discounts	(3)	(6)
Hyperinflation adjustment on Venezuela operations	(27)	(2)
	<b>(37)</b>	<b>(30)</b>
Net exchange movements on certain financial instruments		2
<b>Net other finance charges</b>	<b>(37)</b>	<b>(28)</b>

F-10

Table of Contents**5. Taxation**

For the six months ended 31 December 2013, the £388 million taxation charge (2012 £351 million) comprises a UK tax charge of £37 million (2012 £19 million) and a foreign tax charge of £351 million (2012 £332 million).

**6. Inventories**

	31 December 2013 £ million	30 June 2013 (restated) £ million	31 December 2012 (restated) £ million
Raw materials and consumables	387	346	390
Work in progress	65	63	75
Maturing inventories	3,234	3,182	3,092
Finished goods and goods for resale	634	616	608
	<b>4,320</b>	4,207	4,165

**7. Net borrowings**

	31 December 2013 £ million	30 June 2013 (restated) £ million	31 December 2012 (restated) £ million
Borrowings due within one year and bank overdrafts	(3,007)	(1,852)	(2,205)
Borrowings due after one year	(6,716)	(8,217)	(6,220)
Fair value of foreign currency forwards and swaps	35	205	106
Finance lease liabilities	(299)	(289)	(258)
	<b>(9,987)</b>	(10,153)	(8,577)
Cash and cash equivalents	891	1,750	686
	<b>(9,096)</b>	(8,403)	(7,891)

**8. Reconciliation of movement in net borrowings**

	Six months ended 31 December 2013 £ million	Six months ended 31 December 2012 (restated) £ million
Net decrease in cash and cash equivalents before exchange	(847)	(367)
Net increase in loans	(139)	(14)

<b>Increase in net borrowings from cash flows</b>	<b>(986)</b>	<b>(381)</b>
Exchange differences on net borrowings	337	111
Other non-cash items	(44)	(48)
Net borrowings at beginning of the period	(8,403)	(7,573)
<b>Net borrowings at end of the period</b>	<b>(9,096)</b>	<b>(7,891)</b>

Other non-cash items primarily comprise fair value changes on bonds, interest rate derivatives and new finance leases. On 1 July 2013 the group repaid bonds of 1,150 million (£983 million).

## 9. Financial instruments

Fair value measurements of financial instruments are presented through the use of a three-level fair value hierarchy that prioritises the valuation techniques used in fair value calculations. The levels can be broadly described as follows:

- Level 1 use of unadjusted quoted prices in active markets for identical assets or liabilities;
- Level 2 use of observable inputs other than quoted prices included within level 1, such as quoted prices for similar assets or liabilities in active markets; and
- Level 3 use of inputs not based on observable market data but reflecting management's own assumptions about pricing the asset or liability.

There were no significant changes in the measurement and valuation techniques, or significant transfers between levels of the financial assets and liabilities in the six months ended 31 December 2013.

The group's financial assets and liabilities measured at fair value are categorised as follows:

Table of Contents

	31 December 2013				30 June 2013				31 December 2012			
	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million	Level 1 £ million	Level 2 £ million	Level 3 £ million	Total £ million
<b>Assets</b>												
Derivative assets		405		405		458		458		506		506
Available-for-sale investments					350		350					
Total assets		405		405	350	458		808		506		506
<b>Liabilities</b>												
Derivative liabilities		(198)		(198)		(191)		(191)		(249)	(4)	(253)
Other financial liabilities			(109)	(109)			(115)	(115)			(118)	(118)
Total liabilities		(198)	(109)	(307)		(191)	(115)	(306)		(249)	(122)	(371)

Finance lease liabilities amounted to £299 million in the six months ended 31 December 2013 (30 June 2013 £289 million, 31 December 2012 £258 million).

The carrying amount of the group's financial assets and liabilities are generally the same as their fair value apart from borrowings. At 31 December 2013 the fair value of gross borrowings was £9,992 million and the carrying value was £9,723 million (30 June 2013 £10,436 million and £10,069 million respectively, 31 December 2012 £9,196 million and £8,425 million respectively).

**10. Dividends and other reserves**

	Six months ended 31 December 2013 £ million	Six months ended 31 December 2012 £ million
<b>Amounts recognised as distributions to equity shareholders in the period</b>		
Final dividend paid for the year ended 30 June 2013 of 29.30 pence per share (2012 26.90 pence)	735	673

An interim dividend of 19.7 pence per share (2012 18.10 pence) was approved by the board on 29 January 2014. As the approval was after the balance sheet date, it has not been included as a liability.

Other reserves of £2,540 million at 31 December 2013 (2012 £3,127 million) includes a capital redemption reserve of £3,146 million credit (2012 £3,146 million) and hedging and exchange reserve of £606 million deficit (2012 £19 million deficit).

**11. Cash generated from operations**

Six months ended

Six months ended



Edgar Filing: V F CORP - Form 4

	31 December 2013		31 December 2012 (restated)	
	£ million	£ million	£ million	£ million
Profit for the period	1,654		1,577	
Discontinued operations	92			
Taxation	388		351	
Share of associates' profits after tax	(181)		(140)	
Net finance charges	225		229	
Non-operating items	(138)			
<b>Operating profit</b>		<b>2,040</b>		<b>2,017</b>
Increase in inventories	(213)		(243)	
Increase in trade and other receivables	(693)		(790)	
(Decrease)/increase in trade and other payables and provisions	(7)		285	
<b>Net increase in working capital</b>		<b>(913)</b>		<b>(748)</b>
Depreciation, amortisation and impairment		<b>186</b>		<b>160</b>
Dividends received		<b>8</b>		<b>58</b>
Post employment payments less amounts included in operating profit		<b>(122)</b>		<b>(60)</b>
Other items		<b>(30)</b>		<b>6</b>
<b>Cash generated from operations</b>		<b>1,169</b>		<b>1,433</b>

Cash generated from operations is stated after £41 million (2012 £34 million) of cash outflows in respect of exceptional operating items.

Table of Contents

**12. Acquisition of businesses**

On 4 July 2013, Diageo purchased a further 14.98% equity share (21.77 million shares) in United Spirits Limited (USL) at a cost of INR 1440 per share totalling INR 31.3 billion (£342 million). This took the group's equity interest in USL to 25.02% and changed its accounting treatment from available-for-sale investments to associates.

On 26 November 2013, Diageo acquired an additional 1.35% equity share (1.97 million shares) in USL through an on-market purchase on the Bombay Stock Exchange at a cost of INR 2400 per share totalling INR 4.7 billion (£47 million). This brought the aggregate equity stake held by Diageo to 26.37% of USL.

Diageo have accounted for USL as an associate in the six months ended 31 December 2013. Diageo's share of USL's results was not material.

On 2 August 2013, Diageo acquired the remaining 7% equity stake in Sichuan Chengdu Shuijingfang Group Co., Ltd. (SJF Holdco) for a cash consideration of RMB 326 million (£35 million). The acquisition of the additional stake in SJF Holdco brought Diageo's shareholding to 100% and increased its effective interest in Shuijingfang from 36.9% to 39.7%.

**13. Contingent liabilities and legal proceedings**

**(a) Guarantees**

As of 31 December 2013 the group has no material guarantees or indemnities to third parties with the exception of a conditional back-stop guarantee issued by Diageo Holdings Netherlands B.V. (DHN) to Standard Chartered Bank (Standard Chartered) in respect of the liabilities of Watson Limited (Watson), a company affiliated with Dr Vijay Mallya, under a \$135 million (£81 million) facility from Standard Chartered. The terms require that any right of Standard Chartered to call on the guarantee from DHN will be subject to Standard Chartered having first taken certain agreed steps to recover from Watson, including defined steps towards enforcement of its security package. In addition, DHN has, in respect of its potential liability under this guarantee, the benefit of counter-indemnities from Watson and Dr Vijay Mallya as well as the security package put in place for the Standard Chartered facility.

**(b) Colombian litigation**

An action was filed on 8 October 2004 in the United States District Court for the Eastern District of New York by the Republic of Colombia and a number of its local government entities against Diageo and other spirits companies, alleging several causes of action, including violations of the Federal RICO Act. This claim was dismissed in November 2012. The dismissal was without prejudice and as such, plaintiffs are not barred from bringing a similar action in future. Diageo cannot meaningfully quantify the possible loss or range of loss in the event of any future litigation. Diageo remains committed to continued dialogue with the Colombian governmental entities to address the underlying issues.

**(c) Korean customs dispute**

Litigation is ongoing in Korea in connection with the application of the methodology used in transfer pricing on spirits imports since 2004. In December 2009, Diageo Korea received a final customs audit assessment notice from the Korean customs authorities, covering the period from 1 February 2004 to 30 June 2007, for Korean won 194 billion or £112 million (including £14 million of value added tax), which was paid in full and appealed to the Korean Tax Tribunal.

On 18 May 2011, the Tax Tribunal made a determination that the statute of limitations had run for part of the assessment period, ordered a partial penalty refund and instructed the Korean customs authorities to reinvestigate the remaining assessments. Accordingly, a refund of Korean won 43 billion or £25 million (including £2 million of value added tax) was made to Diageo Korea in the year ended 30 June 2012.

However, post the completion of the reinvestigation, the Korean customs authorities have concluded that they will continue to pursue the application of the same methodology and on 18 October 2011 a further final imposition notice was issued for Korean won 217 billion or £125 million (including £14 million of value added tax) in respect of the period from 29 February 2008 to 31 October 2010.

In response Diageo Korea filed a claim with the Seoul Administrative Court (Court) along with a petition for preliminary injunction to stay the final imposition notice. The Court granted Diageo Korea's request for a preliminary injunction and has stayed the final imposition until the decision of the Court on the underlying matter. On 31 October 2012, the Court instructed the Korean customs authorities to reinvestigate the second imposition notice per the instructions of the Tax Tribunal and stayed the Court hearings until the completion of the re-audit. The re-audit was completed in February 2013 and the Court hearings continue.

The underlying matter remains in progress with the Court and Diageo Korea is unable to quantify meaningfully the possible loss or range of loss to which these claims may give rise. Diageo Korea continues to defend its position vigorously.

**(d) Thalidomide litigation**

In Australia, class action claims alleging product liability and negligence for injuries arising from the consumption of the drug thalidomide were filed in the Supreme Court of Victoria against Distillers Company (Biochemicals) Limited, its parent Diageo Scotland Limited (formerly Distillers Company Limited), as well as against Grönenthal GmbH, the developer of the drug (not a member of the group). On 18 July 2012 Diageo settled the claim of the lead claimant Lynette Rowe and agreed a process to consider the remaining claimants. As a result of that process, agreement has been reached between Diageo and the claimants, without admission of liability by Diageo, to settle the class action claims for the sum of AU\$89 million and AU\$6.5 million in costs, subject to the approval of the Supreme Court of Victoria. Grönenthal GmbH is not a party to the settlement. The application for approval will be heard by the Supreme Court of Victoria on 7 February 2014. If the settlement is approved the class action claims will be dismissed. A liability for £51 million has been charged to discontinued operations in the income statement in the six months ended 31 December 2013.

Table of Contents

In the United Kingdom, proceedings have twice been commenced but lapsed for lack of service. Distillers Company (Biochemicals) Limited distributed the drug in Australia and the United Kingdom for a period in the late 1950s and early 1960s. Diageo is unable to quantify meaningfully the possible loss or range of loss to which any lawsuit may give rise. The group has worked voluntarily for many years with various thalidomide organisations and has provided significant financial support.

**(e) Acquisition of USL shares from UBHL, winding-up petitions against UBHL and other proceedings in relation to the USL transaction**

On 4 July 2013 Diageo completed its acquisition, under a share purchase agreement with United Breweries (Holdings) Limited (UBHL) and various other sellers (the SPA) of a further 21,767,749 shares (14.98%) in USL for a total consideration of INR 31.3 billion (£342 million), including 10,141,437 shares (6.98%) from UBHL. This followed a preferential allotment of 14,532,775 shares (10%) in USL for a total consideration of INR 20.9 billion (£249 million) and the acquisition of 58,668 additional shares through a mandatory tender offer for a total consideration of INR 85,778,082 (£1 million). By these transactions Diageo became the major shareholder in USL with a shareholding of 25.02% acquired for total consideration of INR 52 billion (£592 million). In the period since completion of these transactions, Diageo has acquired further USL shares, increasing its shareholding in USL to 26.37%.

At the time of the acquisition from UBHL on 4 July 2013, the High Court of Karnataka (the High Court) had granted leave under sections 536 and 537 of the Indian Companies Act to enable the sale by UBHL to Diageo to take place (the UBHL Share Sale) notwithstanding the continued existence of five winding-up petitions (the Original Petitions) that were pending against UBHL on 9 November 2012, being the date of the SPA. Additional winding-up petitions have been brought against UBHL since 9 November 2012, and the leave granted by the High Court (the Leave Order) did not extend to them. At the time of the completion of the UBHL Share Sale, the Leave Order remained subject to review on appeal. However, as stated by Diageo at the time of closing on 4 July 2013, it was considered unlikely that any appeal process in respect of the Leave Order would definitively conclude on a timely basis and, accordingly, Diageo waived the conditionality under the SPA relating to the absence of insolvency proceedings in relation to UBHL and acquired the 10,141,437 USL shares from UBHL at that time.

Since closing of the UBHL Share Sale, appeals have been filed by various petitioners in respect of the Leave Order. The Appellate Division of the High Court of Karnataka (the Appeal Court) announced its decision in respect of those appeals on 20 December 2013 in which it set aside the Leave Order.

Diageo is seeking leave to appeal this decision of the Appeal Court to the Supreme Court of India and the hearing of that leave application is currently adjourned to 31 January 2014.

In separate proceedings, the various winding-up petitions against UBHL have been progressing through the High Court since closing of the USL transaction. A ruling was issued by the High Court on 22 November 2013 to admit one of the winding-up petitions against UBHL and directing that a general advertisement be made to creditors of UBHL after a period of 4 weeks from the date of the ruling. This ruling is the subject of an application for appeal by UBHL.

Diageo continues to believe that the acquisition price of INR 1440 paid to UBHL for the USL shares is fair and reasonable as regards UBHL, UBHL's shareholders and UBHL's secured and unsecured creditors. However, adverse results for Diageo in the proceedings referred to above could, absent leave or relief in other proceedings, ultimately result in Diageo losing title to the 10,141,437 USL shares acquired from UBHL. There can be no certainty as to the outcome of the existing or any further related legal proceedings or the timeframe within which they would be concluded.

Separately, Diageo continues to pursue completion of the acquisition of an additional 3,459,090 USL shares (representing approximately 2.38% of the share capital of USL) under the SPA from the USL Benefit Trust. Currently certain lenders to USL are refusing to release security that they hold over those shares notwithstanding that they have been repaid in full. USL is taking steps including proceedings before the High Court to expedite the release of the security. As previously disclosed, if it is not ultimately possible to complete the acquisition in relation to these shares, they would instead continue to be held by the USL Benefit Trust subject to an undertaking that the trustees would only vote the shares at the direction of USL.

**(f) Other**

The group has extensive international operations and is defendant in a number of legal, customs and tax proceedings incidental to these operations, the outcome of which cannot at present be foreseen. In particular, the group is currently the defendant in various customs proceedings that challenge the declared customs value of products imported by certain Diageo companies. Diageo continues to defend its position vigorously in these proceedings.

Save as disclosed above, neither Diageo, nor any member of the Diageo group, is or has been engaged in, nor (so far as Diageo is aware) is there pending or threatened by or against it, any legal or arbitration proceedings which may have a significant effect on the financial position of the Diageo group.

**14. Related party transactions**

The group's significant related parties are its associates, joint ventures, key management personnel and pension plans, as disclosed in the annual report for the year ended 30 June 2013. There have been no transactions with these related parties during the six months ended 31 December 2013 on terms other than those that prevail in arm's length transactions.

Table of Contents**15. Impact of new accounting standards**

As reported in Note 1, the group has adopted IFRS 11 and the amendment to IAS 19. As a consequence, comparative prior period figures have been restated. Restated consolidated statement of comprehensive income for the six months ended 31 December 2012 is set out below:

**Consolidated statement of comprehensive income**

**for the six months ended 31 December 2012**

	As reported £ million	IFRS 11 £ million	IAS 19 £ million	Restated £ million
<b>Sales</b>	8,235	(104)		8,131
Excise duties	(2,196)	40		(2,156)
<b>Net sales</b>	6,039	(64)		5,975
Operating costs before exceptional items	(4,010)	41	(5)	(3,974)
<b>Operating profit before exceptional items</b>	2,029	(23)	(5)	2,001
Exceptional operating items	16			16
<b>Operating profit</b>	2,045	(23)	(5)	2,017
Net finance charges	(212)		(17)	(229)
Share of associates' profits after tax	128	12		140
<b>Profit before taxation</b>	1,961	(11)	(22)	1,928
Taxation	(360)	4	5	(351)
<b>Profit for the period</b>	1,601	(7)	(17)	1,577
Other comprehensive loss	(205)		17	(188)
<b>Total comprehensive income for the period</b>	1,396	(7)		1,389
<b>Profit for the period attributable to:</b>				
Equity shareholders	1,538		(17)	1,521
Non-controlling interests	63	(7)		56
	1,601	(7)	(17)	1,577
<b>Total comprehensive income for the period attributable to:</b>				
Equity shareholders	1,365			1,365
Non-controlling interests	31	(7)		24
	1,396	(7)		1,389
	<b>pence</b>	<b>pence</b>	<b>pence</b>	<b>pence</b>
<b>Basic earnings per share</b>	61.5		(0.7)	60.8
<b>Diluted earnings per share</b>	61.1		(0.7)	60.4

The adoption of IFRS 11 reduced the group's net assets by £19 million and £17 million at 30 June 2013 and at 31 December 2012, respectively and reduced the group's net cash outflow by £10 million for the six months ended 31 December 2012. The amendment to IAS 19 has neither affected the group's net assets nor the group's net cash outflow.



Table of Contents**UNAUDITED COMPUTATION OF RATIO OF EARNINGS TO FIXED CHARGES**

	Six months ended 31 December					Year ended 30 June	
	2013	2012	2013	2012	2011	2010	2009
	(restated)*	(restated)*	(restated)*	(restated)*	(restated)*	(restated)*	(restated)*
	£ million	£ million	£ million	£ million	£ million	£ million	£ million
<b>Earnings</b>							
Income before taxes on income, non-controlling interests and discontinued operations	2,134	1,928	3,057	3,043	2,281	2,188	1,940
Less: capitalised interest			(2)	(5)	(4)	(5)	(4)
Less: Share of associates income	(181)	(140)	(217)	(229)	(192)	(155)	(179)
Add: Dividend income receivable from associates	8	58	220	190	150	123	190
Add: Fixed charges	368	355	758	747	766	998	895
	<b>2,329</b>	<b>2,201</b>	<b>3,816</b>	<b>3,746</b>	<b>3,001</b>	<b>3,149</b>	<b>2,842</b>
<b>Fixed charges</b>							
Interest payable and other finance charges (note 1)	348	335	716	704	727	963	862
Add: Interest capitalised			2	5	4	5	4
Add: One third of rental expense	20	20	40	38	35	30	29
	<b>368</b>	<b>355</b>	<b>758</b>	<b>747</b>	<b>766</b>	<b>998</b>	<b>895</b>
	<b>ratio</b>	<b>ratio</b>	<b>ratio</b>	<b>ratio</b>	<b>ratio</b>	<b>ratio</b>	<b>ratio</b>
Ratio	<b>6.3</b>	6.2	5.0	5.0	3.9	3.2	3.2
Ratio as previously reported*	N/A	6.6	5.3	5.3	4.2	3.3	3.3

\* The group has adopted IFRS 11 and the amendment to IAS 19. As a consequence, comparative prior period figures have been restated.

**Notes:**

(1) Interest payable and other finance charges for the six month ended 31 December 2013 includes a £70 million charge (31 December 2012 - £55 million; 30 June 2013 - £151 million; 30 June 2012 - £151 million; 30 June 2011 - £107 million; 30 June 2010 - £275 million; 30 June 2009 £164 million) in respect of fair value adjustments to the group's derivative instruments. Impact of foreign exchange movements on net borrowings not in a hedge relationship and therefore recognised in the income statement was a charge of £11 million in the year ended 30 June 2009. In addition, in the year ended 30 June 2010 a charge of £10 million (30 June 2009 - £33 million) was recognised in respect of exchange rate translation differences on inter-company funding arrangements where hedge accounting was not applicable.



Table of Contents

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorised.

Diageo plc

*(Registrant)*

/s/ DA Mahlan

**Name: Deirdre Mahlan**

Title: Chief financial officer

6 February 2014

---