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IMPERIAL TOBACCO GROUP PLC
 HALF YEARLY REPORT TO 31 MARCH 2009

Financial Highlights

	6 months ended 31 March 2009	Change	6 months ended 31 March 2008	Year ended 30 Sept 2008
Volumes				
Cigarettes (billion)	151.5	+25%	121.1	291.8
Cigars (million)	1,399	+94%	720*	2,452
Fine cut tobacco (tonnes)	12,150	+4%	11,650	25,150
<i>In £s million</i>				
Revenue	12,420	+54%	8,056	20,528
Profit from operations	1,139	+62%	705*	1,471*
Adjusted profit from operations	1,369	+49%	918	2,230
(Loss)/profit before tax	(184)	-	326	621
Adjusted profit before tax	998	+47%	680	1,607
Attributable (loss)/earnings	(149)	-	233	428
Adjusted attributable earnings	727	+49%	487	1,159
Distribution to shareholders	213	+32%	161	588
<i>In pence</i>				
Basic (loss)/earnings per share	(14.7)	-	30.1*	50.6
Adjusted earnings per share	71.8	+14%	62.9*	136.9
Diluted (loss)/earnings per share	(14.7)	-	30.0*	50.4
Interim dividend per share	21.0	-	20.9*	63.1

* Restated to reflect changed basis of calculation

Results for 2009 include a full six month's contribution from Altadis, whereas 2008 comparatives include the Altadis contribution since completion of the acquisition on 25 January 2008. The 2008 per share figures have been restated to reflect the bonus element of the rights issue. Profit from operations, profit before tax, attributable earnings, basic and diluted earnings per share are impacted, where applicable, by amortisation of acquired intangibles, restructuring costs, post-employment benefits net financing income, fair value gains and losses on derivative financial instruments in respect of commercially effective hedges, one-off acquisition accounting adjustments, brand divestment gains and related taxation effects. The main adjustments to profit before tax relate to amortisation of acquired intangibles of £224 million and fair value losses on derivative financial instruments of £937 million, following significant moves in market interest rates and foreign exchange rates. We hedge interest rate and foreign exchange exposures in an efficient, commercial and structured manner. However, the strict requirements of IAS 39 mean that we are obliged to recognise the movements in fair value of some of these hedges in our income statement. These movements are predominantly offset by movements taken directly to reserves.

Management believes that reporting adjusted measures provides a useful comparison of business performance and reflects the way in which the business is controlled. Accordingly, as outlined in our accounting policy note, adjusted measures of profit from operations, net finance costs, profit before tax, taxation, attributable earnings and earnings per share exclude, where applicable, amortisation of acquired intangibles, restructuring costs, post-employment benefits net financing income, fair value gains and losses on derivative financial instruments in respect of commercially effective hedges, one-off acquisition accounting adjustments, brand divestment gains and related taxation effects. Reconciliations between adjusted and reported profit from operations are included within note 1 to the half yearly statements, adjusted and reported finance costs in note 3, adjusted and reported taxation in note 4, and adjusted and reported earnings per share in note 6. The adjusted measures in this report are not defined terms under International Financial Reporting Standards and may not be comparable with similarly titled measures reported by other companies.

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2009 HALF YEARLY REPORT

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Chairman and Chief Executive's Statement

“In the first half of 2009 we achieved further gains in a number of markets and made considerable progress on the integration of Altadis.”

Our balanced multi-product portfolio includes strength in value brands and products, enabling us to capitalise on consumer downtrading while continuing to drive the international growth of our premium brands. Our focus on maximising growth opportunities, combined with our diligent approach to cost and cash management, has resulted in another good operational performance. While tobacco is not immune from the current difficulties affecting the global economy the defensive qualities of our business provide resilience in a recessionary environment.

Our adjusted profit from operations increased by 49 per cent to approximately £1.4 billion reflecting a full contribution from Altadis compared with two months in the 2008 first half, continued operational progress and foreign exchange benefits. Excluding foreign exchange, on a comparable basis profit from operations grew by just over 6 per cent.

Our adjusted earnings per share grew by 14 per cent to 71.8 pence (2008: 62.9 pence) after adjusting last year's earnings per share for the bonus element of the rights issue launched in May 2008. Basic earnings per share was a loss of 14.7 pence (2008: earnings of 30.1 pence).

In 2009 and future years it is our intention that the interim dividend per share will amount to approximately one-third of the prior year's full dividend. Our policy of progressive dividends based on underlying earnings growth is unchanged with a payout ratio of around 50 per cent, whilst recognising the cash impact of the Altadis restructuring. The Board has declared an interim dividend payment of 21.0 pence per share (2008: 20.9 pence per share), which will be paid on 19 August 2009 to those shareholders on the register at the close of business on 19 June 2009.

Enlarged Group Performance

We delivered a good operational performance, increasing our global cigarette volumes by 25 per cent to 151.5 billion cigarettes (2008: 121.1 billion) and our fine cut tobacco volumes by 4 per cent to 12,150 tonnes (2008: 11,650 tonnes).

Our international footprint and versatile portfolio of cigarette and other tobacco products have improved our position in a number of markets across our regions. Our strength in fine cut tobacco and value cigarette brands means we are well placed in markets where downtrading is ongoing. This is complemented by our presence in the premium sector where we increased volumes of our key brands *Davidoff* and *Gitanes Blondes* by 9 per cent and 21 per cent respectively. We are also well represented in the mainstream sector where *Gauloises Blondes* performed well with volume gains of 11 per cent.

Within Western Europe we successfully launched the *JPS Silver* range in the UK and further growth from *JPS* in Germany reinforced the brand's position as the number two cigarette brand in the market. In Spain and France we delivered good cigarette performances in the key domestic blonde segments. In the USA, we gained share in both cigarette and fine cut tobacco, and our African and Middle Eastern operations continued to deliver significant growth with strong brand performances and share gains in many markets. We have been building on the success of *Gauloises Blondes* as our leading brand in the Middle East while also introducing it into new markets including Slovakia, Serbia, Cyprus and Romania in the first half of 2009. In Eastern Europe, we achieved volume and profit gains and improved our financial performance in Asia. We continue to develop *Davidoff* with new brand extensions, such as Superslims which have been introduced into a number of new markets.

In cigar, the performance of our premium brands has been impacted by the global economic downturn and the increase in public smoking restrictions. Despite these effects we delivered a strong first half performance in the USA, prior to a significant increase in Federal Excise Taxation in April 2009. The rationalisation of our cigar portfolio and a number of cost reduction initiatives will ensure our cigar business is well positioned for the future.

Our tobacco logistics business remains resilient, while our other logistics operations have been impacted by the weak economic climate. There has been active management of the cost base throughout the logistics business to strengthen its competitive position.

Financial Position

The first half of 2009 has seen consolidation of our financial position following the debt and equity issues to fund our acquisition of Altadis in 2008. Adjusted net debt at the end of March 2009 amounted to £14.0 billion, compared with £11.5 billion at 1 October 2008. Most of the increase was attributable to currency movements and, in particular, to the weaker value of sterling against the euro and US dollar. We are a highly cash generative business and retain an investment grade credit rating. In February, we issued two long-term bonds with proceeds totalling £2.3 billion, which were partly used to redeem bank facilities maturing in 2009. The success of this issuance leaves us with no further refinancing requirements until July 2010. Our average all-in cost of debt was broadly stable at 5.5 per cent (2008: 5.4 per cent).

Altadis Integration

Our achievements with the integration of Altadis have been considerable. We have successfully completed all consultations on our European integration projects, enabling us to further progress implementation. We merged all our sales forces and marketing teams in the first half, providing an integrated and more comprehensive service to our customers. We also made good progress on manufacturing. As well as the closure of our Smolnik factory in November, our operations in Poland, Morocco and Russia have been reorganised. Our focus on aligning processes, systems and standards ensures that we have the right foundations for continued manufacturing excellence. We continue to support employees affected by integration, rationalisation and factory closure.

In the first half we delivered €39 million of incremental synergies, bringing the total so far to €82 million, and remain very confident of achieving our previously announced targets of €180 million in the current financial year and €400 million by the end of our 2012 financial year. We also remain on track to achieve the net revenue synergy target of €60 million by the end of our 2011 financial year due to our focus on the brand development of the enlarged portfolio.

Regulation

Tobacco is highly regulated throughout the industry supply chain. We support regulation that is reasonable, proportionate and evidence-based and will continue to resist legislation that does not meet these criteria.

Plans are being developed for the phased introduction of a product display ban in England and Wales. Advocates of tobacco display bans claim these measures will stop people, particularly children, smoking. Data from Canada and Iceland, where display bans have been in place for a number of years, shows that they have had no impact on overall rates of tobacco consumption or specifically on youth smoking rates. This was recognised in New Zealand in February 2009 when the Government confirmed it would not be proceeding with a display ban on the grounds that "there is no international evidence that it actually works and it's hugely expensive to do it". We continue to oppose product display bans whilst supporting credible initiatives that will address youth smoking.

Board Changes

In March we were delighted to announce the appointment of Alison Cooper to the new role of Chief Operating Officer. Alison has extensive commercial experience and has made a significant contribution to the success of Imperial Tobacco over the past ten years. She will focus on driving the operational performance and strategic direction of the business, ensuring that we maximise our long-term growth potential. Alison will also continue to manage the smooth integration of Altadis into the wider Group. Her appointment is a further step in ensuring that our Board structure is aligned with the ongoing international development of our enlarged business.

Outlook

There are undoubtedly challenges as a result of the current economic climate but our enhanced geographic and brand portfolio enables us to look to the future with confidence. We will focus on building our positions in mature markets while pursuing growth opportunities in emerging markets.

We have seen no significant change to the ongoing downtrading trends in mature markets and the strength of our value brands and products means we are well positioned to continue to capitalise on this dynamic. We also remain optimistic about the continued growth of our premium and mainstream cigarette and fine cut tobacco brands, and we are taking steps to improve our cigar and logistics operations.

This, combined with our ongoing focus on cost and efficiency, will further strengthen our competitive position and continue to create sustainable value for our shareholders.

Iain Napier
Chairman

Gareth Davis
Chief Executive

Operating Review

UK: Our market leading position reflects the strength of our multi-product portfolio.

Market Review

We estimate that the annualised duty paid cigarette market was down by 2 per cent to 44.2 billion (2008: 45.2 billion). In January, we increased prices across our portfolio.

The change in timing of the UK Budget from March to April has resulted in a partial shift in performance from the first to the second half of our 2009 financial year.

We estimate the annualised fine cut tobacco market grew by 15 per cent to 4,100 tonnes (2008: 3,550 tonnes). Both cigarette and fine cut tobacco benefited from a reduction in the purchases of UK brands abroad as the impact of a weaker economy and currency reduced overseas travel.

	2009	2008
Market Size¹		
Cigarette (annualised)	44.2 bn	45.2 bn
Fine cut tobacco (annualised)	4,100 tn	3,550 tn
Performance Highlights^{1 2 3}		
Cigarette volumes	9.8 bn	10.8 bn
Cigarette market share	45.5%	46.1%
Fine cut tobacco volumes	1,200 tn	1,150 tn
Fine cut tobacco market share	58.7%	62.2%

1 Imperial Tobacco market estimates.

2 Volume comparatives include Altadis from acquisition date.

3 Share comparatives based on full six months of Altadis.

Our Performance

Our cigarette market share was 45.5 per cent (2008: 46.1 per cent) and has stabilised following the launch of our new value range *JPS Silver* in November 2008. The brand has made excellent progress, achieving a spot share of 1.8 per cent in March. *Lambert & Butler* and *Richmond* remain the UK's two largest cigarette brands. In fine cut tobacco, our market share was 58.7 per cent (2008: 62.2 per cent) following declines in our premium brands. However, this was partially offset by the continuing good performance of *Gold Leaf* in the value segment, now up to 3.7 per cent (2008: 2.0 per cent). Encouragingly, our *Golden Virginia* brand has gained volume in recent months and we launched *Golden Virginia Yellow* in the growing value segment in March to further strengthen our position.

Germany: A strong performance from *JPS* reinforced its position as the number two cigarette brand in the market.

Market Review

We estimate that the annualised duty paid cigarette market was down by 3 per cent to 82.6 billion cigarettes (2008: 85.3 billion). We estimate that the annualised other tobacco products market was stable at 34.6 billion cigarette equivalents (2008: 34.1 billion).

Downtrading remains a key dynamic, with the low price branded cigarette sector increasing to around 27 per cent of the cigarette market (2008: 23 per cent). In June we will be increasing prices across our portfolio and the minimum pack size will increase from 17 to 19 cigarettes in July.

	2009	2008
Market Size¹		
Cigarette (annualised)	82.6 bn	85.3 bn
Other tobacco products (annualised) ²	34.6 bn	34.1 bn
Performance Highlights^{1 3 4}		
Cigarette volumes	11.5 bn	10.4 bn
Cigarette market share	27.3%	27.5%
Other tobacco products volumes	3.5 bn	3.5 bn
Other tobacco products market share	20.0%	20.1% ⁵

1 Imperial Tobacco market estimates.

2 As cigarette equivalents.

3 Volume comparatives include Altadis from acquisition date.

4 Share comparatives based on full six months of Altadis.

5 Our German OTP market share estimate in 2008 has been restated to reflect a changed basis of calculation.

Our Performance

Further gains from *JPS* reinforced its position as the number two cigarette brand in the market, improving its share to 8.4 per cent (2008: 7.7 per cent). At the premium end of our portfolio, *Gauloises Blondes*, *Davidoff* and *R1* all maintained market share. Although *West* declined, taking our overall cigarette share down slightly to 27.3 per cent (2008: 27.5 per cent), there are signs of increasing stability in *West*'s share following the introduction of new maxi-packs of 30 cigarettes.

In other tobacco products our market share was broadly stable at 20.0 per cent (2008: 20.1 per cent), with a strong performance from *Route 66* up to 3.8 per cent (2008: 2.2 per cent) in the make your own sector.

Spain: Our results benefited from a good domestic cigarette performance and strong growth in fine cut tobacco.

Market Review

We estimate that the annualised duty paid cigarette market was down by 5 per cent to 81.0 billion (2008: 85.0 billion). This was mainly due to trade destocking, declining travel retail volumes and increased downtrading into fine cut tobacco, which grew an estimated 54 per cent to 4,300 tonnes (2008: 2,800 tonnes). The cigar market was down by 9 per cent to just under 1 billion with volume declines across all segments in a product category that is more sensitive to economic conditions.

We increased prices across our portfolio in January.

Our Performance

Fortuna, our largest cigarette brand in Spain, has an 11.9 per cent market share (2008: 12.2 per cent). We improved the market share of our other key mainstream brand, *Nobel*, to 5.3 per cent (2008: 4.9 per cent) and grew our value brand, *Ducados Rubio*, up to 6.7 per cent (2008: 6.1 per cent). Although our share of the dark segment increased, volume declines in this segment and lower travel retail sales had an impact on our total market share at 36.8 per cent (2008: 37.5 per cent).

In fine cut tobacco, our market share declined to 45.8 per cent (2008: 49.4 per cent) but good performances from *Fortuna* and *Ducados Rolling* have strengthened our portfolio in the value segment. Our share of the cigar market was down to 30.6 per cent (2008: 37.3 per cent) with economic conditions impacting performance across all cigar categories.

	2009	2008
Market Size¹		
Cigarette (annualised)	81.0 bn	85.0 bn
Fine cut tobacco (annualised)	4,300 tn	2,800 tn
Performance Highlights^{1 2 3 4}		
Cigarette volumes	15.8 bn	6.4 bn
Cigarette market share	36.8%	37.5%
Fine cut tobacco volumes	1,000 tn	500 tn
Fine cut tobacco market share	45.8%	49.4%

1 Imperial Tobacco market estimates.

2 Volume comparatives include Altadis from acquisition date.

3 Share comparatives based on full six months of Altadis.

4 Half year 2008 figures adjusted for divestments.

Rest of EU: We made further good progress in a challenging environment.

	2009		2008	
Regional Market Size¹				
Cigarette (annualised)	353.4 bn		378.6 bn	
Fine cut tobacco (annualised)	37,700 tn		36,000 tn	
Performance Highlights^{1 2}				
Cigarette volumes	27.2 bn		24.6 bn	
Fine cut tobacco volumes ³	5,850 tn		6,750 tn	
	Cigarette Market Shares^{1 4}		Fine Cut Tobacco Market Shares^{1 4 5}	
	2009	2008	2009	2008
Austria	17.4%	16.5%	21.8%	25.6%
Belgium	16.0%	16.8%	10.8%	12.1% ⁶
Czech Republic	13.8%	11.5%	45.2%	49.5%
France	28.9%	29.3%	22.8%	24.9%
Greece	10.9%	10.1%	35.5%	37.4%
Hungary	12.0%	12.9%	45.9%	37.3%
Ireland	25.8%	26.6%	64.0%	64.0%
Italy	2.5%	2.8%	43.8%	48.5%
Netherlands	13.4%	13.2%	49.8%	50.7%
Poland	24.1%	25.7%	2.2%	1.8%
Portugal	5.2%	4.5%	8.6%	17.2%

1 Imperial Tobacco market estimates.

2 Volume comparatives include Altadis from acquisition date.

3 Half year 2008 figure includes the brands we were required to divest. Excluding these, volumes declined by 3 per cent.

4 Share comparatives based on full six months of Altadis.

5 Half year 2008 figures adjusted for divestments.

6 Restated due to change of source data.

Regional Market Review

We estimate that the regional cigarette market was down 7 per cent to 353.4 billion cigarettes (2008: 378.6 billion), a much higher decline than normal, although broadly stable on an underlying basis. Declining travel retail volumes had a small effect but by far the largest impact on reported volumes was the significant fall in duty paid cigarette volumes in Central Europe, particularly in **Poland** and the **Czech Republic**, as a result of excise driven price increases. We implemented price increases in the majority of the markets including **The Netherlands**, **Greece** and **Italy**. In **France**, our most important market in this region, we estimate the market was stable at 52.2 billion cigarettes (2008: 51.8 billion). We estimate the regional fine cut tobacco market was up 5 per cent to 37,700 tonnes (2008: 36,000 tonnes).

Cigarette Performance Highlights

In **France**, our cigarette market share was 28.9 per cent (2008: 29.3 per cent), with gains in our main blonde brands *News*, *Gauloises Blondes*, *JPS* and *Fortuna* partially offsetting continued declines in the dark segment. In **Belgium**, our market share declined to 16.0 per cent (2008: 16.8 per cent), but we continued to see good progress from *JPS* and *Fortuna*. In the **Czech Republic** we improved our share to 13.8 per cent (2008: 11.5 per cent) with good performances from *Davidoff* and *Moon*. In **The Netherlands**, our market share increased to 13.4 per cent (2008: 13.2 per cent) driven by *JPS* gains, and we launched *Fortuna* in October. In **Greece**, we extended our market share to 10.9 per cent (2008: 10.1 per cent) with a strong performance from *Davidoff*. In **Austria**, *JPS* continued to grow, increasing our overall market share to 17.4 per cent (2008: 16.5 per cent). Despite good performances from *Davidoff* and *Route 66* in **Poland**, our market share declined to 24.1 per cent (2008: 25.7 per cent).

Fine Cut Tobacco Performance Highlights

In **France**, our market share was 22.8 per cent (2008: 24.9 per cent) and we extended our presence in the growing value for money segment with the introduction of *JPS Dosettes*. In **The Netherlands**, our overall market share declined to 49.8 per cent (2008: 50.7 per cent), despite good growth from *Evergreen* and *West* in the value segment. In **Italy**, our total share declined to 43.8 per cent (2008: 48.5 per cent), but the overall market is growing and there were good performances from our *Peter Stuyvesant* brand and the recently launched *JPS*. In **Hungary**, our fine cut tobacco share reached a new high of 45.9 per cent (2008: 37.3 per cent), while a good performance by *Paramount* in **Poland** contributed to an increase in share to 2.2 per cent (2008: 1.8 per cent). In **Norway** and **Sweden** we grew market share in our snus portfolio. In addition, we gained fine cut tobacco volume and share in the growing markets of Central Europe, which partly offset the impact of the brands we were required to divest last year following the Altadis acquisition.

Americas: We continue to build on our growing cigarette and fine cut tobacco positions.

Market Review

Our main business in the Americas is in the **USA**, where we estimate that the overall cigarette market was down by 3 per cent to 338.6 billion (2008: 349.2 billion). We are strong in the discount sector, which continues to account for approximately 27 per cent of the total market. The fine cut tobacco market grew by an estimated 17 per cent to 10,150 tonnes (2008: 8,700 tonnes), while cigars felt the impact of a deteriorating economic environment.

Following the enactment of the State Children's Health Insurance Program Bill in February, industry-wide price increases were introduced in March in anticipation of the resulting higher Federal Excise Tax rate on 1 April 2009. We saw cigarette and fine cut tobacco trade destocking in March in advance of this rate increase and the

imposition of a retail floor stocks tax, which impacted volumes. Conversely, we saw trade stocking of large mass market and premium cigars, which were not subject to the floor stocks tax, ahead of the tax increase.

Our Performance

We increased our cigarette market share in the **USA** to 4.3 per cent (2008: 4.1 per cent) of the total cigarette market and 14.8 per cent (2008: 13.5 per cent) of the discount sector. We have expanded our cigarette sales force to improve our national distribution capabilities. In January and March we increased prices of our key brands *USA Gold* and *Sonoma*, both of which performed well. Our value portfolio is supported by *Davidoff* and *Fortuna*, which have been introduced into additional states.

	2009	2008
Market Size – USA¹		
Cigarette (annualised)	338.6 bn	349.2 bn
Fine cut tobacco (annualised)	10,150 tn	8,700 tn
Performance Highlights – USA^{1 2 3}		
Cigarette volumes	6.0 bn	6.4 bn
Cigarette market share	4.3%	4.1% ⁴
Fine cut tobacco volumes	450 tn	150 tn
Fine cut tobacco market share	9.0%	3.4%

1 Imperial Tobacco market estimates.

2 Volume comparatives include Altadis from acquisition date.

3 Share comparatives based on full six months of Altadis.

4 Our USA cigarette market share estimate in 2008 has been restated to reflect a changed basis of calculation.

We significantly improved our fine cut tobacco market share to an estimated 9.0 per cent (2008: 3.4 per cent) reflecting our investment in the *Rave* brand and further gains from *Premier* and *McClintock*. Our cigar business performed well in challenging market conditions. The Federal Excise Tax increases on both fine cut tobacco and little cigars were particularly significant but we are well placed to benefit from potential consumer migration into discount cigarettes. Overall, with our strong presence in the discount cigarette sector, combined with our expertise in fine cut tobacco and the positioning of our cigar portfolio, we expect the overall effect of the Federal Excise Tax increase on our USA results for the current financial year will be broadly neutral.

Rest of the World: We delivered another strong performance in a region that offers significant growth prospects.

Regional Market Review

We continue to build on our growth momentum and to capitalise on the opportunities created by our enlarged portfolio of brands as a result of the Altadis acquisition.

Performance Highlights ^{1 2}	2009	2008
Cigarette volumes	80.5 bn	62.2 bn
Fine cut tobacco volumes	1,000 tn	1,000 tn

Our Performance: Eastern Europe

We grew volumes in Eastern Europe and price increases in a number of markets improved our profitability.

Our cigarette market share was stable in the **Ukraine** at 21.5 per cent (2008: 21.5 per cent) with good performances from *Davidoff* and *Classic*. In **Russia**, there are signs of increased downtrading in response to the financial crisis and we have made considerable gains with our value brand *Maxim*. In **Azerbaijan**, we increased our share to 41.8 per cent (2008: 39.7 per cent), with an excellent performance from *Davidoff*.

Cigarette Market Shares ^{1 3}	2009	2008
Australia	15.6%	16.8%
Azerbaijan	41.8%	39.7%
Cambodia	23.4%	22.3%
Ivory Coast	87.1%	85.4%
Lebanon	21.8%	22.0%
Morocco	85.6%	88.0%
New Zealand	18.8%	17.9%
Russia	10.2%	11.2%
Saudi Arabia	9.6%	6.4% ⁴
Taiwan	9.4%	10.0%
Turkey	3.5%	3.0%
Ukraine	21.5%	21.5%
Vietnam	8.1%	8.7%

Our Performance: Africa and the Middle East

We continue to make very good progress across these markets, increasing our volumes and shares in many territories, driven by our key brands, *Davidoff*, *Gauloises Blondes*, *Fine* and *Gitanes Blondes*.

In Africa, we delivered a particularly good performance, improving our positions in **Burkina Faso**, the **Ivory Coast**, **Algeria** and **Tunisia**. In the Middle East we made further good progress in **Kuwait**, **Bahrain** and **Oman**. Our market share in **Saudi Arabia** was up to 9.6 per cent (2008: 6.4 per cent) with a strong performance from *Davidoff*. In **Turkey**, we increased our market share to 3.5 per cent (2008: 3.0 per cent) with growth from *Klasik* and *West*. In Morocco, we had very strong growth from *Gauloises Blondes* although our overall cigarette share has been impacted by the ongoing decline in the dark segment. Additionally, we have finalised a long-term agreement for the licensed manufacture, distribution and merchandising of Philip Morris brands.

1 Imperial Tobacco market estimates.

2 Volume comparatives include Altadis from acquisition date.

3 Share comparatives based on full six months of Altadis.

4 Restated due to change of source data.

Our Performance: Asia

In Asia, our new factory in **Taiwan** is fully operational and our ability to manufacture in-market has contributed to an improved financial performance. To capitalise on downtrading we launched *Kane*, a value offering, in December with positive early results. *Davidoff's* share has stabilised and we continue to implement initiatives to strengthen its position. In **Vietnam**, following our joint venture with the Vietnam National Tobacco Corporation and Da Nang Province to manufacture cigarettes, we launched *West*.

Our Performance: Australasia

In **Australia**, we have taken steps to improve our position in a competitive market. In **New Zealand**, our cigarette market share was up to 18.8 per cent (2008: 17.9 per cent), an excellent performance driven by *JPS* and *John Brandon*. We also increased our fine cut tobacco share with good gains by *Horizon* and *Riverstone*.

Our Performance: Habanos Cigars

Our *Habanos* brands have been impacted by increased public smoking restrictions and, like many luxury products, have suffered as a result of the current economic conditions, although pricing has in part helped to mitigate volume declines.

Logistics: The diversity of our logistics business has helped mitigate the impact of challenging economic conditions.

Overview

Our logistics business encompasses the distribution of tobacco and other products primarily in the southern European countries of Spain, France, Italy and Portugal. Whilst our other logistics operations have seen some deterioration in the first half as a result of their exposure to the current macro environment, our tobacco operations have been relatively resilient and there has been active management of the cost base throughout the logistics business.

Within our tobacco logistics operations, our performance in Italy has been good reflecting pricing improvements and in France we have performed ahead of expectations. This has partially offset weakness in Spain following the 5 per cent cigarette market decline. Logista recently renewed its Spanish distribution contract with Philip Morris International until 2014.

Our other logistics operations have been impacted by economic conditions, particularly in Spain. However, our performance against the industry as a whole has been good and our strong business model has enabled us to maintain our customer base and in some areas gain market share, including in transport and wholesale operations.

Financial Review

Revenue

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008
Tobacco	8,705	6,936
Logistics	4,237	1,300
Eliminations	(522)	(180)
Group revenue	12,420	8,056

The growth in revenue reflects a full six months' contribution from Altadis, pricing improvements and operational progress in our mature and emerging markets, and foreign exchange gains.

Group Earnings Performance

In £s million	Adjusted		Reported	
	6 months ended 31 March 2009	6 months ended 31 March 2008	6 months ended 31 March 2009	6 months ended 31 March 2008
Profit from operations				
Tobacco	1,301	897	1,139	766
Logistics	78	28	10	7
Eliminations	(10)	(7)	(10)	(68)
Group profit from operations	1,369	918	1,139	705
Net finance costs	(371)	(238)	(1,323)	(379)
Profit before taxation	998	680	(184)	326
Taxation	(264)	(180)	42	(86)
Profit/(loss) for the year	734	500	(142)	240
Earnings/(loss) per ordinary share (pence)	71.8	62.9	(14.7)	30.1

Adjusted profit from operations grew by 49 per cent to £1,369 million (2008: £918 million) reflecting operational progress and the benefit of operational efficiencies arising from the Altadis acquisition. Reported profit from operations was up 62 per cent to £1,139 million (2008: £705 million). After net finance costs and tax, adjusted earnings per share grew by 14 per cent to 71.8 pence (2008: 62.9 pence). Reported earnings per share was a loss of 14.7 pence (2008: earnings of 30.1 pence) as a result of a number of adjustments which are detailed as follows.

Reconciliation of Adjusted Performance Measures

The results have been adjusted in line with our normal practice, and a reconciliation is provided below.

	Profit from operations (In £s millions)		Net finance costs (In £s millions)		Earnings per share (In pence)	
	6 months ended 31 March 2009	6 months ended 31 March 2008	6 months ended 31 March 2009	6 months ended 31 March 2008	6 months ended 31 March 2009	6 months ended 31 March 2008
	Reported	1,139	705	(1,323)	(379)	(14.7)
Acquisition accounting adjustments	-	117	-	-	-	10.3
Amortisation of acquired intangibles	224	96	-	-	18.5	10.3
Restructuring costs	6	-	-	-	0.4	-
Fair value losses on derivative financial instruments providing commercial hedges	-	-	937	166	66.6	15.3
Post-employment benefits net financing expense/(income)	-	-	15	(25)	1.0	(2.3)
Adjustments above attributable to the minority interest	-	-	-	-	-	(0.8)
Adjusted	1,369	918	(371)	(238)	71.8	62.9

Amortisation of acquired intangibles rose from £96 million to £224 million reflecting a full six months' charge for Altadis.

The Group hedges underlying interest rate and foreign exchange rate exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IAS 39 lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result and as permitted under IAS 39, the Group has decided not to apply cash flow or fair value hedge accounting. We therefore exclude fair value gains and losses on derivative financial instruments providing commercial hedges from adjusted net finance costs. Significant movements in foreign exchange and interest rates have led to an increase in fair value losses on derivative financial instruments included in net finance costs from £166 million to £937 million. Previously an element of fair value gains and losses was included in profit from operations rather than net finance costs. The presentation has been amended this year to show all fair value gains and losses in net finance costs. The change in presentation is explained more fully in Accounting Policies and has no effect on adjusted earnings or on cash flow.

The net financing cost of post-employment benefits amounted to £15 million compared with income of £25 million in 2008 and is excluded from adjusted net finance costs.

The 2008 reported results included one-off acquisition accounting adjustments relating to the valuation of inventory and the timing of recognition of profits on transactions between Imperial Tobacco and Altadis, which had no impact on the performance of the business or on cash flow.

Geographic Analysis of Tobacco

In £s million	Net revenue		Adjusted profit from operations		Cigarette volumes (bn)		Fine cut tobacco volumes (tonnes)	
	6 months ended 31 March 2009	6 months ended 31 March 2008	6 months ended 31 March 2009	6 months ended 31 March 2008	6 months ended 31 March 2009	6 months ended 31 March 2008	6 months ended 31 March 2009	6 months ended 31 March 2008
	UK	418	430	276	291	9.8	10.8	1,200
Germany	376	285	183	124	11.5	10.4	2,650	2,100
Spain	298	113	126	40	15.8	6.4	1,000	500
Rest of EU	708	530	272	210	27.2	24.6	5,850	6,750
Americas	443	181	141	63	6.7	6.7	450	150
Rest of the World	1,009	587	303	169	80.5	62.2	1,000	1,000
Total	3,252	2,126	1,301	897	151.5	121.1	12,150	11,650

UK net revenue declined by 3 per cent to £418 million reflecting the change of timing of the UK Budget offset by a more moderate rate of underlying market decline, pricing improvements and growth in fine cut tobacco. Adjusted profit from operations was down 5 per cent to £276 million.

Growth in German volumes and net revenue were largely attributable to the acquisition of Altadis. Net revenue rose by 32 per cent to £376 million and adjusted profit from operations by 48 per cent to £183 million. Some £28 million of the increase in adjusted profit from operations related to strengthening of the euro against sterling.

Net revenue in Spain increased by £185 million to £298 million and adjusted profit from operations by £86 million to £126 million reflecting a full contribution from Altadis, as well as a positive pricing environment and growth in fine cut tobacco which more than offset cigarette and cigar declines. We estimate £22 million of the increase in adjusted profit from operations related to strengthening of the euro against sterling.

In the Rest of EU, a good performance in France and in many other markets across the region was offset by a higher than normal regional cigarette market decline resulting from price increases driven by EU tax harmonisation in Poland and the Czech Republic, and a bad debt write-off of £17 million in The Netherlands. Net revenue rose by 34 per cent to £708 million and adjusted profit from operations by 30 per cent to £272 million. Around £41 million of the increase in adjusted profit from operations related to strengthening of the euro and other currencies against sterling.

In the Americas, net revenue increased by £262 million to £443 million and adjusted profit from operations by £78 million to £141 million as a result of a good operational performance and pricing improvements in the USA, as well as the inclusion of a full six months' contribution from the Altadis cigar business. The industry-wide cigarette destocking in advance of the April Federal Excise Tax increases has resulted in a shift in our volumes from March to April, though this was offset by advance sales of large mass market and premium cigars. The strengthening of the US dollar against sterling accounted for around £28 million of the increase in adjusted profit from operations.

In the Rest of the World, a strong performance was reflected in net revenue increasing by 72 per cent to £1,009 million and adjusted profit from operations by 79 per cent to £303 million. Currency movements accounted for around £58 million of the increase in adjusted profit from operations.

Restructuring and Synergies

Profits also benefited from incremental synergies from the Altadis acquisition of €39 million which we delivered in the first half. Our cumulative synergies to date are €32 million. There was an additional restructuring charge of £6 million in the first half mainly in respect of European integration projects.

Logistics

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Logistics adjusted profit from operations was £78 million compared with £28 million for the two months to 31 March 2008. Our tobacco logistics operations have been relatively resilient and whilst our other logistics operations were affected by the current economic climate, we have implemented cost saving initiatives to help mitigate the impact.
Distribution fees	467	159	
Adjusted profit from operations	78	28	
Adjusted distribution margin - per cent	16.7	17.6	

Net Finance Costs

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008
Net finance costs	1,323	379
Net fair value losses on derivative financial instruments providing commercial hedges	(937)	(166)
Post-employment benefits net financing (expense)/income	(15)	25
Adjusted net finance costs	371	238

Adjusted net finance costs were £371 million (2008: £238 million). On an adjusted basis, our interest cover was 3.7 times (2008: 3.9 times). Our interest cover for banking covenant purposes is materially above this level and is calculated after a number of adjustments. We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings. Reported net finance costs of £1,323 million (2008: £379 million) include post-employment benefits net finance expense of £15 million (2008: income £25 million) and fair value losses on derivative financial instruments providing commercial hedges of £937 million (2008: £166 million).

Taxation

The adjusted tax charge for the period was £264 million (2008: £180 million) representing an adjusted effective tax rate of 26.5 per cent (2008: 26.5 per cent). The reported tax credit was £42 million (2008: charge £86 million).

Foreign Exchange

Tobacco net revenue benefited by £466 million due to currency effects, mainly as a result of the appreciation of the euro and the US dollar against sterling. Logistics distribution fees were increased by £73 million as a result of currency effects. Group adjusted profit from operations benefited from currency effects of £183 million.

Dividends

As previously announced and in line with our existing dividend policy based on underlying earnings, we have declared an interim dividend of 21 pence per share payable on 19 August 2009 to those shareholders on the register at close of business on 19 June 2009. This represents one third of the rights adjusted prior year's full dividend. Our policy of progressive dividends based on underlying earnings growth is unchanged with a payout of around 50 per cent, whilst recognising the cash impact of the Altadis restructuring.

Financing and Cash Flow

At the end of March 2009, we had committed financing facilities in place of around £16 billion. Some 56 per cent was bank facilities with the balance raised through capital market bond issues.

In February we successfully raised £2.3 billion through the capital markets and have utilised part of this to repay bank facilities put in place to purchase Altadis, including the €2 billion facility that was due to mature in July 2009, as well as to provide additional finance alongside our ongoing cash generation in anticipation of debt maturities in July 2010.

At 31 March 2009, our reported net debt had increased to £15.2 billion from £11.7 billion at 30 September 2008. Eliminating accrued interest, the fair value of derivatives providing commercial cash flow hedges and finance lease liabilities, our adjusted net debt was £14.0 billion (30 September 2008: £11.5 billion). The strengthening of both the euro and the US dollar against sterling has resulted in a significant increase in our debt. The denomination of our closing adjusted net debt was 59 per cent euro, 25 per cent US dollar and 16 per cent sterling. Our all-in cost of debt was broadly stable at 5.5 per cent (2008: 5.4 per cent).

Our business remains highly cash generative and we aim to convert around 100 per cent of our profit from operating activities after net capital expenditure into cash. Our half year cash conversion was 53 per cent as a result of a temporary increase in working capital. The outflow predominantly related to pre-production ahead of duty increases in a number of countries, particularly in Poland and Slovakia. Together they represented just over £450 million of the outflow. Working capital management remains a key priority for us and these temporary working capital outflows are expected to unwind in the second half. By the year end we expect a working capital inflow which should mean our cash conversion is in excess of 100 per cent.

Acquisitions and Fixed Asset Disposals

Our cash outflows include gross capital expenditure of £112 million (2008: £97 million), and we continue to make disciplined investment in machinery and equipment across our expanded footprint.

Disposal of surplus Altadis properties contributed to an increase from £8 million to £40 million in proceeds from the sale of fixed assets. We invested £46 million acquiring the balance of JR Cigar, a nationwide premium cigar distributor in the USA.

Half Year Outlook

In addition to the normal seasonal uplift, which we typically see across our regions in the second half, we anticipate a stronger performance in the UK and our German business to benefit from price increases across our portfolio. The cigarette market in Spain should experience its normal seasonal uplift and we are well placed to take advantage of the expected continued growth in fine cut tobacco. In addition, both Spain and France will benefit from a full six months of operating with integrated sales forces.

In the Rest of EU, the challenges in travel retail and Central Europe will continue but we expect to make further domestic cigarette progress and will also focus on strengthening our fine cut tobacco shares. In the USA, we believe we are well positioned to manage the impact of the Federal Excise Tax increases and remain focused on maintaining our growth momentum.

Our Rest of the World region presents us with considerable opportunities and we expect many of the same growth trends to continue in the coming months.

Additionally, we anticipate our logistics division will have a better second half as the cost saving benefits increase.

Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed are unchanged from those identified in our 2008 Annual Report and Accounts. The principal risks and uncertainties, together with our approach to managing them, are set out on pages 22 to 24 of our 2008 Annual Report and Accounts, and cover the following areas:

- the degree of regulation in the Group's markets;
- the levels of excise duty applied in the many markets in which the Group operates;
- the Group's performance being dependent on key markets and customers;
- the Group's exposure to tobacco-related litigation;
- the integration of Altadis raising liabilities or problems which affect the Group's ability to integrate without significant disruption to either business;
- the potential impact of competition law in the Group's markets;
- the levels of the Group's borrowings and prevailing interest rates.

The Office of Fair Trading Investigation

As consistently reported in our Annual Reports from 2003 to 2008, the Office of Fair Trading (OFT) has been conducting an ongoing investigation into the retail pricing of tobacco products in the UK. On 25 April 2008, the OFT announced that it had issued a Statement of Objections (SO) to certain tobacco manufacturers and retailers, including Imperial Tobacco Limited. On 11 July 2008, the OFT announced that six companies had reached early resolution agreements and had agreed to pay individual penalties with a combined maximum value of £173.3 million.

Imperial Tobacco was not one of those companies. We take compliance with competition law very seriously and reject any suggestion that we have acted in any way contrary to the interests of consumers. Imperial Tobacco has co-operated fully with the OFT throughout and continues to do so. We provided our submission to the OFT responding to the allegations in August 2008 and await any further developments.

Looking Forward

It is the Board's view that the principal risks and uncertainties surrounding the Group in the second half of the financial year remain those set out in the 2008 Annual Report and Accounts. There has been a material change in the economic conditions in the markets in which the Group operates, which may adversely impact the Group's performance, but it is the Board's opinion that the Group's combination of product and geographic diversity, its leading positions in many markets, and the focus on cost efficiency and cash management are such that the Group is well positioned to manage these risks despite the uncertain external environment. The Board also considers that having taken into account the Group's plans and financial commitments the Group has sufficient resources to meet its expected requirements over the next twelve months.

Statement of Directors' Responsibilities

The Directors confirm that this condensed set of financial statements has been prepared in accordance with IAS 34 as adopted by the European Union, and that the interim management report herein includes a fair review of the information required by Disclosure and Transparency Rules 4.2.7 and 4.2.8.

The Directors of Imperial Tobacco Group are listed in the Imperial Tobacco Annual Report for 2008. A list of current Directors is available on the Imperial Tobacco website: www.imperial-tobacco.com

By order of the Board

Gareth Davis
Chief Executive

Robert Dyrbus
Finance Director

Financial Statements

Cautionary statement

All statements, other than statements of historical fact, included herein, are, or may be deemed to be, forward-looking statements within the meaning of section 21E of the Securities Exchange Act 1934, as amended. Forward-looking statements may be identified by words such as “believes”, “expects”, “anticipates”, “projects”, “intends”, “should”, “seeks”, “estimates”, “probability”, “risk”, “target”, “goal”, “objective”, “future” or similar expressions or variations on such expressions. Forward-looking statements involve risks, uncertainties and assumptions. Actual results may differ materially from those expressed in these forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of preparation of the half yearly report to 31 March 2009 and Imperial Tobacco Group PLC undertakes no obligation to update these forward-looking statements. Nothing in the half yearly report to 31 March 2009 should be construed as a profit forecast.

Independent Review Report

to Imperial Tobacco Group PLC

Introduction

We have been engaged by the company to review the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2009, which comprises the Consolidated Income Statement, Consolidated Balance Sheet, Consolidated Statement of Recognised Income and Expense, Consolidated Cash Flow Statement and related notes. We have read the other information contained in the half yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' Responsibilities

The half yearly financial report is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the half yearly financial report in accordance with the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.

As disclosed in the Accounting Policies section, the annual financial statements of the Group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half yearly financial report has been prepared in accordance with International Accounting Standard 34, "Interim Financial Reporting", as adopted by the European Union.

Our Responsibility

Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half yearly financial report based on our review. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Disclosure and Transparency Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of Review

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK and Ireland) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Review Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half yearly financial report for the six months ended 31 March 2009 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the Disclosure and Transparency Rules of the United Kingdom's Financial Services Authority.



PricewaterhouseCoopers LLP

Chartered Accountants

Bristol

12 May 2009

Notes

- (a) The maintenance and integrity of the Imperial Tobacco Group PLC website is the responsibility of the Directors; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.
- (b) Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Consolidated Income Statement

for the six months ended 31 March 2009

In £s million	Notes	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Revenue	1	12,420	8,056	20,528
Duty and similar items		(5,453)	(4,810)	(10,412)
Other cost of sales		(4,440)	(1,772)	(6,253)
Cost of sales		(9,893)	(6,582)	(16,665)
Gross profit		2,527	1,474	3,863
Distribution, advertising and selling costs		(955)	(533)	(1,462)
Administrative and other expenses		(433)	(236)	(930)
Profit from operations	1	1,139	705	1,471
Investment income	3	834	316	543
Finance costs	3	(2,157)	(695)	(1,393)
Net finance costs	3	(1,323)	(379)	(850)
(Loss)/profit before taxation		(184)	326	621
Taxation	4	42	(86)	(180)
(Loss)/profit for the period		(142)	240	441
Attributable to:				
Equity holders of the Company		(149)	233	428
Minority interests		7	7	13
(Loss)/earnings per ordinary share*				
- Basic	6	(14.7) p	30.1 p	50.6 p
- Diluted	6	(14.7) p	30.0 p	50.4 p

All activities derive from continuing operations.

*Comparative per share figures have been restated to reflect the bonus element of the rights issue described in note 6.

Reconciliation from profit from operations to adjusted profit from operations

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Profit from operations	1,139	705	1,471
Acquisition accounting adjustments	-	117	161
Amortisation of acquired intangibles	224	96	309
Brand divestment gain	-	-	(174)
Restructuring costs	6	-	463
Adjusted profit from operations	1,369	918	2,230

Reconciliation from net finance costs to adjusted net finance costs

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Net finance costs	(1,323)	(379)	(850)
Fair value losses on derivative financial instruments providing commercial hedges	937	166	272
Post-employment benefits net financing expense/(income)	15	(25)	(45)
Adjusted net finance costs	(371)	(238)	(623)

Consolidated Balance Sheet

at 31 March 2009

In £s million	Notes	31 March 2009	31 March 2008	30 September 2008
Non-current assets				
Intangible assets		23,182	19,603	19,817
Property, plant and equipment		2,036	1,801	1,820
Investments in associates		20	19	16
Retirement benefit assets		62	575	441
Trade and other receivables		118	54	98
Derivative financial instruments		5	-	76
Deferred tax assets		516	486	392
		25,939	22,538	22,660
Current assets				
Inventories		3,713	3,092	2,858
Trade and other receivables		3,051	3,079	2,951
Current tax assets		31	111	31
Cash and cash equivalents		699	804	642
Derivative financial instruments		294	190	97
Assets held for sale		-	344	-
		7,788	7,620	6,579
Total assets		33,727	30,158	29,239
Current liabilities				
Borrowings		(216)	(9,864)	(2,678)
Derivative financial instruments		(753)	(358)	(238)
Trade and other payables		(6,614)	(5,825)	(6,183)
Finance lease liabilities		(2)	(2)	(2)
Current tax liabilities		(275)	(450)	(370)
Provisions	7	(234)	(79)	(187)
Liabilities associated with assets held for sale		-	(126)	-
		(8,094)	(16,704)	(9,658)
Non-current liabilities				
Borrowings		(14,500)	(7,878)	(9,558)
Derivative financial instruments		(714)	-	(2)
Trade and other payables		(18)	(58)	(14)
Finance lease liabilities		(27)	(29)	(24)
Deferred tax liabilities		(2,647)	(2,585)	(2,310)
Retirement benefit liabilities		(752)	(585)	(546)
Provisions	7	(815)	(430)	(771)
		(19,473)	(11,565)	(13,225)
Total liabilities		(27,567)	(28,269)	(22,883)
Net assets		6,160	1,889	6,356
Equity				
Share capital	8	107	73	107
Share premium account	8	5,833	964	5,833
Retained earnings	8	(1,028)	(71)	(109)
Exchange translation reserve	8	1,192	444	476
Equity attributable to equity holders of the Company		6,104	1,410	6,307
Minority interests		56	479	49
Total equity		6,160	1,889	6,356

Consolidated Statement of Recognised Income and Expense

for the six months ended 31 March 2009

In £s million		6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Exchange movements		896	421	541
Net actuarial losses on retirement benefits		(484)	(29)	(156)
Deferred tax relating to net actuarial losses on retirement benefits		131	7	57
Deferred tax on share-based payments		-	-	(6)
Current tax on share-based payments		-	-	1
Current tax on exchange movements		(180)	-	(88)
Net income recognised directly in equity		363	399	349
(Loss)/profit for the period		(142)	240	441
Total recognised income and expense for the period		221	639	790
Attributable to:				
Equity holders of the Company		214	630	777
Minority interests		7	9	13
Total recognised income and expense for the period		221	639	790

Consolidated Cash Flow Statement

for the six months ended 31 March 2009

In £s million	Notes	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Cash flows from operating activities	9	575	209	1,700
Cash flows from investing activities				
Interest received		42	37	101
Purchase of property, plant and equipment		(109)	(93)	(214)
Proceeds from sale of property, plant and equipment		40	8	34
Purchase of intangible assets - software		(3)	(4)	(12)
Purchase of intangible assets - trademarks		-	(5)	(5)
Proceeds from brand divestment		-	-	191
Purchase of businesses - net of cash acquired		(46)	(8,854)	(9,642)
Proceeds from sale of businesses - net of cash disposed		-	8	222
Net cash used in investing activities		(76)	(8,903)	(9,325)
Cash flows from financing activities				
Interest paid		(357)	(277)	(608)
Proceeds from sale of shares by Employee Share Ownership Trusts		1	1	5
Purchase of shares by Employee Share Ownership Trusts		-	(23)	(26)
Proceeds from rights issue		-	-	4,903
Settlement of foreign exchange derivative financial instruments		(286)	-	13
Increase in borrowings		3,999	12,738	13,815
Repayment of borrowings	10	(3,352)	(3,122)	(9,646)
Increase in collateralisation deposits	10	(68)	-	(188)
Repayment of obligations under finance leases	10	(1)	(1)	(1)
Dividends paid to minority interests		(8)	(4)	(9)
Dividends paid to equity holders of the Company		(427)	(326)	(487)
Net cash (used in)/generated by financing activities		(499)	8,986	7,771
Net increase in cash and cash equivalents		-	292	146
Cash and cash equivalents at start of period		642	380	380
Effect of foreign exchange rates on cash and cash equivalents		57	132	116
Cash and cash equivalents at end of period		699	804	642

Accounting Policies

Basis of Preparation

The financial information comprises the unaudited results for the six months ended 31 March 2009 and 31 March 2008, together with the audited results for the year ended 30 September 2008.

The information shown for the year ended 30 September 2008 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, and is an abridged version of the Group's published financial statements for that year which have been filed with the Registrar of Companies. The auditors' report on those statements was unqualified and did not contain any statements under section 237(2) or (3) of the Companies Act 1985.

This condensed consolidated financial information for the six months ended 31 March 2009 has been prepared in accordance with the Disclosure and Transparency Rules of the Financial Services Authority and with IAS 34, "Interim Financial Reporting" as adopted by the European Union. The condensed consolidated financial statements for the six months ended 31 March 2009 should be read in conjunction with the annual financial statements for the year ended 30 September 2008 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the year ended 30 September 2008, which are available on our website www.imperial-tobacco.com, except for the presentational changes described in the following section.

Consolidated Income Statement Presentation

Since the Group adopted IFRS in 2005, the audited consolidated financial statements of the Group were consistently prepared on the basis that:

- (a) the foreign currency exchange element of changes in the fair value of derivative financial instruments not designated as net investment hedges under IAS 39 was reported as part of profit from operations;
- (b) foreign currency exchange differences on borrowings not designated as net investment hedges under IAS 39 were also taken to profit from operations, but were not separately disclosed; and
- (c) the interest element of changes in the fair value of derivatives was reported as part of net finance costs.

As part of our ongoing procedures to improve the quality of our financial reporting, we have reviewed our existing presentation in the light of current best practice and against those members of our peer group reporting under IFRS. On the basis of this review we have concluded that it would be more helpful to users of our financial statements to present the foreign exchange element of changes in value of derivative financial instruments and foreign currency exchange differences on borrowings not designated as net investment hedges as part of net finance costs rather than profit from operations. This presentation has been adopted for the six months ended 31 March 2009 and all comparative data in this report has been represented accordingly.

Critical Accounting Estimates and Judgements

The Group makes estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience, and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in the financial statements for the year ended 30 September 2008.

Accounting Policies

Use of Adjusted Measures

Management believes that reporting adjusted measures provides a useful comparison of business performance and reflects the way in which the business is controlled. Accordingly, adjusted measures of profit from operations, net finance costs, profit before tax, taxation, attributable earnings and earnings per share exclude, where applicable, amortisation of acquired intangibles, restructuring costs, post-employment benefits net financing income, fair value gains and losses on derivative financial instruments in respect of commercially effective hedges, one-off acquisition accounting adjustments, brand divestment gains and related taxation effects. Reconciliations between adjusted and reported profit from operations are included within note 1 to the financial statements, adjusted and reported net finance costs in note 3, adjusted and reported taxation in note 4, and adjusted and reported earnings per share in note 6. The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The principal adjustments made to reported profits are as follows:

Acquisition Accounting Adjustments

In 2008 there were a number of acquisition accounting adjustments required under IFRS which affected reported profit from operations. The most significant of these were one-off adjustments related to the adjustment to fair value stocks held in the acquired company at the date of acquisition, and the elimination of intercompany sales.

Prior to the acquisition of Altadis, Imperial Tobacco sold products to Altadis, principally to the logistics business for distribution in France, Spain, Italy and Portugal, and recognised profit at the time of sale to Altadis. Following the acquisition the enlarged Group recognises these profits when the products are sold out of the enlarged Group, so there was an initial post acquisition period during which no profit was recognised. These one-off effects had no impact on the performance of the business or on cash flow. Consequently we excluded these adjustments and their related taxation effects from our adjusted earnings measures.

Amortisation of Acquired Intangibles

Acquired intangibles are amortised over their estimated useful economic lives where these are considered to be finite. Acquired intangibles considered to have an indefinite life are not amortised. We exclude from our adjusted measures the amortisation of acquired intangibles, other than software, and the deferred tax associated with amortisation of acquired intangibles and tax deductible goodwill. The deferred tax liability is excluded on the basis that it will only crystallise upon disposal of the intangibles and goodwill. The related current cash tax benefit is retained in the adjusted measure to reflect the ongoing tax benefit to the Group. Impairment of goodwill is also excluded from our adjusted measures.

Brand Divestment

The Group was required to divest a small number of fine cut and pipe tobacco brands as a condition of the European Commission's approval of the acquisition of Altadis. This one-off gain and its related taxation effects have no impact on the operational performance of the business and have consequently been excluded from our adjusted earnings measures.

Accounting Policies

Fair Value Gains and Losses on Derivative Financial Instruments

IAS 39 requires that all derivative financial instruments are recognised on the balance sheet at fair value, and that changes in the fair value are recognised in the income statement unless the instrument qualifies for hedge accounting under IAS 39.

The Group hedges underlying exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IAS 39 lead to some commercially effective hedge positions not qualifying for hedge accounting. We exclude fair value gains and losses on derivative financial instruments providing commercial hedges from adjusted net financing costs.

Restructuring Costs

Significant one-off costs incurred in integrating acquired businesses and in major rationalisation initiatives together with their related tax effects are excluded from our adjusted earnings measures.

Post-Employment Benefits Net Financing Income

The expected return on plan assets and the interest on retirement benefit liabilities, together with the unwind of discount on redundancy and social plans costs included in restructuring provisions, are reported within net finance costs. These items together with their related tax effects are excluded from our adjusted earnings measures.

Other Non-GAAP Measures Used by Management

Net Revenue

Net revenue comprises the Tobacco segment revenue less duty and similar items. Management considers this an important measure in assessing the profitability of Tobacco operations.

Distribution Fees

Distribution fees comprises the Logistics segment revenue excluding the cost of distributed products. Management considers this an important measure in assessing the profitability of Logistics operations.

Adjusted Net Debt

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals, the fair value of derivative financial instruments providing commercial cash flow hedges and finance lease liabilities.

Accounting Policies

New Accounting Standards and Interpretations

The following interpretation became effective for the current reporting period:

IFRIC 16 Hedges of a Net Investment in a Foreign Operation

Application of this interpretation has not had a material impact on the net assets or results of the Group.

The following standards and interpretations were issued but application was not mandatory for the period:

IAS 1 (Revised) Presentation of Financial Statements

IAS 23 (Revised) Borrowing Costs

IAS 27 (Revised) Consolidation and Separate Financial Statements

IAS 32 and IAS 1 (amendment) Puttable Financial Instruments

IFRS 2 (Revised) Amendment to IFRS 2 Share-Based Payment - vesting conditions and cancellations

IFRS 3 (Revised) Business Combinations

IFRS 1 and IAS 27 (amendment) Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate

IFRS 8 Operating Segments

IFRIC 12 Service Concession Arrangements

IFRIC 13 Customer Loyalty Programmes

IFRIC 14 IAS 19 - The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction

IFRIC 15 Agreements for the Construction of Real Estate

IFRIC 17 Distribution of Non-cash Assets to Owners

IFRIC 18 Transfer of Assets from Customers

The Directors anticipate that the adoption of these Standards and Interpretations in future periods will have no material impact on the net assets or results of the Group other than IFRS 3 (Revised) which may have a material impact on the reporting of future acquisitions.

Notes to the Half Yearly Statements

1. Segmental Information

Imperial Tobacco comprises two distinct businesses - Tobacco and Logistics - which have been used as the basis for the primary segment reporting below. The Tobacco segment comprises the manufacture, marketing and sale of tobacco and tobacco-related products, including sales to (but not by) the Logistics segment. The Logistics segment comprises the distribution of tobacco products for tobacco product manufacturers, including Imperial Tobacco, as well as a wide range of non-tobacco products and services. Central costs of the Group are allocated to the Tobacco and Logistics segments based on management's assessment of the level of support provided to each business segment. The business segments presented reflect the management structure of the Group and the way in which the Group's management reviews business performance. Transactions between segments are undertaken on an arm's length basis reflecting market prices for comparable products and services.

Segmental revenue

6 months ended 31 March 2009

In £s million	Tobacco	Logistics	Eliminations	Total
External revenue	8,183	4,237	-	12,420
Inter-segment revenue	522	-	(522)	-
Total segment revenue	8,705	4,237	(522)	12,420

6 months ended 31 March 2008

In £s million	Tobacco	Logistics	Eliminations	Total
External revenue	6,756	1,300	-	8,056
Inter-segment revenue	180	-	(180)	-
Total segment revenue	6,936	1,300	(180)	8,056

Tobacco and Logistics have been restated to reflect the reclassification of the Moroccan business from Logistics to Tobacco.

Year ended 30 September 2008

In £s million	Tobacco	Logistics	Eliminations	Total
External revenue	14,967	5,561	-	20,528
Inter-segment revenue	683	-	(683)	-
Total segment revenue	15,650	5,561	(683)	20,528

Segmental profit from operations and reconciliation to adjusted profit from operations

6 months ended 31 March 2009

In £s million	Tobacco	Logistics	Eliminations	Total
Profit from operations	1,139	10	(10)	1,139
Amortisation of acquired intangibles	156	68	-	224
Restructuring costs	6	-	-	6
Adjusted profit from operations	1,301	78	(10)	1,369

6 months ended 31 March 2008

In £s million	Tobacco	Logistics	Eliminations	Total
Profit from operations	766	7	(68)	705
Acquisition accounting adjustments	56	-	61	117
Amortisation of acquired intangibles	75	21	-	96
Adjusted profit from operations	897	28	(7)	918

Tobacco and Logistics have been restated to reflect the reclassification of the Moroccan business from Logistics to Tobacco.

Year ended 30 September 2008

In £s million	Tobacco	Logistics	Eliminations	Total
Profit from operations	1,531	23	(83)	1,471
Acquisition accounting adjustments	76	-	85	161
Amortisation of acquired intangibles	225	84	-	309
Brand divestment gain	(174)	-	-	(174)
Restructuring costs	449	14	-	463
Adjusted profit from operations	2,107	121	2	2,230

Notes to the Half Yearly Statements

Segmental and geographic analysis of results

External revenue	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
In £s million			
European Union	9,988	6,652	17,012
Americas	631	323	874
Rest of the World	1,801	1,081	2,642
	12,420	8,056	20,528

European Union comprises the EU member states plus Norway, Iceland, Liechtenstein and Switzerland. Americas comprises North, Central and South America. The Cuban joint ventures are included in the Rest of the World.

Tobacco segment	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
In £s million unless otherwise indicated			
Revenue	8,705	6,936	15,650
Net revenue	3,252	2,126	5,238
Profit from operations	1,139	766	1,531
Adjusted profit from operations	1,301	897	2,107
Adjusted operating margin	40.0%	42.2%	40.2%

Logistics segment	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
In £s million unless otherwise indicated			
Revenue	4,237	1,300	5,561
Distribution fees	467	159	607
Profit from operations	10	7	23
Adjusted profit from operations	78	28	121
Adjusted distribution margin	16.7%	17.6%	19.9%

Tobacco and Logistics for six months ended 31 March 2008 have been restated to reflect the reclassification of the Moroccan business from Logistics to Tobacco.

Geographic analysis of Tobacco

6 months ended 31 March 2009

In £s million	Revenue	Net revenue	Adjusted profit from operations
UK	2,271	418	276
Germany	1,624	376	183
Spain	298	298	126
Rest of European Union	2,080	708	272
Americas	631	443	141
Rest of the World	1,801	1,009	303
	8,705	3,252	1,301

6 months ended 31 March 2008

In £s million	Revenue	Net revenue	Adjusted profit from operations
UK	2,327	430	291
Germany	1,353	285	124
Spain	114	113	40
Rest of European Union	1,738	530	210
Americas	323	181	63
Rest of the World	1,081	587	169
	6,936	2,126	897

Year ended 30 September 2008

In £s million	Revenue	Net revenue	Adjusted profit from operations
UK	4,711	869	584
Germany	2,945	664	309
Spain	411	411	150
Rest of European Union	4,067	1,250	494
Americas	874	542	166
Rest of the World	2,642	1,502	404
	15,650	5,238	2,107

Notes to the Half Yearly Statements

2. Restructuring Costs

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Employment related (mainly termination)	5	-	420
Asset impairments	1	-	17
Other operating charges	-	-	26
	6	-	463

Restructuring costs in 2009 relate primarily to updated provisions for European Integration projects announced in June 2008 as part of the integration of Imperial Tobacco and Altadis. They affect sales and marketing, manufacturing and central support functions in a number of markets and will be implemented progressively over a period of three years. In addition to the European Integration projects, restructuring costs in 2008 include expenses relating to the closure of our cigar factory in Selma, Alabama, USA, the integration with Commonwealth Brands of the Lignum 2 operation acquired in May 2008, and costs in relation to streamlining Logistics operations in France.

Restructuring costs are included within administrative and other expenses in the consolidated income statement.

3. Net Finance Costs

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Interest on bank deposits	(23)	(25)	(74)
Expected return on retirement benefit assets	(91)	(112)	(224)
Fair value gains on derivative financial instruments providing commercial hedges	(415)	(58)	(104)
Fair value gains on derivative financial instruments hedging underlying borrowings	(305)	(121)	(141)
Investment income	(834)	(316)	(543)
Interest on bank and other loans	394	263	697
Interest on retirement benefit liabilities	100	87	179
Unwind of discount on redundancy and social plan liabilities	6	-	-
Fair value losses on derivative financial instruments providing commercial hedges	1,352	224	376
Exchange losses on underlying borrowings	305	121	141
Finance costs	2,157	695	1,393
Net finance costs	1,323	379	850

Reconciliation from reported net finance costs to adjusted net finance costs

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Reported net finance costs	1,323	379	850
Expected return on retirement benefit assets	91	112	224
Interest on retirement benefit liabilities	(100)	(87)	(179)
Unwind of discount on redundancy and social plan liabilities	(6)	-	-
Fair value gains on derivative financial instruments providing commercial hedges	415	58	104
Fair value losses on derivative financial instruments providing commercial hedges	(1,352)	(224)	(376)
Adjusted net finance costs	371	238	623

Notes to the Half Yearly Statements

4. Taxation

Reported Taxation

Reported taxation for the six months ended 31 March 2009 has been calculated on the basis of an estimated effective tax rate for the year ended 30 September 2009.

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Total tax (credit)/charge	(42)	86	180

Reconciliation from reported taxation to adjusted taxation

Adjusted taxation for the six months ended 31 March 2009 has been calculated on the basis of an estimated adjusted effective tax rate of 26.5% for the year ended 30 September 2009. This is in line with the rate for the year ended 30 September 2008.

The table below shows the tax impact of the adjustments made to reported profit before tax in order to arrive at the adjusted measure of earnings disclosed in note 6.

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Reported taxation	(42)	86	180
Tax on acquisition accounting adjustments	-	37	51
Deferred tax on amortisation of acquired intangibles	37	16	40
Tax on brand divestment gain	-	-	(59)
Tax on fair value losses on derivative financial instruments	262	48	79
Tax on restructuring costs	2	-	148
Tax on post-employment benefits net financing income	5	(7)	(13)
Adjusted tax charge	264	180	426

5. Dividends

Amounts recognised as distributions to ordinary equity holders in the period

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Final dividend for the year ended 30 September 2008 of 42.2p per share (2007: 42.2p)	427	326	326
Interim dividend for the year ended 30 September 2008 of 20.9p per share (2007: 18.2p)	-	-	161
	427	326	487

The Directors have declared an interim dividend for 2009 of 21.0p per share. This amounts to £213 million based on the number of shares ranking for dividend at 31 March 2009.

The dividend per share figures included in the table above reflect the bonus element of the rights issue described in note 6.

Notes to the Half Yearly Statements

6. Earnings Per Share

Basic (loss)/earnings per share is based on the profit for the period attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the period excluding shares held to satisfy the Group's employee share schemes and shares purchased by the Company and held as treasury shares. Diluted earnings per share have been calculated by taking into account the weighted average number of shares that would be issued if rights held under the employee share schemes were exercised. No instruments have been excluded from the calculation on the grounds that they are anti-dilutive.

	Post rights issue basis 6 months ended 31 March 2009	Post rights issue basis 6 months ended 31 March 2008	Pre rights issue basis 6 months ended 31 March 2008	Post rights issue basis Year ended 30 September 2008
In £s million				
(Loss)/earnings: basic and diluted	(149)	233	233	428
In millions of shares				
Weighted average number of shares:				
Shares for basic earnings per share	1,011.9	774.4	672.9	846.5
Potentially dilutive share options	-	3.0	2.6	3.0
Shares for diluted earnings per share	1,011.9	777.4	675.5	849.5
In pence				
Basic (loss)/earnings per share	(14.7)	30.1	34.6	50.6
Diluted (loss)/earnings per share	(14.7)	30.0	34.5	50.4

Basic and diluted earnings per share for the six months ended 31 March 2008 have been calculated on both a pre rights issue and post rights issue basis. The pre rights issue basis uses the historical weighted average number of shares. For the post rights issue basis the weighted average number of shares has been calculated to reflect the increased number of shares in issue after the rights issue and the bonus element for periods prior to the closing date of the rights issue. The bonus factor used was 1.1509.

Reconciliation from reported to adjusted (loss)/earnings and (loss)/earnings per share on a post rights issue basis

	6 months ended 31 March 2009		6 months ended 31 March 2008		Year ended 30 September 2008	
In £s million unless otherwise indicated	(Loss)/ earnings per share	(Loss)/ earnings	(Loss)/ earnings per share	(Loss)/ earnings	(Loss)/ earnings per share	(Loss)/ earnings
Reported basic	(14.7) p	(149)	30.1 p	233	50.6 p	428
Acquisition accounting adjustments	- p	-	10.3 p	80	13.0 p	110
Amortisation of acquired intangibles	18.5 p	187	10.3 p	80	31.8 p	269
Brand divestment gain	- p	-	- p	-	(13.6) p	(115)
Fair value losses on derivative financial instruments providing commercial hedges	66.6 p	675	15.3 p	118	22.8 p	193
Restructuring costs	0.4 p	4	- p	-	37.2 p	315
Post-employment benefits net financing income	1.0 p	10	(2.3) p	(18)	(3.8) p	(32)
Adjustments above attributable to minority interest	- p	-	(0.8) p	(6)	(1.1) p	(9)
Adjusted	71.8 p	727	62.9 p	487	136.9 p	1,159
Adjusted diluted	71.8 p	727	62.6 p	487	136.4 p	1,159

Notes to the Half Yearly Statements

7. Provisions

In £s million	Restructuring	Other	Total
At 1 October 2008	557	401	958
Additional provisions charged to the income statement	19	5	24
Unwind of discount on redundancy and social plan liabilities	6	-	6
Amounts used	(56)	(27)	(83)
Unused amount reversed	(4)	-	(4)
Exchange movements	87	61	148
At 31 March 2009	609	440	1,049

Analysed as:	2009	2008
In £s million		
Current	234	187
Non-current	815	771
	1,049	958

Restructuring provisions relate primarily to European Integration projects announced in June 2008 as part of the integration of Imperial Tobacco and Altadis. They affect sales and marketing, manufacturing and central support functions in a number of markets and will be implemented progressively over a period of three years. These liabilities are expected to crystallise over a number of years. Redundancy and social plan costs have been discounted at 5.0%.

Other provisions principally relate to commercial legal claims and disputes. The majority of other provisions represent the fair value at acquisition of current and potential Altadis commercial disputes, litigation and duty claims arising in the normal course of business. These liabilities are expected to crystallise within the next five years.

8. Changes in Equity

In £s million	Share capital	Share premium	Retained earnings	Exchange translation reserve	Equity attributable to equity holders of the Company
At 1 October 2007	73	964	58	23	1,118
Profit for the period attributable to equity holders of the Company	-	-	233	-	233
Actuarial losses on retirement benefits	-	-	(29)	-	(29)
Deferred tax relating to net actuarial losses on retirement benefits	-	-	7	-	7
Proceeds from sale of shares by Employee Share Ownership	-	-	1	-	1
Purchase of shares by Employee Share Ownership Trusts	-	-	(23)	-	(23)
Costs of employees' services compensated by share schemes	-	-	8	-	8
Dividends paid	-	-	(326)	-	(326)
Exchange movements	-	-	-	421	421
At 31 March 2008	73	964	(71)	444	1,410
Profit for the period attributable to equity holders of the Company	-	-	195	-	195
Actuarial losses on retirement benefits	-	-	(127)	-	(127)
Deferred tax relating to net actuarial losses on retirement benefits	-	-	50	-	50
Deferred tax on share-based payments	-	-	(6)	-	(6)
Current tax on share-based payments	-	-	1	-	1
Current tax on exchange movements	-	-	-	(88)	(88)
Proceeds from sale of shares by Employee Share Ownership Trusts	-	-	4	-	4
Purchase of shares by Employee Share Ownership Trusts	-	-	(3)	-	(3)
Costs of employees' services compensated by share schemes	-	-	10	-	10
Rights issue	34	4,962	-	-	4,996
Rights issue costs	-	(93)	-	-	(93)
Dividends paid	-	-	(161)	-	(161)
Other movements	-	-	(1)	-	(1)
Exchange movements	-	-	-	120	120
At 30 September 2008	107	5,833	(109)	476	6,307
Loss for the period attributable to equity holders of the Company	-	-	(149)	-	(149)
Actuarial losses on retirement benefits	-	-	(484)	-	(484)
Deferred tax relating to net actuarial losses on retirement benefits	-	-	131	-	131
Current tax on exchange movements	-	-	-	(180)	(180)
Proceeds from sale of shares by Employee Share Ownership Trusts	-	-	1	-	1
Costs of employees' services compensated by share schemes	-	-	10	-	10
Dividends paid	-	-	(427)	-	(427)
Other movements	-	-	(1)	-	(1)
Exchange movements	-	-	-	896	896
At 31 March 2009	107	5,833	(1,028)	1,192	6,104

Cumulative goodwill of £2,410 million relating to acquisitions prior to 1998 was written off directly to reserves in line with the requirements of the accounting standards that were in force at the time.

Notes to the Half Yearly Statements

9. Cash Flows from Operating Activities

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
(Loss)/profit for the period	(142)	240	441
Adjustments for:			
Taxation	(42)	86	180
Finance costs	2,157	695	1,393
Investment income	(834)	(316)	(543)
Share of post-tax profits of associates	(1)	-	(2)
Depreciation, amortisation and impairment	308	153	457
Profit on disposal of property, plant and equipment	(7)	-	(1)
Profit on the divestment of brands	-	-	(174)
Post-employment benefits	13	(1)	6
Costs of employees' services compensated by share schemes	10	8	18
Movement in provisions	(62)	(13)	388
Operating cash flows before movements in working capital	1,400	852	2,163
Increase in inventories	(485)	(254)	(44)
Decrease in trade and other receivables	245	25	21
Decrease in trade and other payables	(357)	(328)	(39)
Movement in working capital	(597)	(557)	(62)
Taxation paid	(228)	(86)	(401)
Net cash flows from operating activities	575	209	1,700

For the six months ended 31 March 2008 decrease in trade and other receivables has been restated to include £10 million of proceeds from the sale of financial assets which is consistent with its treatment in the year ended 30 September 2008.

10. Analysis of Net Debt

The movements in cash and cash equivalents, borrowings, derivative financial instruments and finance lease liabilities in the period were as follows:

In £s million	Cash and cash equivalents	Current borrowings	Non-current borrowings	Derivative financial instruments	Finance lease liabilities	Total
At 1 October 2008	642	(2,678)	(9,558)	(67)	(26)	(11,687)
Cash flow	-	2,677	(3,324)	354	1	(292)
Accretion of interest	-	23	(51)	-	-	(28)
Change in fair values	-	-	-	(1,452)	-	(1,452)
Exchange movements	57	(238)	(1,567)	(3)	(4)	(1,755)
At 31 March 2009	699	(216)	(14,500)	(1,168)	(29)	(15,214)

Adjusted net debt

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals, the fair value of derivative financial instruments providing commercial cash flow hedges and finance lease liabilities.

In £s million	6 months ended 31 March 2009	6 months ended 31 March 2008	Year ended 30 September 2008
Reported net debt	(15,214)	(17,137)	(11,687)
Accrued interest	188	88	158
Fair value of derivatives providing commercial cash flow hedges	992	32	(40)
Finance lease liabilities	29	31	26
Adjusted net debt	(14,005)	(16,986)	(11,543)

In February 2009 the Group issued a €1.5 billion bond with an 8.375% coupon maturing on 17 February 2016 and a £1.0 billion bond at 9.0% maturing on 17 February 2022. These issuances provided sufficient funds to repay in February 2009 the €2.0 billion bank facility which was due to mature in July 2009.

Notes to the Half Yearly Statements

11. Retirement Benefits

Actuarial valuations of the Group's retirement benefit plans are updated annually as at 30 September. An interim update is carried out at 31 March for the main plans. As part of this interim update, the plan assets are revalued based on market data at the period end and the scheme liabilities are recalculated to reflect key changes in membership data and revised actuarial assumptions.

12. Capital Expenditure and Commitments

In the six months ended 31 March 2009 capital expenditure on property, plant and equipment and intangible assets was £112 million (2008: £102 million). Property, plant and equipment and intangible assets with a net book value of £33 million (2008: £3 million) were disposed of during the period. Profit on disposal was £7 million (2008: £nil million). Commitments for capital expenditure contracted for, but not provided, at 31 March 2009 were £104 million (2008: £52 million).

13. Acquisitions

Since 30 September 2008, the fair value adjustments arising from the acquisition of Altadis have been finalised. Provisions and tax liabilities have increased by £7 million and £15 million respectively and fixed assets have been reduced by £3 million. Goodwill on the acquisition of Altadis has consequently increased by £25 million. Consolidated balance sheets at 30 September 2008 and 31 March 2008 have been restated to reflect the finalisation of the fair value adjustments.

On 7 October 2008 the Group acquired the outstanding 49% minority shareholdings in 800 JR Cigar and MCM Management for cash consideration of USD81 million (£46 million).

14. Balances and Transactions with Associates and Joint Ventures

The level of balances and transactions with associates and joint ventures has not materially changed during the six months ended 31 March 2009.