Gareth Davis – Chief Executive

Good morning ladies and gentlemen. To those of you here in the room, and everyone watching via our webcast, welcome to our 2009 half yearly results presentation.

Who's Presenting

I'm joined here today by Alison Cooper, our Chief Operating Officer and Bob Dyrbus, our Finance Director as well as Iain Napier, our Chairman and other key Imperial executives.

As a result of changes in our management structure and the increased size of the Group we have updated the format of the presentation.

I will give a brief overview. Then, Alison will outline the operational trends in the first half of the year. Bob will, as usual, review the financial performance and I will round things off with a summary at the end of the presentation.

HY09 Overview – a good start to the year

We have made a good start to the year, despite a backdrop of turbulent economic conditions and challenges in some regions. We have achieved share, volume and profit gains in a considerable number of markets and made great progress on the Altadis integration.

In terms of headlines, we increased our global cigarette volumes by 25 per cent to 152 billion sticks, driven by a combination of a full six months contribution from Altadis and many good brand and market performances.

Our adjusted profit from operations increased by 49 per cent to a little under 1.4 billion pounds, reflecting 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 were 71.8 pence, a 14 per cent increase on 2008 after adjusting last year's EPS for the bonus element of the rights issue.

The interim dividend is now defined as being a third of the prior year's total dividend. As a result, the Board recommends an interim dividend of 21 pence per share.

Our policy of progressive dividends based on underlying earnings growth is unchanged with a pay-out ratio of around 50%, whilst recognising the cash impact of the Altadis restructuring.

Altadis Integration – considerable achievements

Our achievements with the integration of Altadis have been considerable.

We have successfully completed all consultations, enabling us to further progress implementation of our European integration projects.

We merged the vast majority of our sales and marketing teams early in the first half and recently completed the integration of our teams in Spain and France providing a more comprehensive service to our customers.

We also made good progress on manufacturing. As well as the closure of our Smolnik factory in November, we have reorganised our operations in Poland, Morocco and Russia. We've been working hard to align processes, systems and standards to ensure that we have the right foundations for continued manufacturing excellence.

In addition to our European integration projects, we strengthened our competitive position in the US with the closure of our Selma cigar factory in November.

In the first half, we delivered 39 million euros of incremental synergies, bringing the total so far to 82 million euros, and we remain on track to meet the previously announced target of 180 million euros in the current financial year.

We also made progress on the refinancing of our balance sheet and the success of our 2.3 billion pound bond issuance in February leaves us with no further refinancing requirements until July 2010.

Our focus on leveraging our enhanced brand and product portfolio throughout the wider geographic footprint has continued. We've increased the availability of our brands in a number of markets and achieved particularly good results with Davidoff, Gauloises Blondes, Gitanes Blondes and Fine.

I am very pleased with our achievements this half year and am confident that we will continue to make good progress in the coming months.

Thank you ladies and gentlemen. I'll now hand you over to Alison to take you through the operational highlights.

Alison Cooper, Chief Operating Officer

Good morning ladies and gentlemen.

Our New Footprint – HY09: profit up 49% to £1.4bn

As this is the first reporting period that includes a full contribution from Altadis, I'd like to talk briefly about our enhanced geographic footprint and cigarette portfolio.

In the first half of 2009, tobacco accounted for 95 per cent of the Group's profit from operations, with the remainder coming from our logistics division.

In tobacco, the UK, Germany, Spain and the USA, combined with our Rest of EU region, delivered 72 per cent of our profit providing a strong platform for future growth.

This is balanced by our Rest of the World region, which contains a broad spread of markets, each offering volume, share and profit growth potential particularly in Africa and the Middle East, Eastern Europe and Asia.

Cigarette Portfolio – HY09: volumes up 25% to 152bn

Our Rest of the World region contributed 53 per cent of our total cigarette volumes, with the vast majority coming from emerging markets.

In terms of price segmentation, just under half of our cigarette portfolio are value brands and we grew many of these in the first half, taking advantage of ongoing downtrading.

Our key mainstream brands are Gauloises Blondes, West and Fortuna. And although West has remained under pressure in Germany, Gauloises is maintaining its strong growth momentum, particularly in the Middle East with comparable volume gains of 11 per cent.

We also improved volumes of Fortuna despite market size declines in Spain, and we grew volumes of our main international premium brand Davidoff by 9 per cent, accelerating its 2008 growth trend. Gitanes Blondes and Fine are now also making a significant contribution to the premium end of the portfolio, volumes of both were up 21 per cent with strong performances in the Middle East and Africa respectively.

Focus on Driving Growth

Our good performance in the first half is attributable to a number of factors.

Our brand and product portfolio provides many opportunities for growth and our strength in value

cigarettes and fine cut tobacco means that we are well placed in the current climate.

Our focus on building sales is underpinned by efficiently managing our cost base. This includes standardisation across our manufacturing portfolio, which has generated significant savings over many years and remains a key element of our ongoing efficiency programme.

Our market operations drive growth by taking action locally that reflects their individual environment within the Group strategic framework. This includes aligning local portfolios with specific market dynamics and consumer preferences, as well as effectively managing regulation.

Focus on Driving Growth – HY09 operational highlights

Applying this approach has enabled us to make further progress in the first half. In mature markets, our focus is on balancing profit and share development, whilst in our emerging markets we've continued our growth momentum with volume, share and profit gains.

Our highlights in mature markets included the successful launch of JPS Silver in the UK and further gains from JPS in Germany, capitalising on the continued downtrading in both markets. We delivered good performances in the key domestic blonde segments in Spain and France and maintained momentum in the USA, gaining share in cigarette and fine cut tobacco.

In emerging markets, our African and Middle Eastern operations continued to deliver significant growth, with strong brand and share development in many markets. In Eastern Europe we achieved volume and profit gains, and we delivered an improved financial performance in Asia.

Tobacco

I'd now like to move onto our regional performances, starting with the UK.

UK Cigarette – clear market leader

Where we estimate that the duty paid cigarette market declined by around 2 per cent in our first half. And, in the last few months, we have seen the market strengthen due to a reduction in the purchases of UK brands abroad as the impact of a weaker economy and currency reduced overseas travel. These trends also benefited the fine cut tobacco market, up 15 per cent to 4,100 tonnes.

Last month, the Chancellor raised tobacco duties by 2 per cent, equating to an increase of 7 pence per pack of 20 cigarettes.

As previously highlighted, the change in timing of the UK Budget has resulted in a partial shift in performance from the first to the second half of the year, explaining the temporary drop in UK profits, though our January price increase offset some of this impact.

Our cigarette market share has stabilised following the launch of our new value brand JPS Silver in November. The brand has made excellent progress, reaching a spot share of 1.8 per cent in March. We also grew share of Richmond which was complemented by the ongoing strength of Lambert & Butler.

In fine cut tobacco, we increased volumes of Golden Virginia and in March launched Golden Virginia Yellow, a more value focused extension to the brand family. This will further improve our position in the growing value sector and complement Gold Leaf, which is now up to 3.7 per cent of the market.

Germany – further JPS cigarette gains

Moving on to Germany, where duty paid cigarette volumes declined by an estimated 3 per cent.

Downtrading remains a key dynamic with the low price sector representing around 27 per cent of the cigarette market, up from 23 per cent this time last year.

We made further gains with JPS, now up to just under 8 and a half per cent of the market, and at the top end of the portfolio we performed well with Gauloises Blondes, Davidoff and R1 all maintaining share.

Although West declined, taking our overall cigarette share down slightly, we have seen increasing stability in the brand in recent months following the successful introduction of new West Maxi packs last year, and the recent launch of West soft packs should further strengthen the brand.

Market volumes of other tobacco products were stable with growth in Single tobacco offsetting the ongoing decline in eco-cigarillos. Against this backdrop our OTP share was broadly stable, with a particularly strong performance from Route 66 in the make your own sector.

In the second half we will be increasing prices across our portfolio in June and the minimum pack size will increase from 17 to 19 cigarettes in July.

Spain – good domestic performance

Turning now to Spain, where economic conditions have been particularly difficult.

Market volumes of duty paid cigarettes were down by 5 per cent to 81 billion due to trade destocking, declining travel retail volumes and increased downtrading into fine cut tobacco. We estimate that the total white stick market declined by approximately 2 per cent.

Our domestic performance was good and we increased prices in January. In the blonde segment, Fortuna was broadly stable at around 12 per cent share, with Nobel and Ducados Rubio continuing to show strong share growth.

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.

Within fine cut tobacco, we gained volume but our share was down. However, Fortuna and Ducados Rolling, which we launched last year, have performed very well, strengthening our portfolio in the value segment.

Economic conditions have impacted the cigar market with volume declines across all categories but the last few months have been slightly more positive in line with normal seasonal trends.

Rest of European Union – cigarette share gains

I'd now like to look at our Rest of EU region, where cigarette market volumes were down by 7 per cent, a much higher level than normal.

Declining travel retail volumes had a small effect but by far the largest impact was the significant fall in duty paid cigarette volumes in Central Europe, particularly in Poland and Czech Republic, as a result of excise driven price increases. Excluding these factors we estimate that total regional cigarette volumes were broadly stable.

We increased prices in the majority of markets including in The Netherlands, Greece and Italy.

The most important market for us in this region is France, where the cigarette market was stable. We increased shares of our main blonde brands – News, Gauloises, JPS and Fortuna, although our market share was impacted by the ongoing decline of the dark segment.

In The Netherlands, we improved our cigarette share to 13.4 per cent with a good performance from JPS.

And elsewhere we grew cigarette share in Greece, Austria, Czech Republic, Finland and Portugal, as well as in Norway and Sweden where we also grew our snus share.

Our regional fine cut tobacco portfolio remained under pressure from cheaper competitor offerings. We have lower price alternatives in a number of markets and are taking steps to further strengthen our position in the value segment.

In addition, we gained fine cut tobacco volume and share in the growing markets of Central Europe which partly offset the impact of the brand divestments last year.

Americas – USA

Our main business in the Americas is in the USA, where we estimate that the cigarette market declined by 3 per cent in the first half. We are strong in the discount sector, which continues to account for around 27 per cent of the market.

We grew our cigarette share to 4.3 per cent of the market and 14.8 per cent of the discount sector, and in January and March, we increased prices of our key brands USA Gold and Sonoma. Trade cigarette destocking in advance of the April Federal Excise Tax, or FET, increase has resulted in a partial shift in our March volumes into the second half.

In fine cut tobacco, we improved our share to an estimated 9 per cent. This is more than double last year's first half, reflecting our investment in the Rave brand and further gains from Premier and McClintock.

Although underlying cigar industry volumes have been affected by the economic climate, we delivered a strong first half performance, achieving further volume growth in both our natural wrapper and premium portfolios. We also increased prices and benefited from advance sales of large mass market and premium cigars prior to the FET increase, although we elected to manage the level of our sales over this period.

We have a strong presence in the discount cigarette sector and with our expertise in fine cut tobacco and the positioning of our cigar portfolio, we expect the effect of the FET increase on our USA results for the current financial year will be broadly neutral.

Rest of the World – another strong performance

I will round up our tobacco operations with our Rest of the World region, where we delivered another strong performance in our emerging markets.

We were very pleased with our progress in Africa and the Middle East where we are driving the performance of our key brands Davidoff, Gauloises Blondes, Fine and Gitanes Blondes, and as a result have achieved volume, profit and share gains in many markets across the region.

In Morocco we had very strong growth from Gauloises Blondes, although our 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.

In Eastern Europe, we grew volume and improved profitability. Although we are starting to see signs of uptrading slowing, Davidoff continued to grow in the majority of markets in the region. Downtrading is increasing and we have capitalised on this with strong growth in our main value brands Maxim, Prima, and Classic.

We have taken steps to improve our competitive position in Australia, while making further cigarette and fine cut tobacco gains in New Zealand.

In Asia, our new Taiwanese factory is now fully operational and our ability to manufacture in-market has contributed to an improved financial performance. Downtrading is now a key dynamic in Taiwan and to take advantage of this we launched Kane, a value offering, in December with positive early results. Davidoff's share has stabilised and we are continuing to implement initiatives to strengthen its position.

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

Logistics

Now moving on to Logistics.

Logistics Performance

Whilst our other logistics operations have seen some deterioration in the first half as a result of its 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 tobacco logistics, our performance in Italy has been good, reflecting pricing improvements, and in France we performed ahead of expectations.

In Spain, where there has been some weakness in tobacco operations following the 5 per cent cigarette market decline, Logista remains the leading provider of logistics services, and last month renewed its Spanish distribution contract with Philip Morris until 2014.

In other logistics, our 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 the transport and wholesale operations.

Imperial Tobacco – H2 2009 operational outlook

So, what do we expect for the balance of the financial year?

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 due to the Budget timing, while in Germany our business will benefit from price increases across our portfolio.

In Spain, the cigarette market should experience its normal seasonal uplift and we are well placed to take advantage of the expected continued growth in fine cut tobacco.

Additionally, both Spain and France will benefit from a full six months of operating with integrated sales forces.

In the Rest of the EU the challenges in travel retail and Central Europe will continue but we expect to make further domestic progress in cigarette and will also focus on strengthening our fine cut tobacco shares.

And in the USA, our well positioned brand and product portfolio should enable us to manage the impact of the FET increase.

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, while our logistics division should have a better second half as the cost saving benefits increase.

So, there are undoubtedly challenges ahead but given our portfolio strengths, in both brands and products, and our balanced international footprint, we remain confident about our operational performance over the coming months.

Thank you ladies and gentlemen. I'd now like to hand you over to Bob to take you through the financial highlights.

Bob Dyrbus, Finance Director

Thanks Alison, and good morning ladies and gentlemen.

Group Results

I'd like to start with an overview of the results.

Our tobacco net revenues were up 53 per cent to 3.3 billion reflecting the full contribution from Altadis,

operational progress and foreign exchange benefits. The increase in logistics distribution fees reflects the full 6 months results as opposed to 2 months in 2008.

Tobacco adjusted profit from operations grew strongly, up 45 per cent reflecting our new footprint.

And the increase in logistics profit from operations also shows the full six months effect.

The combined result is an increase in adjusted profit from operations of 49 per cent to a little under 1.4 billion pounds.

The Altadis acquisition, combined with the impact of foreign exchange movements, has resulted in an increase in the interest charge to 371 million pounds.

After tax being charged at an effective rate of 26.5 per cent, adjusted earnings per share grew by 14 per cent to 71.8 pence.

Reconciliation: Reported to Adjusted

Results have been adjusted in line with our normal practice, and as the reported numbers are significantly below the adjusted numbers, I would like to highlight the two main reasons for this.

Firstly, amortisation of acquired intangibles grew to 224 million pounds reflecting a full six months' charge for Altadis.

Secondly, we hedge interest rate and foreign exchange rate exposures in an efficient, commercial and structured manner.

However, the strict requirements of IAS 39 mean that we are obliged to recognise movements in the fair value of some of these hedges in our income statement. Often these are offset by movements taken directly to reserves. Application of IAS 39 in the face of significant movements in foreign exchange and interest rates has led to an increase in fair value losses on derivative financial instruments of 937 million pounds being taken to the profit and loss account.

Tobacco – HY09 regional net revenue analysis

I'd now like to go into more detail, starting with net revenue analysis.

Our tobacco net revenue grew by 53 per cent or 31 per cent at constant currency.

In the UK revenues were only slightly down, despite the budget timing impact, reflecting pricing improvements and growth in fine cut tobacco.

Our German net revenue growth was largely attributable to the additional four months from Altadis.

In Spain, our revenue growth also reflects the full contribution from Altadis, increased prices and growth in fine cut tobacco volumes, which more than offset cigarette and cigar declines.

In the Rest of EU we had a good performance in France and many other markets, but this was offset by the volume declines in Poland and Czech Republic.

Our strong growth in the Americas was due to a good operational performance and pricing improvements in the USA, as well as a full contribution from the cigar business, and our Rest of the World division delivered a strong performance with improvements from the majority of markets.

Tobacco – HY09 regional profit analysis

Moving on to profit, our tobacco operating profit grew by 45 per cent, or 26 per cent at constant currency. In addition to the points I highlighted in respect of net revenue growth, profits also benefited from incremental synergies of 39 million euros or 34 million pounds which we delivered in the first half but this was partly offset by a bad debt write-off of 17 million pounds in The Netherlands.

Logistics

In the first half, our logistics operations contributed a little under half a billion pounds of distribution fees and 78 million pounds to our adjusted profit from operations. This division has been impacted by economic conditions but the cost initiatives will help to mitigate this in the second half.

Net Cash Flow & Restructuring

Now moving on to cash flow and restructuring, we generated pre-tax operating cash flows of 803 million pounds against 295 million last year. Tax paid of 228 million pounds resulted in net cash flow from operating activities of 575 million pounds against 209 million last year.

Our net interest paid was 315 million pounds.

There was an additional restructuring charge of 6 million pounds in the first half, mainly in respect of the European integration and we continue to expect the total cash costs to be in the region of 600 million euros. Cash outflows in respect of restructuring activities were 50 million euros or 43 million pounds in the period.

Gross capital expenditure was 112 million pounds and we continue to make disciplined investments in machinery and equipment across our expanded footprint.

Proceeds from sales of fixed assets amounted to 40 million pounds and mainly related to surplus properties including the Lille factory.

Net Debt – adjusted net debt movement

This chart shows the movement in adjusted net debt, which increased to 14 billion pounds in the first six months of our financial year.

Our cash conversion was 53 per cent, as a result of the temporary increase in working capital which we highlighted in our pre-close statement.

The outflow predominantly relates to pre-production ahead of duty increases in a number of countries, particularly in Poland and Slovakia. Together they represent just over 450 million pounds of the outflow. Working capital management remains a key priority for us and these temporary working capital outflows are expected to unwind in the coming months.

By the year end we expect a working capital inflow which should mean our cash conversion is in excess of 100 per cent.

The strengthening of both the euro and US dollar against the pound 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 average net debt level for the half year rose to 13.5 billion pounds.

Financing and Cost of Debt

In February, we successfully raised 2.3 billion pounds through the debt capital markets which meant that on 31 March we had total facilities in place of approximately 16 billion pounds and have refinanced all our near term debt maturities. The next portion of our bank acquisition facility matures in July 2010. Before that time we will need to refinance in the region of 2 billion pounds.

Our average all in cost of debt was broadly stable at 5.5 per cent for the first half, which resulted in a net interest charge of 371 million pounds. We continue to estimate an all-in cost of debt of 5.5 per cent for the balance of the year and around 6 per cent for 2010.

And finally to interest cover, which on an adjusted basis, was 3.7 times. Our interest cover as calculated

for banking covenants is materially above this level after the permitted adjustments which we highlighted in our debt presentation last November. We are fully compliant with our banking covenants and remain committed to investment grade.

I'd now like to hand back to Gareth to take you through the outlook and to conclude the presentation.

Imperial Tobacco Outlook

Thanks Bob.

All in all, this has been a very pleasing start to the year and there is no doubt in my mind that tobacco is a great place to be in a recessionary environment.

However, as I've said before - despite our resilience, we are not immune from the economic pressures.

In markets where economic conditions are particularly tough, such as Spain, some of the downtrading from cigarette into fine cut tobacco has been driven by the current climate.

Within our value portfolio, we continue to capitalise on the downtrading dynamic in mature markets and have seen no significant change in this trend, although there are signs that uptrading is slowing and downtrading increasing in Eastern Europe.

And at the premium end, we remain optimistic about the future growth potential of our cigarette brands, particularly given Davidoff's 9 per cent growth in the first half.

Fine cut tobacco volumes continue to increase and we will be doing more to strengthen our position to enable us to take advantage of this growth.

Cigar is currently challenging but we will continue to focus on rationalising our portfolio and cost reduction initiatives to ensure that our cigar business is well positioned for the future.

We must also be diligent in managing the impact of the inflationary pressures on leaf costs. By utilising surplus stocks and strategic buying, we have been able to mitigate the impact in 2009 but we expect next year to be tougher for us and the rest of the industry.

So, in conclusion, it is a difficult economic environment out there, but our defensive qualities stand us in good stead.

Our portfolio is well suited to the environment and our geographic footprint gives a good balance between developed and emerging markets. We are well known for our cost, working capital and cash focus, all of which remain extremely important in today's climate. However, it is also our management capability and depth which enables me to look to the future with great confidence.

Thank you ladies and gentlemen, we will now take any questions you may have.

The presentation is being recorded so I should be grateful if you would wait for a microphone before speaking and then give your name and organisation.