Iain Napier, Chairman

Good morning ladies and gentlemen. To those of you here in the room, and everyone watching via our webcast, welcome to our 2008 preliminary results presentation.

Who's Presenting

I'm joined by Gareth Davis, our Chief Executive, Bob Dyrbus, our Finance Director and other key Imperial executives.

This results' presentation is longer than normal as our reporting basis has changed and we therefore wanted to provide additional guidance for 2009. Bob will pick this up later. Following this presentation, we will take a short break and then continue with a session on our debt financing requirements and cost of debt position led by Bob and John Jones, our Group Treasurer.

Disclaimer

Results Summary – year of significant achievement

In what was a year of significant achievement for Imperial, we completed the acquisition of Altadis and delivered another good operational and financial performance.

In addition to eight months contribution from Altadis, our 2008 results also include the first full year's performance from Commonwealth Brands.

In terms of the headlines, we increased our global cigarette volumes by 46 per cent to just over 290 billion, with market share gains across many regions.

Adjusted profit from operations was up by 51 per cent to over 2.2 billion pounds and adjusted earnings attributable to ordinary shareholders was up by 26 per cent to a little under 1.2 billion pounds.

In line with existing policy, the Board is proposing to pay out half of this as ordinary dividends, also representing a 26 per cent increase. Therefore, the Board recommends a final dividend of 42.2 pence per share, bringing the total for the year to 63.1 pence per share after taking into account the additional shares in issue following the completion of the rights issue.

Adjusted earnings per share were 136.9 pence, a 15 per cent increase on 2007 after adjusting last year's EPS for the bonus element of the rights issue.

FY08 Highlights (1) – Altadis deal completed on 25 January

The key event of the year was clearly the Altadis acquisition, which has significantly enhanced our business profile, extending our geographic reach with a more versatile brand and product portfolio.

This includes international strength in cigarette and world leadership in fine cut tobacco, cigars and rolling papers and tubes. And of course, we now also have a leading logistics platform in Europe.

As part of the integration process we announced a number of European restructuring projects in June that will strengthen our competitive position by addressing over-capacity and improving efficiencies.

We continue to make very good progress and Gareth will update you on this later.

FY08 Highlights (2) – driving the enlarged business

The Altadis deal and associated transactions have clearly been key priorities during the year but we have also remained focused on driving the operational performance of the enlarged business.

Altadis has performed well since acquisition with the cigarette division in particular showing strong growth.

Our international cigarette brands Davidoff and Gauloises Blondes did well in many markets, complemented by growth in a number of regional brands, including Gitanes and JPS.

Our enhanced geographic footprint is stronger and more balanced, giving us a substantial profit base in mature markets which we continue to build on, whilst driving growth in emerging markets. In particular this year, we made excellent progress in Africa, the Middle East and Eastern Europe.

We made further increases in our US cigarette and fine cut tobacco shares in the year and remain very encouraged by our future growth prospects in this profitable market.

And as you would expect, these positive topline developments are underpinned by the other key elements of our business model - reducing costs and effectively managing our cash.

Following the success of the rights issue in June and the two bond issues in September, we are comfortable with our current financing position.

Global economic conditions are turbulent but our business is both resilient and highly cash generative and we look to the future with confidence.

Thank you ladies and gentlemen. I'll now hand you over to Bob to take you through the financials.

Bob Dyrbus, Finance Director

Thanks Iain, and good morning ladies and gentlemen.

Group Results – revenue

I'd like to start by looking at our revenue growth.

Our new top level segmentation splits operations between Tobacco and Logistics to reflect how we manage the business.

Imperial net revenue, excluding Altadis, was up 11 per cent to 3.7 billion pounds reflecting good performances in a number of regions, Commonwealth's contribution and a foreign exchange tailwind of around 250 million pounds.

The Altadis net revenue and distribution fees relate to the post acquisition period.

Group Results – good operational performance

Tobacco adjusted profit from operations grew strongly, up 43 per cent reflecting our new enhanced footprint.

And, of course Logistics represents the results of that business segment since acquisition.

The combined result is an increase in adjusted profit from operations of 51 per cent to over 2.2 billion pounds.

Results have been adjusted in line with our normal practice and we have provided a detailed reconciliation as an appendix.

Clearly, financing Altadis and Commonwealth has resulted in a significant increase in the interest charge.

After tax being charged at an effective rate of 26.5 per cent, adjusted earnings per share grew by 15 per cent to 136.9 pence.

Group Results – two businesses combined

In this transitional year, we have analysed adjusted profit from operations between the two businesses.

On a headline basis, Imperial delivered adjusted profit from operations of just under 1.6 billion pounds up 7 per cent, whilst Altadis contributed 641 million pounds.

The elimination gain of 11 million pounds is due to destocking of Imperial product in Logistics since the acquisition.

Included within profit from operations is 43 million euros of synergies, the vast majority of which has been reflected in the Altadis result.

Production and purchasing accounted for around 40 per cent of the savings with the balance being split pretty evenly between sales and marketing and corporate overheads.

Overall, we still expect half the synergies to come from manufacturing with the remainder split broadly evenly between sales and marketing and corporate overheads.

Imperial Standalone Results – operating margin 43.2%

For this financial year, I'd firstly like to take you though the results for Imperial excluding Altadis, using the "old" reporting structure, as summarised on this slide.

Imperial's operating margin was slightly down, mainly reflecting the impact of certain specific events, which I'll talk about in a moment.

Imperial Performance Analysis – underlying growth of 4%

Overall results were in line with our expectations with foreign exchange gains offsetting the impact of specific events in Europe and Asia.

In the UK, despite the initial impact of public smoking bans on volumes, profits were up, benefiting from price increases and reduced costs.

Our German results, when you exclude the benefit of the strengthening euro exchange rate, were broadly stable. We gained share in both cigarette and fine cut tobacco and took some selective price increases. However, these factors were offset by market volume declines, in part impacted by the introduction of public smoking restrictions, as well as ongoing downtrading.

Our Rest of Western Europe region, where we delivered cigarette share growth in many markets, also gained as a result of favourable foreign exchange movements.

However, following the Altadis acquisition we have reassessed and reduced the level of stocks of Imperial brands in Spain. This impacted Imperial standalone operations but not the Group results as the offsetting amount is reflected within the eliminations line.

Our performance was also impacted by the divestment of Interval and other brands in Europe, which was a requirement of the European Commission's approval of the Altadis deal, and by travel retail declines in Western Europe as the market rebased downwards.

This was in part related to a strengthening euro and higher prices in continental Europe but also as a result of actions we have taken with trade customers as part of our co-ordinated anti-illicit trade activities.

Taking these operational factors into account, we estimate that profit from operations in this region was impacted by around 50 million pounds in the year and, excluding foreign exchange gains, results in an underlying profit growth of around 6 per cent.

In the USA, we have backed out Commonwealth's first half profit of 53 million in order to show a like-for-like number.

The underlying growth of 19 per cent reflects market share gains in both cigarette and fine cut tobacco, and price increases which more than offset cigarette market volume declines and additional investment on advertising and promotion to support our brand launches.

And finally to the Rest of the World, we delivered strong performances in many markets across the region and we have made further significant investment with a view to continuing this momentum.

This region also benefited from a foreign exchange tailwind which helped offset the impact of the planned destockings, in Taiwan, in advance of the introduction of pictorial health warnings and the opening of our new cigarette factory in January, and in Russia, due to distributor consolidation.

We also supported our market share and competitive position in some Central European countries by absorbing duty as we move towards the end of the accession states' derogation periods.

We estimate that the overall impact of these events was around 50 million pounds and, excluding foreign exchange gains, that our underlying profit growth was around 8 per cent.

After increasing our marketing investment with particular focus on the USA, Turkey and Ukraine, we delivered underlying growth in profit from operations of 4 per cent.

Altadis Divisional Results – from 25 January 2008

In the reporting period, Altadis contributed 641 million pounds of adjusted profit from operations to our Group results.

In cigarette, we delivered a strong performance reflecting market share gains and improved profitability particularly in Spain, France and North Africa.

Within cigar, we performed well in the natural wrapper segments in the USA, with Habanos in the emerging markets of Eastern Europe, Latin America and Asia Pacific, and in Spain with mini cigars. However, the overall division was impacted by increasing smoking restrictions and the economic slowdown.

In Logistics, the results were in line with our expectations with a good performance in Tobacco offsetting ongoing weakness in publications and transport.

Other costs relate to Altadis central overheads and support function costs.

Restructuring Costs

Now moving on to restructuring, the total charge in the year was 463 million pounds. 442 million pounds of this relates to the European integration projects announced in June, split between expected cash costs of 412 million pounds, mainly related to redundancies and social plans, and non–cash asset write downs of 30 million pounds. The amount booked in 2008 reflects where we were in the consultation process at the year end and overall we still expect the total cash costs in respect of the European integration projects to be in the region of 600 million euros.

In addition, we booked a further 21 million pounds in relation to some smaller restructuring projects. These include the integration of Lignum 2, closure of our US cigar factory in Selma and streamlining our Logistics operations in France.

Focus on Cash and Debt

Although there will be a separate presentation on debt later this morning, I'd like to give a brief overview now.

Cash and Debt - overview

Our business is highly cash generative and in 2008 we generated around one billion pounds in free cash flow reflecting our relatively low capital expenditure requirements. Our underlying cash conversion in 2008 was 103 per cent when you normalise the impact of the Logista cash on acquisition.

And, working capital remains a key focus while we continue to look at ways to make further sustainable improvements in our cash conversion.

Net Cash Flow

Cash outflows include gross capital expenditure of 226 million pounds, higher than 2007 as a result of investment in the new Taiwan factory, other plant and machinery and Altadis expenditure of around 50 million pounds.

Proceeds from the brand divestments and Aldeasa disposal amounted to 413 million pounds. We have also realised proceeds of 34 million pounds since acquisition in respect of the Altadis programme of non-core asset disposals. At the end of September the total amount realised was 380 million euros out of the 650 million euros originally estimated by Altadis.

Clearly, we also had a major cash outflow for the Altadis acquisition, partly offset by cash acquired.

We also acquired the remaining shares in Logista and in June we completed our rights issue.

Net Debt – adjusted net debt movement

This chart shows the movement in adjusted net debt which increased to 11.5 billion pounds during the year.

The main changes were of course acquisition and Rights Issue related. You can also see the 400 million pounds working capital outflow in Logista, which was largely offset by working capital improvements of around 300 million pounds.

There was also an increase of 1.1 billion pounds from currency movements mainly as a result of the strengthening of the euro.

Our average net debt level for the year rose to 11.3 billion pounds.

Cost of Debt – all in cost of debt stable at 5.5%

Overall, our all in cost of debt was stable at 5.5 per cent for this financial year reflecting the large portion of cheaper euro and US dollar debt, continuing attractive rates on our senior bank financing facility and the impact of our interest rate hedging activities, which John will update you on in more detail later.

Our September bond issues were above our current average cost of debt, however they only account for around 8 per cent of our committed financing and only impacted 2008 for a short period.

At the end of September we had facilities in place of around 14 billion pounds giving us approximate headroom of just over 2 billion pounds.

As, Iain said, we are comfortable with our current financing position and we have no requirement for refinancing until July 2010.

Nonetheless, we are likely to put in place some increased headroom prior to July 2009, when some of our bank financing matures.

66 per cent of our debt is bank financing and we arranged our senior facility, which was mainly used for Altadis prior to the credit crunch, at very attractive rates. Also, we currently have around 60 per cent of our debt fixed with rates blended in over time.

Our net interest charge rose from 237 million pounds to 623 million pounds, reflecting the impact of financing the Altadis, Logista and Commonwealth deal.

Net finance costs include a benefit of 87 million pounds relating to pensions and derivatives, which we exclude from our adjusted EPS.

And finally to our interest cover, which on an adjusted basis, for this "unusual" year was 3.6 times. Our interest cover for banking covenants is materially above this level and John will take you through the differences between the two later.

New Reporting and FY 2009 Outlook

In future we will report on our new geographic basis.

Enlarged Group – H2 2008 new geographic analysis

This slide shows our 2008 second half results for tobacco under the new geographic analysis.

I will now take you through the main factors to consider when moving from the second half of 2008 to 2009.

Outlook (1) – moving from H2 2008 to 2009

In terms of synergies, our current best estimate is that we will deliver, on a cumulative basis, around 180 of the 300 million euro 2010 target in our 2009 financial year.

Although the sales and marketing synergies will uplift the individual markets to which they relate, manufacturing and central overhead savings will be allocated across all regions on an activity basis.

For the avoidance of doubt, we delivered synergies of 43 million euros in 2008. These were generated in the second half of the year and are included in the base regional performance you have just seen.

On a full year basis, this equates to 86 million euros out of the approximate 180 million targeted for 2009 with the difference between the two being split roughly in the proportions you can see on the slide.

Within our Logistics division we expect that tobacco will be broadly stable but that there will be a continuation of the trends in other logistics as a result of ongoing economic conditions.

We expect our all in cost of debt in 2009 to remain around 5.5 per cent, with an adjusted effective tax rate of around 26.5 per cent.

In terms of foreign exchange my comments on the next slides are on a constant currency basis. However given the volatility in recent months, foreign exchange will clearly be a factor in your forecasts for 2009. We are currently forecasting the two main currencies which affect our results at 1.2 euros and 1.5 US dollars to the pound.

Outlook (2) – moving from H2 2008 to 2009

Let's delve into the regions in a bit more detail.

Starting with the UK, which generated 293 million pounds in the second half of 2008 and where approximately 51 percent of our profits are generated in the second half of the financial year.

Going forward we anticipate more moderate market declines as the impact of smoking in public places diminishes. Although downtrading is likely to continue, pricing is assumed to be in line with historic

trends.

In Germany, we generated 185 million pounds and here, around 52 per cent of profits tend to be made in the second half.

We are assuming market decline rates for cigarettes will be more moderate, downtrading will continue and that there will be no general price increase.

Outlook (3) – moving from H2 2008 to 2009

In Spain we made 110 million pounds despite the impact of destocking of Brit brands which reduced profits.

When you exclude this, the adjustment needed is around 10 million pounds. This gives a better base to adjust for normal market seasonality of around 52 per cent.

The cigarette market remains stable and we have assumed a positive pricing environment.

In addition, we would expect around 15 per cent of the incremental synergies to increase profits.

We generated 284 million pounds in the Rest of the EU. I previously mentioned travel retail declines in the Rest of Western Europe, which are incorporated in this lower base.

The brand divestments and duty absorption in Central Europe do need to be adjusted. The combined impact is around 20 million pounds to be added back to profits. In this region, second half seasonality is also around 52 percent.

We don't expect our level of duty absorption in EU accession states to be at the same level in 2009 as both Poland and Slovakia have introduced a retail sell-out date of 30th June for all products taxed at old duty rates.

However, we are currently assuming some duty will be absorbed in Central Europe which will have an impact of up to 15 million pounds in 2009.

In this region we also expect to benefit from around 35 percent of incremental synergies.

Outlook (4) – moving from H2 2008 to 2009

We are very pleased with the momentum we are building in The Americas.

So far, profits do not seem to be seasonal. The pricing environment remains good and we are increasing distribution of our brands, which should further contribute to profit growth.

Savings from the closure of our Selma cigar factory and integration of Lignum 2 should further add to profitability, and there will also be some incremental synergy allocation.

And finally to the Rest of the World where results were impacted by approximately 20 million pounds from planned destocking in Russia and Taiwan.

Although there may be some further destocking in Taiwan in 2009, we currently do not anticipate that it

will have a significant effect on the overall divisional performance.

We continue to expect strong growth from our Africa and Middle East region as well as from Eastern Europe, and 35 percent of the incremental synergies should also benefit this region.

Financial Summary – creating value for shareholders

We have made a promising start to the year and going forward, we will continue to focus on investing in our top line growth while keeping a tight control on costs.

Good working capital management is an ongoing priority, and, in the short term, we will utilise the high level of cash we generate to reduce debt and to continue to create additional value for our shareholders.

Thank you ladies and gentlemen. I'll now hand you over to Gareth to go through our operational performance.

Gareth Davis, Chief Executive

Thanks Bob and good morning everyone.

Integration Update

2008 has been a very eventful year for Imperial and one of considerable achievement.

Following completion of the Altadis deal, a key area of focus has been the integration of the two businesses and I'd like to start by updating you on recent developments.

Since successfully concluding the European consultations in September, we've continued to make very good progress on the national consultations and implementation of our integration projects in many markets.

Last week we were pleased to conclude the consultation process in France and will be in a position to begin implementation in early 2009.

Elsewhere, we continue to have constructive dialogue in Spain and Germany, and have completed the mergers of the Imperial and Altadis sales teams in Russia, Ukraine, Poland, Austria, Belgium and Italy.

Our cigar and fine cut tobacco factory in Slovakia has been closed and consultations on the closure of our Bristol cigar factory and the restructuring of our Nottingham cigarette factory have concluded, enabling implementation to begin early next year.

Maintaining this positive momentum will be a key focus going forward, and I can confirm that we remain on track to deliver the previously announced annual operating efficiencies.

It's regrettable that these projects are impacting our workforce and we are providing a comprehensive range of support measures to assist employees affected by integration.

Whilst the integration process has been a key area of focus, it hasn't detracted from the operational performance of the business and we've remained very focused on maximising the opportunities that the

enlarged Group offers.

Top-Line Growth Strategy

Over the years we have developed a versatile multi-product portfolio with strong local, regional and international brands and comprehensive coverage of the key price segments within individual markets.

Our strategy is to drive sales growth by developing our brands and products through investment and innovation, supported by excellent trade marketing skills and a strong sales force.

We build sales by taking a portfolio approach to individual markets, ensuring that the brands and products we offer reflect specific market dynamics and meet consumer preferences.

We have particular strength in the value segment, enabling us to capitalise on consumer downtrading in mature markets, a trend that is likely to continue in the current economic climate.

Complemented by a portfolio of premium brands that have driven growth and have remained resilient in recent months.

Our sales development is supported by effectively managing our cost base and by our various Corporate Development activities. These include evaluating business development opportunities and assessing the impact of evolving regulation and changing consumer preferences.

This enables us to plan for the long-term with confidence, and ensures that we stay flexible and well-equipped to drive future growth.

We've been very focused on driving this strategy across the enlarged Group in order to maximise the enhanced growth opportunities that we now have in both mature and emerging markets.

Cigarette Highlights

We increased our cigarette volumes by 46 per cent to just over 290 billion and underlying Imperial brands, on a stand alone basis, were up by 2 per cent.

Volumes of our key international cigarette brands, Davidoff, West, JPS, Gauloises Blondes, Gitanes Blondes and Fortuna grew by 6 per cent during the year. These brands make up around 30 per cent of our total cigarette volumes. This growth has been supported by increased investment.

Brand Volume Performances

Taking a closer look at how our key brands performed.

We grew Davidoff’s volumes by 2 per cent and during the year we launched the brand in the USA and Morocco.

However excluding Taiwan, volumes were up an impressive 19 per cent driven by continued strong growth in the Middle East and Eastern Europe.

Volumes of Gauloises Blondes and Gitanes Blondes grew by 24 per cent and 41 per cent respectively,

with both brands performing well in the Middle East.

Since January, we have launched Gauloises Blondes in Slovakia, Serbia, Cyprus and Romania. JPS was again our star performing value brand, growing 6 per cent with another strong showing in Germany, while Fortuna grew volumes in its core markets of Spain and France.

West was impacted by downtrading in Germany with volumes down 6 per cent but it did well in our Rest of the World region with 4 per cent volume growth.

Brand Innovation - examples

On this slide you can see examples of what we've been doing to develop a number of brands.

We produced a fan pack for Fortuna in Spain and launched JPS Pink cigarettes and JPS dosettes, a new make your own product, in France.

And, as you can see, we've also been active with Davidoff, West and R1.

Operational Highlights

Operationally, we delivered many good performances across a wide range of territories, including good profit contributions from our key mature markets.

We are now the number two cigarette player in the EU with shares of more than 25 per cent in four out the top five most profitable markets in the region.

In a short space of time we've established a strong and growing presence in the United States, and this year we achieved good gains in our cigarette and fine cut tobacco shares.

In Eastern Europe, our strong performance was driven by cigarette share growth in several markets.

In Africa, we significantly improved our volumes and market shares with our portfolio of strong local brands, while Gauloises Blondes, Gitanes Blondes and Davidoff continued to make great strides in the Middle East.

Our Asian performance has been affected by the planned destocking and downtrading in Taiwan but with our new factory coming on stream in the coming weeks, we are confident of improving our position.

Tobacco

Let me now move onto a regional review of our performance. There's considerable share and volume detail in the appendices, so I'll focus on the key points.

UK Cigarette – market leadership

Starting with the UK, where to us success is all about balancing share and profit.

We estimate that the duty paid cigarette market declined by 5 per cent, two to three per cent of which we believe was attributable to the smoking bans introduced in 2007.

We are the market leader with a particularly strong presence in the value end of the market. Our market share ended the year at 45.9 per cent, down half of one per cent compared to last year.

We have the two best-selling cigarette brands, Lambert & Butler and Richmond, complemented by our value offering, Windsor Blue, which has done extremely well to grow its share to 3 per cent in a very competitive segment.

UK JPS Silver Range launched Nov'08

Downtrading is likely to continue in the current economic climate, fuelling further growth of the economy sector.

To capitalise on this, we launched the JPS Silver range a few weeks ago. You can see the variants on the slide, along with the different price points.

We think it's a great product: we've already secured widespread distribution and have high expectations for the brand.

UK Fine Cut Tobacco & Papers – market leadership

Market volumes of fine cut tobacco were up 7 per cent and we continue to lead the segment.

Whilst our volumes increased, our share declined to a little under 62 per cent. Our premium brand Golden Virginia is by far the market leader and our value brand Gold Leaf has done well to grow share to 2.6 per cent in the sixteen months since its launch.

And in rolling papers we had another strong performance from Rizla, with the Green variant retaining more than a 50 per cent share.

The UK is a highly regulated market and we are expecting the results of the Department of Health consultation process shortly. However, we're very experienced at managing our business in this environment and will continue to build on our track record of success.

Our strength in value brands and products is an advantage in the current climate and with JPS Silver we'll focus on building our share of the growing economy sector while continuing to support the rest of our portfolio.

Germany – continuing to grow shares

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

We believe that around 2 per cent of this decline was attributable to the introduction of public smoking restrictions, although these have eased recently in some states following a court ruling that certain aspects of the legislation were unconstitutional.

Downtrading remains a key dynamic and we have benefited from this, increasing our market share to 27.4 per cent.

Our success in the value sector has been driven by JPS which had another great year and is now the

second largest cigarette brand in Germany.

At the other end of the price spectrum, our premium brand Gauloises Blondes was resilient in maintaining its share at 5.6 per cent as were our other premium offerings, Davidoff and R1.

Market volumes of other tobacco products were down 5 per cent, largely due to a 24 per cent decline in eco-cigarillos, which were subject to a legal change to the product specifications at the end of 2007.

We have now grown our OTP share to 20 per cent with strong performances from JPS and Route 66, particularly in the make your own sector.

Overall, we had some good brand performances in Germany and we remain focused on further developing our market shares.

Spain – market leader in all categories

Now let's take a look at Spain where we now have a market leading position in all tobacco categories.

Market volumes of duty paid cigarettes have remained stable and our cigarette share stood at just over 37 per cent.

Fortuna, a mid-price offering and the second best-selling brand in Spain, was broadly stable at around 12 per cent share, complemented by growth from Nobel, again in the mid-price sector, and Ducados Rubio in the value segment.

Fine cut tobacco market volumes grew substantially, driven by strong growth in the low price segment. Our repositioning of Golden Virginia and Drum has stabilised our share in recent months, which is now just under 50 per cent.

Cigar market volumes were up 5 per cent to just over a billion in the year, reflecting strong growth in the small size segment.

Our cigar share, including Habanos brands, is at just under 37 per cent. Amongst our key brands, Farias Mini cigars performed particularly well, growing share to 20.5 per cent in the small size segment.

We have a great portfolio in Spain and intend to make further progress across all tobacco categories.

We plan to combine the three sales forces of Imperial and Altadis cigarettes and Altadis cigars into one unified team, bringing a more strategic focus to our sales activities and strengthening our relationships with the trade.

Rest of European Union – new regional markets

In our Rest of EU region, cigarette market volumes declined by 3 per cent in a generally positive pricing environment.

Fine cut tobacco volumes grew by 1 per cent while cigar volumes continue to be impacted by the introduction of public smoking restrictions.

Rest of European Union – cigarette highlights

Our cigarette brands across all segments performed well this year, with particularly strong volume growth from Davidoff at the premium end and JPS and Golden Gate at the value end.

Our most important market in the region is France, where our cigarette share increased to 29.3 per cent with gains from Gauloises Blondes, JPS and Fortuna.

As in Spain, we plan to combine the three Altadis and Imperial sales forces into one to improve efficiencies and drive growth.

The slide gives you a flavour of some our other cigarette achievements in this region, where we've done well in nearly all the markets.

Rest of European Union – FCT, snus and cigar highlights

In The Netherlands, volumes of fine cut tobacco declined by two per cent but our share remained broadly stable with our value brands, Zilver and Evergreen, making gains.

We've been swift to capitalise on the downtrading trend from cigarettes in the EU accession countries, particularly in Hungary and the Czech Republic where our shares have increased substantially.

During the year we acquired the balance of the shares in the snus business Skruf, which is performing exceptionally well in Norway with volume growth of 70 per cent.

Despite challenging market conditions in France, we remain the cigar market leader with a 23.5 per cent share.

We've established a very strong platform in this region and see considerable opportunities ahead.

Our broad cigarette portfolio continues to deliver growth across the pricing spectrum and we see particular scope for further fine cut tobacco gains in a number of accession countries.

Americas – regional overview

The main focus of our operations in the Americas is the USA where we estimate that the overall cigarette market declined by 4 per cent.

We estimate that fine cut tobacco volumes grew by 5 per cent as a result of further downtrading from cigarettes.

Sales of cigars have generally been affected by the economic slowdown and public smoking restrictions, particularly in the premium segment, although this is being offset by positive trends in the smaller sizes.

Apart from a small but growing presence in Mexico and Canada, our other main market in the region is Argentina.

We are currently evaluating how our versatile portfolio can be used to effect further entry into Latin America.

Americas – considerable FMC and FCT progress

Our US cigarette share was up to 4.3 per cent of the total market, driven by growth from both our key discount brands, USA Gold and Sonoma.

We've taken steps to expand our cigarette portfolio, launching Davidoff initially in ten cities and Fortuna in Florida and Texas.

Our fine cut tobacco position has significantly improved with a September spot share of around 8 per cent, compared to just 1 per cent a year ago, following the addition of Rave, the launch of Premier and further gains from Bali Shag and McClintock.

Americas – USA cigar

We are market leader in the large cigar sector in terms of net sales and in challenging market conditions, our natural wrapper brands of Dutch Masters and Backwoods performed well following the introduction of new flavoured variants.

We applied two manufacturer's price increases across our portfolio during the year which mitigated the impact of volume declines.

In September this year, we announced the closure of our cigar factory in Selma, Alabama, and in October took up the option to acquire the balance of JR Cigar, a nationwide premium cigar distributor.

We're delighted with the progress we've made to date in the US. There are challenges ahead, with potential Federal Excise Tax rises in 2009 and the possibility of the FDA assuming responsibility for tobacco regulation.

However, we're not strangers to growing our business in this type of environment and are very confident of building on our success.

We've rapidly assembled a versatile portfolio and are in the process of further enhancing our growth prospects by expanding our sales force to improve our national distribution capabilities.

Rest of the World – our new geographic footprint

Our final geographic region is the Rest of the World, which we have broken down into the sub-regions of Asia, Australasia, Africa, the Middle East and Eastern Europe, plus our global duty free business and the Habanos cigar joint venture.

The region mainly consists of emerging markets from which we generated around 60 per cent of our total cigarette volumes during the year and where we see plenty of opportunities for further growth.

We performed well in terms of volume and profit in most of the region but our overall result was held back by events in Taiwan and Russia.

Rest of the World – Asia & Australasia

Let me start with Asia.

We have had a difficult time in Taiwan. The market has been affected by increased competition and downtrading, which has particularly impacted the premium segment in the last twelve months.

We've reduced our stock levels due to our new factory and the introduction of graphic health warnings.

The new factory will improve our competitive position, tighten our supply chain and provide a strong platform for recovery and expansion in the Asia-Pacific region.

Elsewhere, we continued to make good progress in Laos and are strengthened our position in Vietnam with our new Danang joint venture.

We now have a strong position in Cambodia as a result of the Altadis acquisition, and in China, we now have around 7 per cent of the international branded cigarette segment as a result of further growth in West and Davidoff volumes.

Rest of the World – Africa and Middle East

We continue to go from strength to strength in Africa.

We are now the number one player in Morocco with our leading brand Marquise and launched Davidoff in June with promising early results.

We also had some good performances from our local brands including Fine, Excellence and Mustang.

Our operations in the Middle East were equally strong. In volume terms, Gauloises Blondes is now our leading cigarette brand in the region, supported by Gitanes and Davidoff.

Davidoff has been a real success story in the Middle East, recording compound annual growth of 44 per cent over the last five years. Davidoff continues to do very well in Saudi Arabia, where its share now stands at over 9 per cent.

Our growing operations in Turkey are included in this region and during the year we strengthened our share with increased investment in marketing.

Rest of the World – Eastern Europe and global duty free

In Russia mid-priced and local brands are under pressure but we're seeing growth in premium brands with Davidoff doing well.

Our share in the Ukraine benefited from significant growth in volumes of Davidoff and Classic, while in Azerbaijan it was Davidoff and West which increased our share.

Our global duty free operations account for 5 billion cigarettes a year. Whilst this only represents 3 per cent of the regional total, our main brands are Davidoff and Gauloises Blondes and as a result the profit contribution is significantly higher.

Rest of the World – Habanos cigars

Inevitably, there has been some impact on Habanos volumes as a result of public smoking restrictions

and the economic downturn but the benefit of regular price increases mitigates the volume decline.

Our focus remains on growing net sales value, and our greater geographic footprint presents us with an excellent opportunity to enhance the distribution of these prestigious brands into new markets. We see particularly encouraging potential in Asia, Eastern Europe and the Middle East.

Manufacturing – highlights

I'll round off my review of our tobacco perfomance with a quick look at manufacturing.

Like Imperial, Altadis has continually assessed its manufacturing operations and has delivered a steady progression of efficiency enhancements which we will seek to build on.

A key area of focus this year has been on integrating the supply chain processes of Imperial and Altadis in order to leverage the considerable synergy potential.

We have maintained our focus on simplification, standardization and capacity optimisation, and have delivered further operational improvements within the Imperial portfolio, continuing to improve productivity and reduce cigarette unit costs, blends and ingredients.

Obviously, the enlarged portfolio now gives us significantly greater potential in all these areas.

Leaf and non-tobacco material costs rose during the year but with our continued focus on cost management, combined with careful stock management and procurement, we are confident of being able to mitigate the worst effects. Indeed, in recent weeks we have seen the inflationary pressures easing somewhat.

Logistics

Moving on to Logistics.

Logistics Performance – in line with expectations

Our main activities are in Spain, Portugal, Italy and France, and we have also established new operations in Poland in the last year.

Tobacco distribution accounts for around half of our operations, with other logistic activities including transport, pharmaceutical and publishing, making up the balance.

In other logistics, the traditional wholesale business performed well in a difficult environment.

However, our overall business was affected by continued weakness in publications, and the impact of the economic downturn on the transport business.

The good performance of tobacco logistics reflected a cigarette price increase in Italy and stable tobacco volumes in Spain, which offset a decline in French volumes following the extension of the public smoking ban.

We expect a stable tobacco performance in 2009 with the benefit of cigarette price increases by tobacco

manufacturers compensating for slight cigarette volume declines.

Imperial Tobacco – year of considerable achievement

So, as I said earlier, a year of considerable achievement and one in which we have reinforced our position as a leading international tobacco company

Integration will remain a priority going forward but will not detract from our focus on driving the operational performance of the enlarged Group.

The versatility of our portfolio, with strength in both premium and value brands and products, provides many growth opportunities.

We will build on our strong presence in mature markets by enhancing our positions in the EU and further developing our US business. We will also maintain our excellent growth momentum in the emerging markets of Eastern Europe, Africa and the Middle East, whilst pursuing other growth opportunities, particularly in Asia.

The defensive qualities of Imperial are well known. We are able to grow in both good and bad times as well as generate high levels of cash, and importantly, we are comfortable with our current financing position.

All in all, we are very well placed to continue to create sustainable value for our shareholders.

Imperial Tobacco Group PLC

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.

[At the end of the Q&A session]

Thank you ladies and gentlemen, we'll now take a short break and then Bob and John will resume at 10.45 with their presentation on our debt and financing position.