

10 November 2009

IMPERIAL TOBACCO GROUP PLC

PRELIMINARY RESULTS FOR THE TWELVE MONTHS ENDED
30 SEPTEMBER 2009

HIGHLIGHTS

	<u>2009 (1)</u>	<u>Change</u>	<u>2008 (1)</u>
<u>Volumes</u>			
• Cigarettes (2)	322.2bn	+10%	294.1bn
<u>Financial highlights – adjusted basis (3)</u>			
• Adjusted profit from operations	£2,933m	+32%	£2,230m
• Adjusted profit before tax	£2,233m	+39%	£1,607m
• Adjusted earnings per share	161.8p	+18%	136.9p
<u>Financial highlights – unadjusted</u>			
• Revenue	£26,517m	+29%	£20,528m
• Profit from operations	£2,337m	+59%	£1,471m
• Profit before tax	£945m	+52%	£621m
• Basic earnings per share	65.5p	+29%	50.6p
• Diluted earnings per share	65.3p	+30%	50.4p
• Dividend per share (4)	73.0p	+16%	63.1p

(1) Results for 2009 include a full 12 months' contribution from Altadis, whereas 2008 comparatives include the Altadis contribution since completion of the acquisition on 25 January 2008.

(2) Our 2008 cigarette volumes have been restated to include third party manufacturing and distribution arrangements in certain countries.

(3) Management believes that these non-GAAP measures provide a useful comparison of business performance and reflect the way in which the business is controlled. Definitions are included in the notes to the financial statements. Reconciliations between adjusted and reported measures are also included in the relevant notes.

(4) If approved by shareholders the dividend will be paid on 19 February 2010 to those shareholders on the register at the close of business on 22 January 2010.

- Key international cigarette brand volume growth: Davidoff +12%, Gauloises Blondes +1%*, JPS +11%
- +5% Tobacco net revenue growth in H209 at constant currency
- +7% adjusted profit from operations growth in H209 at constant currency, excluding synergies
- euro 190m of cumulative Altadis integration synergies
- £1bn of working capital savings
- Cash conversion rate of 128%
- Adjusted net debt down to £10.8bn

* Adjusted for shipment timings.

Summarising today's announcement, Gareth Davis, Chief Executive, said:

"We delivered a strong operational and financial performance, improving sales and profits in mature and emerging markets whilst making excellent progress on integration and considerably strengthening our balance sheet.

"We have driven sales across our portfolio with growth in our key international cigarette brands Davidoff, Gauloises Blondes and JPS supported by good gains from our regional and local brands.

"In the second half of the year, the first period offering a true comparison since the Altadis acquisition, we delivered 5 per cent growth in tobacco net revenues and 7 per cent growth in adjusted profit from operations at constant currency and before synergy benefits.

"The swift and efficient integration of Altadis has accelerated the timing of cumulative synergies enabling us to deliver euro 190 million, euro 10 million ahead of our expectations and we remain firmly on track to achieve our overall synergy targets.

"We were able to reduce working capital in the business by £1 billion last year, enhancing our cash generation and enabling us to reduce our adjusted debt by £2 billion before the impact of foreign exchange. We further strengthened our financial position with a number of successful bond issues and have no refinancing requirements until July 2012.

"The external environment is challenging but our balanced portfolio and geographic reach, combined with our enhanced focus on sales excellence and effective cost and

cash management, leaves us well placed to continue to reward our shareholders with sustainable growth.”

NOTES TO EDITORS

Imperial Tobacco Group PLC is a multi-national tobacco company, with international strength in cigarettes and world leadership in fine cut tobacco, cigars, rolling papers and tubes. The Group has 56 manufacturing sites and around 38,000 employees.

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A live webcast of a presentation for analysts and investors will be available on www.imperial-tobacco.com from 9.00am (GMT). An archive of the webcast and the presentation script and slides will also be made available during the afternoon.

Interviews with Gareth Davis, Chief Executive, Alison Cooper, Chief Operating Officer and Bob Dyrbus, Finance Director, are available in video, audio and text formats at: www.imperial-tobacco.com and www.cantos.com

High-resolution photographs are available to the media free of charge at: www.newscast.co.uk +44 (0)20 8886 5895

Gareth Davis will host the following conference calls, at which there will be the opportunity for questions.

Newsires at 7:15am (GMT):

Dial in number: +44 (0)20 7806 1950 (UK)

Dial in number: +34 91 788 9937 (Spain)

Dial in number: +33 (0)1 7099 4301 (France)

Dial in number: +49 (0)69 5007 1306 (Germany)

Confirmation Code: 9173146

A replay of this call will be available for one week. To listen, please dial:

+44 (0)20 7111 1244
Code: 9173146#

Media at 11:00am (GMT):

Dial in number: +44 (0)20 7806 1950 (UK)
Dial in number: +34 91 788 9937 (Spain)
Dial in number: +33 (0)1 7099 4301 (France)
Dial in number: +49 (0)69 5007 1306 (Germany)
Confirmation Code: 3974843

A replay of this call will be available for one week. To listen, please dial:

+44 (0)20 7111 1244
Code: 3974843#

CHAIRMAN'S STATEMENT

We have delivered another strong operational and financial performance, further building on our excellent track record of creating sustainable shareholder value.

Our focus on sales growth, optimising our cost base and efficiently utilising the cash we generate, has enabled us to drive growth and deliver volume and market share gains in many markets across our regions.

Whilst tobacco is not immune from the current difficulties affecting the global economy, we have a successful strategy and a resilient business.

EARNINGS AND DIVIDENDS

Our adjusted profit from operations increased by 32 per cent to £2.9 billion, while reported profit from operations grew by 59 per cent to £2.3 billion. Our performance reflects a full year's contribution from Altadis compared with eight months in 2008, good organic growth, synergy benefits and currency translation gains.

Our adjusted earnings per share have risen by 18 per cent to 161.8 pence. Basic earnings per share were 65.5 pence (2008: 50.6 pence). The Board recommends a final dividend of 52.0 pence per share, bringing the total dividend for the year to 73.0 pence per share (2008: 63.1 pence, adjusted for the bonus element of the rights issue in June 2008). This represents growth of 16 per cent. If approved by shareholders, this dividend will be paid on 19 February 2010 to those shareholders on the register on 22 January 2010.

ALTADIS SYNERGY DELIVERY

We have made considerable progress with the integration of Altadis during the year. We delivered euro 147 million synergies in our current financial year, bringing the total to euro 190 million to date, euro 10 million ahead of our target. We remain very confident of achieving our previously announced target of euro 400 million cumulative synergies by the end of our 2012 financial year and our net revenue synergy target of euro 60 million by 2011.

OPERATIONAL PERFORMANCE

These results again demonstrate the strength of our versatile brand and product portfolio and wider geographic reach.

Our powerful portfolio spans all tobacco product categories and price points and enables us to quickly align with local market consumer preferences.

Our particular strength in value cigarettes and our world leadership in fine cut tobacco has enabled us to capitalise on consumer downtrading and is an advantage in the current economic climate.

We have focused on building sales of our international premium and mainstream cigarette brands, Davidoff and Gauloises Blondes.

We have made great advances in a number of emerging markets including Asia, Eastern Europe, Africa and the Middle East. We also continued to strengthen our position in mature markets, with good financial results in the UK, Germany, Spain and France.

We took steps to improve the competitive position of our world leading cigar business through cost optimisation and portfolio rationalisation initiatives.

Strengthening our balance sheet is a priority and we made excellent progress during the year. Strong cash generation has been a consistent hallmark of Imperial Tobacco. We have delivered a cash conversion rate of 128 per cent reflecting £1 billion in working capital improvements. As a result we have reduced our adjusted net debt by over £2 billion, excluding the impact of foreign exchange movements. We also raised £3.9 billion in the year through bond issues such that we now have no refinancing requirements until 2012.

CORPORATE GOVERNANCE

Our stakeholders rightly expect us to act in a fair and responsible manner and our commitment to high standards of conduct and performance is as strong as ever.

Our Corporate Governance and internal control procedures include appropriate policies and procedures in place to meet the high standards expected of us.

BOARD CHANGES

We announced today that Gareth Davis, Chief Executive Officer, will retire in May 2010 and will be succeeded by Alison Cooper, currently Chief Operating Officer.

Gareth was appointed Chief Executive Officer in 1996 and under his leadership Imperial Tobacco has developed from a predominantly UK business into one of the world's leading international tobacco companies. He has made an outstanding contribution to our success and on behalf of the Board and our employees I would like to express our gratitude for his tremendous commitment, drive and dedication.

I am delighted that Alison will succeed Gareth. She has an exemplary track record in our business and has played a key role in driving our international expansion. Alison has held a number of senior positions in the business as part of her ongoing development and was appointed Chief Operating Officer in March. Her leadership capabilities and strategic vision will ensure that Imperial Tobacco continues to evolve and maximise growth opportunities.

In September, Bruno Bich resigned as a consequence of his overall business commitments. I would like to thank him for his contribution to the Company since his appointment to the Board last year and wish him well for the future.

Finally, my thanks to our employees who have worked hard to drive the performance of the business in a challenging operating environment.

Our focus on sales growth, underpinned by our diligent approach to cost and cash management, enables us to look to the future with confidence and leaves us well positioned to continue to create sustainable value for our shareholders.

Iain Napier
Chairman

CHIEF EXECUTIVE'S REVIEW

PERFORMANCE OVERVIEW

During another successful year for Imperial Tobacco we have grown profits in our mature markets and made great advances in emerging markets with volume, profit and market share gains.

We increased our overall cigarette volumes by 10 per cent to 322 billion, including a full year contribution from Altadis and many good brand and market performances.

Our focus on building sales has delivered 5 per cent organic growth in tobacco net revenues and 7 per cent organic growth in adjusted profit from operations, at constant currency and before synergy benefits, in the second half of the year, the first reporting period to offer a true comparison post the Altadis acquisition.

Our total tobacco portfolio ensures we can be flexible and agile in responding to changing consumer and market dynamics. Understanding the evolving nature of consumers and aligning our local market portfolios to match their preferences is an increasingly important element of our sales strategy.

We have delivered excellent growth from our leading international cigarette brands. In the premium segment, we grew Davidoff by 12 per cent with particularly strong growth in our Rest of the World region. Within the mainstream segment, Gauloises Blondes was up by 1 per cent and JPS, a key brand in our value portfolio, grew volumes by 11 per cent with growth in all regions in which it is sold. This was complemented by excellent results from a number of our regional and local brands.

We continue to leverage our strength in value cigarettes and fine cut tobacco to respond to ongoing consumer downtrading. We have also grown our fine cut tobacco volumes in the UK, Spain, Germany and Central Europe.

We are world leaders in cigars and in spite of challenging trading conditions, we have further improved profitability and strengthened our competitive position.

Our tobacco logistics business performed robustly including a particularly good performance in France. Whilst our other logistics operations have been affected by current economic conditions, we have maintained our profitability through cost saving initiatives.

From a financial perspective, we have delivered significant working capital savings which have improved our strong cash generation and enabled us to make a considerable reduction in our debt levels.

INTEGRATION

We made excellent progress with the integration of Altadis during the year.

We completed consultations with trade unions and works councils and implemented our major European integration projects, including merging our sales and marketing teams, enabling us to deliver a more comprehensive service to our customers.

A number of manufacturing restructuring projects in Europe were also progressed. In addition, we closed two cigar factories in the USA and continued to align processes, systems and standards across our manufacturing operations.

Regrettably, these projects have impacted our employees and we continue to assist all individuals affected with a comprehensive range of support measures.

REGULATION

The tobacco industry has been subject to increasing regulation for many years and we are confident of being able to continue to successfully develop our business in this environment.

We believe that adults should have the freedom to enjoy smoking whilst being aware of the associated risks to their health.

We support reasonable regulation of tobacco products but will continue to challenge disproportionate and unnecessary regulation that undermines the principles of adult choice and the freedom of competition.

This type of regulation stigmatises smokers and denormalises smoking and we strongly believe that adult consumers and smoking should not be treated in this way.

CORPORATE RESPONSIBILITY

Our Corporate Responsibility strategy is integral to our overall business strategy and is embedded throughout the Group. It is gratifying that our progress has been recognised again, with a Bronze Class rating from Sustainability Asset Management, which analyses companies on behalf of the Dow Jones Sustainability Index.

More detail will be available in our Corporate Responsibility Review, to be published in early 2010.

OUR PEOPLE

Key to delivering sustainable shareholder value is the continued development of our people who once again have delivered these excellent results.

Looking around the Group today, I am very encouraged by our significant and growing pool of talented employees. Our leadership and development programmes are designed to support employees at all levels, from senior managers to those who are at an early stage of their career.

We are committed to ensuring our employees continue to fulfil their potential and share in the success of the Group.

OUTLOOK

In conclusion, we have made significant operational and financial progress in a challenging environment.

Our strong business fundamentals and successful growth strategy are the basis of our long-term sustainability.

We will continue to drive further organic growth, leveraging our enhanced geographic footprint and our total tobacco portfolio.

Further enhancing our focus on sales, whilst optimising our cost base and effectively managing our cash, will ensure we continue to create sustainable shareholder value.

Gareth Davis
Chief Executive

FINANCIAL REVIEW

GROUP PERFORMANCE

We have made excellent progress on strengthening our balance sheet, delivering a cash conversion of 128 per cent including nearly £1 billion in working capital improvements.

Revenue

	2009 £m	2008 £m
Tobacco	18,587	15,650
Logistics	8,961	5,561
Eliminations	(1,031)	(683)
	-----	-----
Group revenue	26,517	20,528
	-----	-----

Growth in revenue reflects a full year's contribution from Altadis, operational progress and foreign exchange benefits.

Group Earnings Performance

	Adjusted 2009 £m	Adjusted 2008 £m	Reported 2009 £m	Reported 2008 £m
Profit from operations				
Tobacco	2,750	2,107	2,291	1,531
Logistics	177	121	40	23
Eliminations	6	2	6	(83)
	-----	-----	-----	-----
Group profit from operations	2,933	2,230	2,337	1,471

Net finance costs	(700)	(623)	(1,392)	(850)
	-----	-----	-----	-----
Profit before taxation	2,233	1,607	945	621
Taxation	(581)	(426)	(268)	(180)
	-----	-----	-----	-----
Profit for the year	1,652	1,181	677	441
Earnings per ordinary share (pence)	161.8p	136.9p	65.5p	50.6p

Adjusted profit from operations grew by 32 per cent to £2,933 million (2008: £2,230 million) reflecting a full year's contribution from Altadis, operational progress and currency gains. Reported profit from operations was up 59 per cent to £2,337 million (2008: £1,471 million). After net finance costs and tax, adjusted earnings per share grew by 18 per cent to 161.8 pence (2008: 136.9 pence) or 12 per cent excluding foreign exchange benefits. Reported earnings per share were 65.5 pence (2008: 50.6 pence) after a number of items which are detailed in the following table.

Reconciliation of Adjusted Performance Measures

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

	Profit from operations 2009 £m	Profit from operations 2008 £m
Reported	2,337	1,471
Acquisition accounting adjustments	-	161
Amortisation of acquired intangibles	451	309
Brand divestment gain	-	(174)
Restructuring costs	145	463
	-----	-----
Adjusted	2,933	2,230
	-----	-----
	Net finance costs 2009 £m	Net finance costs 2008 £m
Reported	(1,392)	(850)
Fair value adjustments on derivative financial instruments providing commercial hedges	660	272
Post-employment benefits net financing cost/ (income)	32	(45)
	-----	-----

Adjusted	(700)	(623)
	-----	-----
	Earnings per share 2009 (in pence)	Earnings per share 2008 (in pence)
Reported	65.5	50.6
Acquisition accounting adjustments	-	13.0
Amortisation of acquired intangibles	37.4	31.8
Brand divestment gain	-	(13.6)
Fair value adjustments on derivative financial instruments	46.9	22.8
Post-employment benefits net financing cost/ (income)	2.1	(3.8)
Restructuring costs	9.9	37.2
Adjustments above attributable to minority interests	-	(1.1)
	-----	-----
Adjusted	161.8	136.9
	-----	-----

Amortisation of acquired intangibles rose from £309 million to £451 million reflecting a full year's charge for Altadis.

The Group hedges underlying interest rate and foreign exchange rate exposures in an efficient, commercial and structured manner. However, the strict requirements of IAS 39 lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result we recognise movements in the fair value of some of the derivative financial instruments providing commercial hedges in net finance costs, rather than directly in reserves under IAS 39 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 fair value losses on derivative financial instruments included in net finance costs of £660 million (2008: £272 million). Previously an element of fair value gains and losses was included in profit from operations rather than net finance costs. This presentation has been amended to show all fair value gains and losses in net finance costs. This change in presentation is explained in more detail in the notes to the financial statements.

The net financing cost of post-employment benefits amounted to £32 million compared with income of £45 million in 2008 and is excluded from adjusted net finance costs.

Restructuring costs amounted to £145 million compared with £463 million in 2008.

Our 2008 results included a gain of £174 million on the sale of a number of fine cut and pipe tobacco brands to Philip Morris International. They also 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

	Net revenue 2009 £m	Net revenue 2008 £m	Adjusted profit from operations 2009 £m	Adjusted profit from operations 2008 £m
UK	893	869	601	584
Germany	826	664	403	309
Spain	610	411	275	150
Rest of EU	1,490	1,250	566	494
Americas	861	542	288	166
Rest of the World	2,138	1,502	617	404
Total	6,818	5,238	2,750	2,107

	Cigarette volumes 2009 bn	Cigarette volumes 2008 bn	Fine cut tobacco volumes 2009 tn	Fine cut tobacco volumes 2008 tn
UK	20.8	21.4	2,650	2,350
Germany	23.9	23.0	5,550	4,300
Spain	30.3	23.0	2,350	1,550
Rest of EU	59.3	57.2	12,650	14,300
Americas	13.8	15.2	650	600
Rest of the World	174.1	154.3	2,100	2,050
Total	322.2	294.1	25,950	25,150

UK net revenue increased by 3 per cent to £893 million and adjusted profit from operations rose 3 per cent to £601 million. These results reflect price increases, a stable duty paid cigarette market and growth in fine cut tobacco volumes.

Growth in German net revenue was largely attributable to a full year's contribution from Altadis, price increases and growth in fine cut tobacco volumes. Net revenue rose by 24

per cent to £826 million and adjusted profit from operations by 30 per cent to £403 million. Some £48 million of the increase in adjusted profit from operations related to strengthening of the euro against sterling.

Net revenue in Spain increased by £199 million to £610 million and adjusted profit from operations by £125 million to £275 million reflecting a full year's contribution from Altadis and increased prices. £36 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 of our other markets across the region was mainly offset by volume declines in travel retail and a bad debt write-off of £17 million in the Netherlands. Net revenue rose by 19 per cent to £1,490 million and adjusted profit from operations by 15 per cent to £566 million. Adjusted profit from operations includes a benefit of some £66 million related to strengthening of the euro and other currencies against sterling.

In the Americas, despite volume declines in the USA, net revenue increased by £319 million to £861 million and adjusted profit from operations by £122 million to £288 million as a result of price increases and a good operational performance in the USA, as well as the inclusion of a full year's contribution from the Altadis cigar business. The strengthening of the US dollar against sterling accounted for £58 million of the increase in adjusted profit from operations.

In the Rest of the World we delivered a strong performance with improvements in the majority of markets. Net revenue increased by 42 per cent to £2,138 million and adjusted profit from operations by 53 per cent to £617 million. Currency movements accounted for £83 million of the increase in adjusted profit from operations.

RESTRUCTURING AND SYNERGIES

Profits also benefited from incremental synergies from the Altadis acquisition of euro 147 million or £128 million which we delivered this year. Our cumulative synergies to date are euro 190 million. There was an additional restructuring charge of £145 million mainly in respect of the additional European integration projects and the closure of our Tampa factory in the USA.

LOGISTICS

	2009 £m	2008 £m
Distribution fees	964	607
Adjusted profit from operations	177	121
Adjusted distribution margin	18.4%	19.9%

Logistics adjusted profit from operations was £177 million compared with £121 million for the eight months to 30 September 2008. This segment has been impacted by economic conditions, partly offset by cost initiatives.

OTHER FINANCIAL INFORMATION

NET FINANCE COSTS

Adjusted net finance costs were £700 million (2008: £623 million). On an adjusted basis, our interest cover was 4.2 times (2008: 3.6 times). Reported net finance costs of £1,392 million (2008: £850 million) include post-employment benefits net finance expense of £32 million (2008: income £45 million) and fair value losses on derivative financial instruments providing commercial hedges of £660 million (2008: £272 million).

TAXATION

The adjusted tax charge for the period was £581 million (2008: £426 million) representing an adjusted effective tax rate of 26.0 per cent (2008: 26.5 per cent). The reported tax charge was £268 million (2008: £180 million).

FOREIGN EXCHANGE

Tobacco net revenue benefited by £754 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 £122 million as a result of currency effects. Group adjusted profit from operations benefited from currency effects of £306 million. In calculating the impact of foreign exchange movements, we adjust for the translation impact and also the transactional impact of leaf costs.

DIVIDENDS

The Board has proposed a final dividend of 52.0 pence per share such that the total dividend for the year is 73.0 pence. This represents growth of 16 per cent, as adjusted for the bonus element of the rights issue in June 2008. Subject to approval by shareholders this dividend will be paid on 19 February 2010 to those shareholders on the register at close of business on 22 January 2010.

CASH FLOW AND FINANCING

Our business remains highly cash generative and we converted 128 per cent of our adjusted profit from operating activities after net capital expenditure into cash, as a result of significant working capital savings of £985 million. This excellent improvement was delivered through various group wide initiatives focused on optimising our finished goods and tax stamp inventories, and reducing our trade receivables.

Strong cash flows from operating activities complemented by working capital savings have offset the significant increase in our debt due to the strengthening of both the euro and the US dollar against sterling. Excluding the impact of foreign exchange we reduced our adjusted net debt by over £2 billion.

Our adjusted net debt was £10.8 billion (30 September 2008: £11.5 billion; 31 March 2009: £14.0 billion).

The denomination of our closing adjusted net debt was 56 per cent euro, 31 per cent US dollar and 13 per cent sterling. Our all-in cost of debt was stable at 5.5 per cent (2008: 5.5 per cent).

At 30 September 2009, our reported net debt which includes accrued interest, the fair value of derivatives providing commercial cash flow hedges and finance lease liabilities had increased to £12.0 billion from £11.7 billion at 30 September 2008. Our reported net debt was £15.2 billion at 31 March 2009.

During the year we successfully raised £3.9 billion through the capital markets which coupled with the working capital reduction and ongoing cash generation leaves us with no refinancing requirements until July 2012.

At 30 September 2009, we had committed financing facilities in place of around £15 billion.

PENSIONS

Our net retirement benefit liabilities increased during the year from £105 million to £794 million, mainly due to the effects of revised actuarial assumptions, including a significantly lower discount rate in line with movements in bond markets.

ADDITIONS AND FIXED ASSET DISPOSALS

Our cash outflows include gross capital expenditure of £253 million (2008: £226 million), the increase reflecting disciplined investment in machinery and equipment across our expanded footprint. Disposal of surplus Altadis properties contributed to an increase from £34 million to £69 million in proceeds from the sale of fixed assets.

Robert Dyrbus
Finance Director

OPERATING REVIEW

UNITED KINGDOM

MARKET DYNAMICS

We estimate that the duty paid cigarette market was broadly stable at 45.3 billion cigarettes (2008: 45.5 billion) benefiting from fewer purchases of UK brands abroad, as a weaker economy and sterling exchange rate reduced overseas travel.

Downtrading has continued to be the major dynamic in the UK tobacco market with strong growth in the economy cigarette segment. This segment now accounts for 15 per cent of the total cigarette market (2008: 11 per cent).

As a result of downtrading and reduced overseas travel, the fine cut tobacco market continued its strong growth trend, up by 19 per cent to 4,450 tonnes (2008: 3,750 tonnes).

In January, we increased our prices and in April the Chancellor raised tobacco duties by 7 pence per pack of 20 cigarettes.

We were disappointed that MPs voted to ban the display of tobacco products when debating the Government's Health Bill. There is no compelling evidence which shows that tobacco display restrictions have reduced either the consumption of tobacco products or youth smoking initiation in the few countries where they have been introduced. We remain concerned that such legislation places an unnecessary burden on retailers and exacerbates illicit trade. We support practical initiatives that will reduce youth smoking but will continue to oppose disproportionate and unnecessary regulation.

OUR PERFORMANCE

In the UK, net revenue was £893 million (2008: £869 million), with adjusted profit from operations of £601 million (2008: £584 million).

We continued to focus on our strategy of balancing profit and market share in the UK where we are the leading tobacco company.

Our overall cigarette market share was 45.3 per cent (2008: 45.9 per cent). We continue to increase our share of the economy segment up to 31 per cent (2008: 29 per cent), as a result of growth in JPS Silver. Launched in November 2008, JPS Silver has delivered excellent results with a market share of 3.3 per cent in September. Since we repositioned Windsor Blue in July to capitalise on the growing economy segment its share has improved.

The UK's two best selling brands, Lambert & Butler and Richmond continue to hold over 30 per cent of the overall cigarette market.

In fine cut tobacco we have grown volumes by 13 per cent. However, our premium brands Golden Virginia and Drum remained under pressure as a result of downtrading, impacting our market share which was 58.0 per cent (2008: 61.6 per cent).

In the growing fine cut tobacco value segment, Gold Leaf has continued to benefit from downtrading with market share up to 3.8 per cent (2008: 2.6 per cent). We launched Golden Virginia Yellow in March to further strengthen our position in the value segment, with encouraging initial results.

OUTLOOK

We expect a more normal rate of decline in duty paid cigarette volumes of around 2 per cent in the coming year and further growth in duty paid fine cut tobacco volumes.

We believe the diversity of our brand and product portfolio along with our commitment to sales excellence should provide further opportunities to grow our profits within a downtrading environment.

We remain focused on balancing our market leading shares with sustainable profit growth.

MARKET SIZE (1)

	2009	2008
Cigarette	45.3bn	45.5bn
Fine cut tobacco	4,450t	3,750t

MARKET SHARE (1)

	2009	2008
Cigarette	45.3%	45.9%
Fine cut tobacco	58.0%	61.6%

(1) Imperial Tobacco estimates.

GERMANY

MARKET DYNAMICS

We estimate that duty paid cigarette market volumes were down by 2 per cent to 85.8 billion cigarettes (2008: 87.8 billion).

Downtrading remains a key dynamic in Germany, with the low price branded cigarette sector continuing to grow, accounting for 27 per cent of the total cigarette market (2008: 24 per cent).

In June, we increased prices of our cigarette brands and our traditional fine cut tobacco products, including a 20 euro cent increase on all packs of 17 cigarettes.

In July, the minimum pack size for cigarettes increased from 17 to 19 cigarettes and we raised prices proportionately at that time.

We estimate that the overall other tobacco products market was up by 9 per cent to 24,500 tonnes (2008: 22,550 tonnes), with strong growth in private label make your own products.

OUR PERFORMANCE

In Germany, net revenue was £826 million (2008: £664 million) with adjusted profit from operations up to £403 million (2008: £309 million).

We delivered a strong performance with our value brand JPS up to 8.5 per cent (2008: 7.8 per cent), further consolidating its position as the number two cigarette brand.

Our premium brands performed robustly, with Davidoff, Gauloises Blondes and R1 maintaining market share. We have introduced West maxi-packs and soft packs to further support the brand franchise.

These brand performances ensured our overall cigarette market share was broadly stable at 27.3 per cent (2008: 27.4 per cent).

We are market leaders in the other tobacco products sector. We increased our volumes as a result of a strong performance from Route 66, growth in JPS and additional private label contracts which began in October last year. However, our overall market share declined to 19.6 per cent (2008: 19.9 per cent).

OUTLOOK

As in the UK, our strategy in Germany is to continue to balance market share and profit growth.

We will continue to align our versatile brand and product portfolio with consumer preferences, and believe we are well positioned to capitalise on the downtrading trends.

In addition, Gauloises Blondes will be incorporated into our distribution network from April.

MARKET SIZE (1)

	2009	2008
Cigarette	85.8bn	87.8bn
Other tobacco products	24,500t	22,550t

MARKET SHARE (1)

	2009	2008
Cigarette	27.3%	27.4%
Other tobacco products	19.6%	19.9%(2)

(1) Imperial Tobacco estimates.

(2) Restated to reflect a changed basis of calculation.

SPAIN

MARKET DYNAMICS

Economic conditions have been particularly challenging in Spain, with unemployment levels at almost 20 per cent.

We estimate that the duty paid cigarette market was down by 7 per cent to 83.6 billion cigarettes (2008: 89.6 billion).

This was mainly due to declining travel retail volumes and further downtrading into fine cut tobacco. The fine cut tobacco sector grew strongly by 43 per cent to 5,150 tonnes (2008: 3,600 tonnes).

The Spanish cigarette market comprises both blonde or American blend cigarettes, which account for around 90 per cent of the market, and dark cigarettes which account for 10 per cent of the market.

Cigar market volumes were down by 5 per cent, impacted by the sensitivity of this product category to economic conditions and restrictions on smoking in public places.

In June, specific taxes were increased on all tobacco products. In addition, the minimum incidence of duty was increased for cigarettes and introduced on fine cut tobacco.

OUR PERFORMANCE

In Spain, net revenue was £610 million (2008: £411 million) and adjusted profit from operations was £275 million (2008: £150 million).

As a result of lower travel retail sales, due to reduced tourism in Spain and a declining dark cigarette segment, our overall cigarette market share was down to 36.4 per cent (2008: 37.2 per cent).

In the blonde cigarette segment, a slight decline in Fortuna was largely offset by further growth from Nobel and Ducados Rubio, with our domestic blonde cigarette market share at 30.6 per cent (2008: 30.8 per cent).

We increased prices in January and the duty increases in June were passed on to consumers in almost all cases. At the same time, we further increased the prices of most of our cigarette brands.

In fine cut tobacco, we consolidated our market leading position growing our volumes by 52 per cent. Our overall market share was 42.6 per cent (2008: 49.1 per cent), impacted by reduced travel retail brand sales and a number of new market entrants. We launched a new brand Origenes in October 2009 to capitalise on particularly strong growth in the natural fine cut tobacco segment.

In cigar, in a challenging market environment we continued to lead the market with particular strength in large cigars with our best selling brand, Farias, accounting for over 40 per cent of this category.

During the year we merged the three sales forces of Imperial Tobacco, Altadis cigarettes and Altadis cigars into one unified team, which has enabled us to deliver a more comprehensive service to our customers, focusing on trade marketing excellence.

OUTLOOK

We anticipate that challenging economic conditions will persist in Spain, fuelling further downtrading. We expect that the cigarette market will continue to decline with downtrading both within cigarettes and into fine cut tobacco.

The breadth of our brand and product portfolio includes strength in value cigarettes and fine cut tobacco, such that we are well positioned to respond to ongoing consumer shifts in the market.

MARKET SIZE (1)

	2009	2008
Cigarette	83.6bn	89.6bn
Fine cut tobacco	5,150t	3,600t

MARKET SHARE (1)

	2009	2008
Cigarette (2)	30.6%	30.8%

Other tobacco products	42.6%	49.1%
------------------------	-------	-------

(1) Imperial Tobacco estimates.

(2) Market shares reflect the domestic blonde cigarette segment.

REST OF EU

MARKET DYNAMICS

We estimate that regional cigarette volumes declined by 4 per cent to 370.4 billion cigarettes.

This rate of decline is mainly due to excise driven price increases in Poland and in the Czech Republic which have led to growing cross-border flows. Excluding Poland and the Czech Republic regional cigarette volumes were down 2 per cent.

We increased prices during the year including in the Netherlands, Greece and Italy and in November 2009 in France.

In France we estimate the cigarette market was up by 3 per cent to 55.0 billion cigarettes (2008: 53.6 billion) due to a reduction in EU cross-border flows. Market volumes of fine cut tobacco in France were stable at an estimated 7,500 tonnes.

OUR PERFORMANCE

In the Rest of the EU, net revenue was £1,490 million (2008: £1,250 million) and adjusted profit from operations was £566 million (2008: £494 million).

In France, our domestic blonde cigarette market share was up to 23.9 per cent as a result of good performances from Gauloises Blondes, Fortuna, JPS and News. We are market leaders in the dark cigarette segment which continued its declining trend, impacting our overall share which was 28.8 per cent (2008: 29.3 per cent).

With the trend towards fine cut tobacco variants of cigarette brands, JPS and News grew market share in this sector.

We are market leaders in the Netherlands, the largest fine cut tobacco market in the region. We made gains with our value brands Evergreen Maxx, Drum Economy and West make your own tobacco. However, downtrading has impacted our premium brands, resulting in our overall share declining slightly to 50.5 per cent (2008: 50.7 per cent).

We grew our cigarette share in a number of markets including Austria, Czech Republic, Greece and Portugal. JPS performed well in Ireland, Portugal and Austria. Additional cigarette brand highlights include Davidoff in Greece and the Czech Republic.

In Scandinavia, as well as growing our cigarette shares we delivered excellent results from our snus brands Skruf and Knox with our overall snus volumes growing by 35 per cent.

In Central Europe as excise duties have risen and consumers continue to seek value, demand for fine cut tobacco products has grown. We have anticipated these changing dynamics and delivered 31 per cent growth in our volumes across the region.

OUTLOOK

We expect continued moderate cigarette volume declines and modest growth in fine cut tobacco, with further consumer downtrading.

In this environment our versatile brands and products, combined with our total tobacco approach, provide future growth opportunities.

Our focus is on driving sales across our portfolio to build on our cigarette and fine cut tobacco positions.

MARKET SIZE (1)

	2009	2008
Cigarette	370.4bn	386.0bn
Fine cut tobacco	38,800t	37,000t

CIGARETTE MARKET SHARES (1)

	2009	2008
Austria	17.2%	16.9%
Belgium	16.0%	16.5%
Czech Republic	13.3%	12.2%
France (2)	23.9%	23.7%
Greece	11.4%	10.9%
Ireland	25.3%	25.4%(3)
Italy	2.4%	2.7%
Netherlands	13.1%	13.5%
Poland	25.7%	25.1%

FINE CUT TOBACCO MARKET SHARES (1)

	2009	2008
Belgium	11.3%	11.9%(3)
Czech Republic	49.4%	51.8%
France	23.1%	24.4%
Greece	39.2%	41.9%
Italy	43.9%	46.7%

Netherlands	50.5%	50.7%
Poland	3.2%	2.0%

- (1) Imperial Tobacco estimates.
- (2) Market shares reflect the blonde cigarette segment.
- (3) Restated due to change of source.

AMERICAS

MARKET DYNAMICS

The main focus of our operations in the region is the USA, where there were two important regulatory changes to the market during the year.

On 1 April 2009, a significant increase in Federal Excise Taxes (FET) was levied across all tobacco products. This has impacted the market, with consumer prices rising by approximately 35 per cent during 2009. Ahead of this increase, we saw wholesalers and retailers reduce their stocks and in the second half of the year we saw increased competitor promotional activity.

The Food and Drug Administration assumed regulatory control of the USA tobacco industry under the Family Smoking Prevention and Tobacco Control Act, which became law in June. We want to work constructively with the FDA but many of the provisions within the Act violate our constitutional rights, and as a result we have joined with a number of other companies in filing an action in the Federal Court challenging the constitutionality of certain provisions of the Act.

We estimate the USA cigarette market declined by 8 per cent to 326.5 billion cigarettes.

In the fine cut tobacco market some manufacturers, including Imperial Tobacco, have moved production to expanded tobacco. In cigar, current economic conditions and the substantial FET increases have reduced total market volumes by 7 per cent.

OUR PERFORMANCE

Our Americas net revenue was £861 million (2008: £542 million) with adjusted profit from operations of £288 million (2008: £166 million).

Our USA cigarette volumes were 12.6 billion (2008: 14.2 billion), with our cigarette market share stable at 4.2 per cent, a pleasing performance given current market challenges. Our main brands USA Gold and Sonoma continue to be well positioned in the discount sector, with their market shares at 2.4 per cent and 1.6 per cent respectively and we further extended distribution of Fortuna.

In fine cut tobacco, we are extending our portfolio range in response to the dynamic environment.

We have expanded our cigarette sales force, which has improved our national distribution capabilities so that we can realise the opportunities that our versatile multi-product portfolio offers.

In cigar, trading conditions have been challenging. We have continued to perform well with our premium and natural wrapper brands but the rest of our homogenised wrapper portfolio has been under pressure and we have actively managed our cost base. The closure of our cigar factories in Florida and Alabama has been regrettable but necessary to enable us to maintain our profitability.

OUTLOOK

The USA tobacco market is in a state of transition following the FET increases but our portfolio leaves us well positioned to further grow sales in this key market.

Our focus is on improving our profitability, by enhancing our cigarette presence, building on our position in fine cut tobacco, while improving our competitive position in our cigar business.

Given our experience of operating in regulated markets, we are confident of continuing to successfully develop our USA business.

MARKET SIZE (1)

	2009	2008
Cigarette – USA	326.5bn	353.5bn

MARKET SHARE (1)

	2009	2008
Cigarette – USA	4.2%	4.2%

(1) Imperial Tobacco estimates.

REST OF THE WORLD

REGIONAL REVIEW

This diverse region offers considerable development opportunities given the broad range of countries it encompasses.

Whilst building on our strong profit base in mature markets, we are improving sales in the emerging markets of our Rest of the World region. As in all our markets, local insight is key to maintaining our growth momentum, and we continually ensure that our local portfolios reflect consumer preferences in order to maximise our sales potential.

OUR PERFORMANCE

In the Rest of the World, net revenue was £2,138 million (2008: £1,502 million), with adjusted profit from operations of £617 million (2008: £404 million).

We delivered strong results in Africa, increasing market shares in many markets with Excellence and Fine continuing to build on their positive momentum.

In Morocco, we consolidated our market leading position ahead of the monopoly in tobacco manufacture and distribution ending in 2010. We continued to lead the market with Marquise and with uptrading into international brands ongoing, we grew market share of Gauloises Blondes.

In the Middle East, we grew market shares in all our major markets. Davidoff has grown significantly across this region and has benefited from a number of special editions. We have improved our route to market and increased our distribution. In addition, Gauloises Blondes has performed well, growing volumes.

Davidoff also performed strongly across Eastern Europe achieving volume gains of 16 per cent, with excellent results in Ukraine, Azerbaijan and Serbia.

In Russia, our market share was broadly stable at 8.6 per cent, with a good performance from Maxim and Classic.

In an environment of significant price increases in the Ukraine, we grew market share of Classic in the value sector and Davidoff in the premium sector.

In Australia, we repositioned Horizon stabilising the brand and launched JPS with positive results to date. We grew our market share in New Zealand to 18.3 per cent (2008: 17.5 per cent), with an excellent performance from JPS.

In Taiwan, with our new factory now fully operational we have improved profitability and our competitive position. Despite a declining premium segment, Davidoff continued to grow volumes. Our overall market share was up to 9.9 per cent (2008: 9.7 per cent), also reflecting growth from Boss in the value segment.

We also grew market share in a number of other markets in Asia Pacific including in Cambodia and Laos.

In common with most luxury goods, our overall Habanos cigar volumes were impacted by the current economic climate resulting in both destocking and lower consumption. We

have mitigated this through price increases across the portfolio and volume gains in Asia, most of Eastern Europe and in some markets in Western Europe.

OUTLOOK

We believe this region offers us considerable growth opportunities.

As part of the ongoing development of our Africa and Middle East business we have been restructuring certain distribution arrangements in the region, which we anticipate will result in a short term volume reduction but with minimal impact on Group profit.

Strategic investments in key markets and our focus on sustainable sales growth will enable us to further develop our business with our versatile brand and product portfolio.

CIGARETTE MARKET SHARES (1)

	2009	2008
Australia	16.2%	17.0%(2)
Morocco	85.5%	87.3%
Russia	8.6%	8.7%(2)
Saudi Arabia	9.8%	7.6%(2)
Taiwan	9.9%	9.7%
Turkey	3.8%	3.2%
Ukraine	21.6%	21.7%(2)

(1) Imperial Tobacco estimates.

(2) Restated due to change of source.

MANUFACTURING

INTEGRATION PROGRESS

Our key priority during the year has been integrating the Imperial Tobacco and Altadis manufacturing operations and implementing standard systems and processes throughout our 56 factories.

Following an extensive review of our manufacturing capacity we have progressed a number of European restructuring initiatives to improve our competitive position and address the significant overlap in our operations following the Altadis acquisition.

In addition, we have strengthened our USA cigar business by closing our factories in Alabama and Florida.

We reallocate and re-use our surplus manufacturing equipment within the Group, giving benefits on product quality, overheads, productivity and waste reduction.

OUR PERFORMANCE

We have been focused on reducing our working capital across our manufacturing operations, and have delivered further cost savings.

In line with our business simplification strategy, we delivered additional improvements with the number of blends decreasing by 9 per cent.

We have invested in our operations to support productivity improvements and innovation. Investment has been focused in two main areas, in primary and secondary processing and in our supply chain to support flexibility, process standardisation, and the continued delivery of our synergy targets.

In January, our factory in Taiwan started full production. Our ability to manufacture in market is contributing to the continued development of our value portfolio.

In Germany, to support increased capacity at our Langenhagen factory we have begun the construction of a warehouse and secondary extension.

In addition, in Reidsville, North Carolina, the upgrading of our cigarette and fine cut tobacco facilities acquired with Commonwealth Brands is also nearing completion.

Our quality management systems address continual improvement. This year 30 of our 56 factories (58 per cent) were ISO 9001 certified, with projects underway to implement the standard in eight others.

We are constantly looking at the processes for controlling and improving our environmental performance, and apply the ISO 14001 international standard to our operations. Thirty seven of our 56 factories (68 per cent) were ISO 14001 certified, with our factory in Taiwan the latest to achieve this standard.

OUTLOOK

Our current focus is on completing our integration projects in Europe, whilst driving improvements across our manufacturing portfolio without compromising quality and our innovation capability. In addition, we expect our productivity to improve as the benefits of integration continue to be realised.

We are seeking to manage the impact of increasing leaf costs which are being driven by underlying pricing pressure and the currency translation impact of a commodity priced primarily in US dollars.

We operate in a dynamic, competitive industry and constantly keep our operations under review.

LOGISTICS

OVERVIEW

Our logistics business is one of the largest of its kind in Europe, delivering to around 300,000 outlets across Europe.

It is divided into two segments: Tobacco Logistics and Other Logistics. Tobacco Logistics delivers products for the international manufacturers, including Imperial Tobacco, to tobacconists and other sales outlets. The business is run on an operationally neutral basis ensuring all customers are treated equally. We have in excess of 90 per cent market share in the distribution of tobacco in Spain, France and Italy.

Other Logistics provides specialised services for clients in the pharmaceutical, publishing, transportation and telecommunications industries, as well as general transport and courier services, principally in Spain, Portugal and France.

OUR PERFORMANCE

Distribution fees were £964 million (2008: £607 million), with adjusted profit from operations £177 million (2008: £121 million).

Our Tobacco Logistics business has been resilient in spite of volume declines. We delivered a good performance in France with results ahead of our expectations. In addition, we recently renewed our French contracts with British American Tobacco and Japan Tobacco International.

In Spain, despite market volume declines, our results benefited from price increases in January and June and have also renewed our distribution contract with Philip Morris International.

In our Other Logistics business current economic conditions have made trading conditions challenging and we have focused on maintaining our profitability.

We are rationalising our Other Logistics operations whilst looking for further opportunities to profitably leverage our logistics expertise.

In Spain, Logista recently formed a joint venture with a gaming company to provide a range of services to support one of the Spanish lotteries, including distribution and marketing. The contract runs until 2020 and will significantly extend the lottery's point of sale network and improve our profits.

We have increased our market shares in our French wholesale operations and within our pharma division, where we are increasing our services to our current customers and focusing on distribution to pharmacies.

We have been able to largely offset the impact of economic conditions through the successful implementation of cost saving initiatives.

OUTLOOK

Our logistics business is highly cash generative and we remain focused on maintaining profits in challenging market conditions.

We are exploring a number of further cost saving initiatives and are further increasing our focus on our core profitable operations.

FINANCIAL REPORTING

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards and IFRIC interpretations as adopted by the European Union (collectively IFRS) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

FINANCIAL STATEMENTS

The figures and financial information for the year ended 30 September 2009 do not constitute the statutory financial statements for that year. Those financial statements have not yet been delivered to the Registrar, nor have the Auditors yet reported on them. The financial statements have been prepared in accordance with our accounting policies published in our financial statements available on our website www.imperial-tobacco.com.

Cautionary statement

This announcement contains certain forward-looking statements with respect to the operations, performance and financial condition of the Company and the Group as a whole. By their nature, these statements involve uncertainties since future events and circumstances can cause actual results to differ materially from those anticipated. The forward-looking statements reflect knowledge and information available at the date of preparation of this announcement and the Company undertakes no obligation to update these forward-looking statements. Nothing in this announcement should be construed as a profit forecast.

CONSOLIDATED INCOME STATEMENT

for the year ended 30 September 2009

	2009 £m	2008 £m
Revenue	26,517	20,528
Duty and similar items	(11,769)	(10,412)
Other cost of sales	(9,432)	(6,253)
Cost of sales	(21,201)	(16,665)
Gross profit	5,316	3,863
Distribution, advertising and selling costs	(1,979)	(1,462)
Administrative and other expenses	(1,000)	(930)
Profit from operations	2,337	1,471
Investment income	1,180	543
Finance costs	(2,572)	(1,393)
Net finance costs	(1,392)	(850)
Profit before taxation	945	621
Taxation	(268)	(180)
Profit for the year	677	441
Attributable to:		
Equity holders of the Company	663	428
Minority interests	14	13
Earnings per ordinary share		
- Basic	65.5p	50.6p
- Diluted	65.3p	50.4p

All activities derive from continuing operations.

Reconciliation from profit from operations to adjusted profit from operations

	2009 £m	2008 £m
Profit from operations	2,337	1,471
Acquisition accounting adjustments	-	161
Amortisation of acquired intangibles	451	309
Brand divestment gain	-	(174)

Restructuring costs	145	463
	-----	-----
Adjusted profit from operations	2,933	2,230
	-----	-----

Reconciliation from net finance costs to adjusted net finance costs

	2009 £m	2008 £m
Net finance costs	(1,392)	(850)
Fair value gains and losses on derivative financial instruments providing commercial hedges	660	272
Post-employment benefits net financing cost/(income)	32	(45)
	-----	-----
Adjusted net finance costs	(700)	(623)
	-----	-----

CONSOLIDATED BALANCE SHEET
at 30 September 2009

	2009 £m	2008 £m
Non-current assets		
Intangible assets	22,357	19,817
Property, plant and equipment	2,010	1,820
Investments in associates	22	16
Retirement benefit assets	17	441
Trade and other receivables	99	98
Derivative financial instruments	9	76
Deferred tax assets	148	392
	-----	-----
	24,662	22,660
	-----	-----
Current assets		
Inventories	2,925	2,858
Trade and other receivables	3,011	2,951
Current tax assets	52	31
Cash and cash equivalents	1,036	642
Derivative financial instruments	239	97
	-----	-----
	7,263	6,579
	-----	-----
Total assets	31,925	29,239
	-----	-----
Current liabilities		
Borrowings	(2,560)	(2,678)

Derivative financial instruments	(564)	(238)
Trade and other payables	(7,451)	(6,183)
Finance lease liabilities	(2)	(2)
Current tax liabilities	(551)	(370)
Provisions	(292)	(187)
	-----	-----
	(11,420)	(9,658)
	-----	-----
Non-current liabilities		
Borrowings	(9,507)	(9,558)
Derivative financial instruments	(669)	(2)
Trade and other payables	(23)	(14)
Finance lease liabilities	(26)	(24)
Deferred tax liabilities	(2,098)	(2,310)
Retirement benefit liabilities	(811)	(546)
Provisions	(776)	(771)
	-----	-----
	(13,910)	(13,225)
	-----	-----
Total liabilities	(25,330)	(22,883)
	-----	-----
Net assets	6,595	6,356
	-----	-----
Equity		
Share capital	107	107
Share premium account	5,833	5,833
Retained earnings	(469)	(109)
Exchange translation reserve	1,067	476
	-----	-----
Equity attributable to equity holders of the Company	6,538	6,307
Minority interests	57	49
	-----	-----
Total equity	6,595	6,356
	-----	-----

CONSOLIDATED STATEMENT OF RECOGNISED INCOME AND EXPENSE
for the year ended 30 September 2009

	2009	2008
	£m	£m
Exchange movements	703	541
Net actuarial losses on retirement benefits	(582)	(156)
Deferred tax relating to net actuarial losses on retirement benefits	173	57
Deferred tax on share-based payments	(3)	(6)

Current tax on share-based payments	2	1
Current tax on exchange movements	(112)	(88)
	-----	-----
Net income recognised directly in equity	181	349
Profit for the year	677	441
	-----	-----
Total recognised income and expense for the year	858	790
	-----	-----
Attributable to:		
Equity holders of the Company	844	777
Minority interests	14	13
	-----	-----
Total recognised income and expense for the year	858	790
	-----	-----

CONSOLIDATED CASH FLOW STATEMENT
for the year ended 30 September 2009

	2009	2008
	£m	£m
Cash flows from operating activities	3,569	1,700
	-----	-----
Cash flows from investing activities		
Interest received	57	101
Purchase of property, plant and equipment	(245)	(214)
Proceeds from sale of property, plant and equipment	69	34
Purchase of intangible assets – software	(8)	(12)
Purchase of intangible assets – trademarks and supply agreements	(4)	(5)
Proceeds from brand divestment	-	191
Purchase of businesses – net of cash acquired	(46)	(9,642)
Proceeds from sale of businesses – net of cash disposed	-	222
	-----	-----
Net cash used in investing activities	(177)	(9,325)
	-----	-----
Cash flows from financing activities		
Interest paid	(562)	(608)
Proceeds from sale of shares by Employee Share Ownership Trusts	6	5
Purchase of shares by Employee Share Ownership Trusts	-	(26)
Proceeds from rights issue	-	4,903
Settlement of exchange rate derivative financial instruments	(5)	13
Increase in borrowings	4,324	13,815
Repayment of borrowings	(6,042)	(9,646)
Increase in collateralisation deposits	(125)	(188)
Repayment of obligations under finance leases	(2)	(1)

Dividends paid to minority interests	(12)	(9)
Dividends paid to equity holders of the Company	(640)	(487)
	-----	-----
Net cash (used in)/generated by financing activities	(3,058)	7,771
	-----	-----
Net increase in cash and cash equivalents	334	146
Cash and cash equivalents at start of year	642	380
Effect of foreign exchange rates on cash and cash equivalents	60	116
	-----	-----
Cash and cash equivalents at end of year	1,036	642
	-----	-----

NOTES TO THE FINANCIAL 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

	2009 Tobacco £m	2009 Logistics £m	2009 Elimin- ations £m	2009 Total £m
External revenue	17,556	8,961	-	26,517
Inter-segment revenue	1,031	-	(1,031)	-
	-----	-----	-----	-----
Total segment revenue	18,587	8,961	(1,031)	26,517
	-----	-----	-----	-----

	2008 Tobacco £m	2008 Logistics £m	2008 Elimin- ations £m	2008 Total £m
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

	2009 Tobacco £m	2009 Logistics £m	2009 Elimin- ations £m	2009 Total £m
Profit from operations	2,291	40	6	2,337
Amortisation of acquired intangibles	315	136	-	451
Restructuring costs	144	1	-	145
Adjusted profit from operations	2,750	177	6	2,933

	2008 Tobacco £m	2008 Logistics £m	2008 Elimin- ations £m	2008 Total £m
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

Tobacco segment

	2009 £m	2008 £m
Revenue	18,587	15,650
Net revenue	6,818	5,238
Profit from operations	2,291	1,531
Adjusted profit from operations	2,750	2,107
Adjusted operating margin	40.3%	40.2%

Logistics segment

	2009 £m	2008 £m
Revenue	8,961	5,561
Distribution fees	964	607
Profit from operations	40	23
Adjusted profit from operations	177	121
Adjusted distribution margin	18.4%	19.9%

Geographic analysis of Tobacco segment

	2009 Revenue £m	2009 Net revenue £m	2009 Adjusted profit from operations £m
UK	4,862	893	601
Germany	3,432	826	403
Spain	620	610	275
Rest of European Union	4,770	1,490	566
Americas	1,414	861	288
Rest of the World	3,489	2,138	617
	----- 18,587 -----	----- 6,818 -----	----- 2,750 -----

	2008 Revenue £m	2008 Net revenue £m	2008 Adjusted profit from operations £m
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 -----

2. Restructuring Costs

	2009 £m	2008 £m
Employment related (mainly termination)	116	420
Impairment of property, plant and equipment	15	17
Other operating charges	14	26
	----- 145 -----	----- 463 -----

Restructuring costs in 2009 relate primarily to European Integration projects announced in June 2008 as part of the integration of Imperial Tobacco and Altadis. These projects 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. Costs in 2009 also include expenses related to the closure of our Tampa, Florida, USA cigar factory announced in June 2009. 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.

The net charge of £145 million in 2009 includes £23 million of unused restructuring provisions reversed during the period, £95 million booked as additional restructuring provisions, £15 million booked as an impairment of property, plant and equipment and £19 million booked against net retirement benefits liabilities. The remaining charge of £39 million was booked directly to the income statement as these costs did not meet the provisioning requirements of IAS 37.

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

3. Net Finance Costs

	2009 £m	2008 £m
Interest on bank deposits	(39)	(74)
Expected return on retirement benefit assets	(182)	(224)
Fair value gains on derivative financial instruments providing commercial hedges	(590)	(104)
Fair value gains on derivative financial instruments hedging underlying borrowings	(369)	(141)
	-----	-----
Investment income	(1,180)	(543)
	-----	-----
Interest on bank and other loans	739	697
Interest on retirement benefit liabilities	200	179
Unwind of discount on redundancy and social plans	14	-
Fair value losses on derivative financial instruments providing commercial hedges	1,250	376
Exchange losses on underlying borrowings	369	141
	-----	-----
Finance costs	2,572	1,393
	-----	-----
Net finance costs	1,392	850
	-----	-----

Reconciliation from net finance costs to adjusted net finance costs

	2009 £m	2008 £m
Reported net finance costs	1,392	850
Expected return on retirement benefit assets	182	224
Interest on retirement benefit liabilities	(200)	(179)
Unwind of discount on redundancy and social plans	(14)	-
Fair value gains on derivative financial instruments providing commercial hedges	590	104
Fair value losses on derivative financial instruments providing commercial hedges	(1,250)	(376)
	-----	-----

Adjusted net finance costs	700	623
	-----	-----

4. Taxation

Analysis of charge in the year

	2009 £m	2008 £m
Current tax		
UK corporation tax at 28% (2008: average enacted 29%) being the rate for the year	61	2
Overseas taxation	346	359
	-----	-----
Total current tax	407	361
Deferred tax		
Origination and reversal of temporary differences	(139)	(181)
	-----	-----
Total tax charge to income statement	268	180
	-----	-----

Reconciliation from reported taxation to adjusted taxation

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.

	2009 £m	2008 £m
Reported taxation	268	180
Tax on acquisition accounting adjustments	-	51
Deferred tax on amortisation of acquired intangibles	72	40
Tax on brand divestment gain	-	(59)
Tax on fair value gains and losses on derivative financial instruments providing commercial hedges	185	79
Tax on post-employment benefits net financing cost/ (income)	11	(13)
Tax on restructuring costs	45	148
	-----	-----
Adjusted tax charge	581	426
	-----	-----

Factors affecting the tax charge for the year

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the UK corporation tax rate for the year of 28 per cent (2008: average enacted 29 per cent) as follows:

	2009 £m	2008 £m
Profit before tax	945	621
	-----	-----
Tax at the UK corporation tax rate of 28% (2008: average enacted 29%)	265	180
Tax effects of:		
Differences in effective tax rates on overseas earnings	(16)	(9)
Unrecognised deferred tax assets	6	-
Items not deductible for tax purposes	14	15
Adjustments in respect of prior periods	(1)	(6)
	-----	-----
Total tax charge	268	180
	-----	-----
 Movement on current tax account		
	2009 £m	2008 £m
At 1 October	(339)	(217)
Exchange movements	(14)	(11)
Acquisitions	-	(75)
Charged to income statement	(407)	(361)
Charged to equity	(110)	(87)
Cash paid	363	401
Other movements	8	11
	-----	-----
At 30 September	(499)	(339)
	-----	-----
 Analysis of current tax account		
	2009 £m	2008 £m
Current tax assets	52	31
Current tax liabilities	(551)	(370)
	-----	-----
	(499)	(339)
	-----	-----

5. Dividends

Amounts recognised as distributions to ordinary equity holders in the year

	2009 £m	2008 £m
Final dividend for the year ended 30 Sept 2008 of 42.2p per share (2007: 42.2p)	427	326
Interim dividend for the year ended 30 Sept 2009 of 21.0p per share (2008: 20.9p)	213	161
	-----	-----
	640	487
	-----	-----

A final dividend for the year ended 30 September 2009 of 52.0 pence per share has been proposed. This amounts to £527 million based on the number of shares ranking for dividend at 30 September 2009. At the year end, the shareholders had not yet approved the final dividend and therefore it is not included in the balance sheet as a liability.

6. Earnings Per Share

Basic earnings per share is based on the profit for the year attributable to the equity holders of the Company and the weighted average number of ordinary shares in issue during the year 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 they are anti-dilutive.

	2009 £m	2008 £m
Earnings: basic and diluted	663	428
	-----	-----
Weighted average number of shares:		
Shares for basic earnings per share	1,012.3	846.5
Potentially dilutive share options	2.7	3.0
	-----	-----
Shares for diluted earnings per share	1,015.0	849.5
	-----	-----
Basic earnings per share	65.5	50.6
Diluted earnings per share	65.3	50.4

Basic and diluted earnings per share have been calculated on a post rights issue basis where 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 earnings and earnings per share

	2009 EPS	2009 Earnings £m	2008 EPS	2008 Earnings £m
Reported basic	65.5p	663	50.6 p	428
Acquisition accounting adjustments	-	-	13.0 p	110
Amortisation of acquired intangibles	37.4p	379	31.8 p	269
Brand divestment gain	-	-	(13.6)p	(115)
Fair value gains and losses on derivative financial Instruments providing commercial hedges	46.9p	475	22.8 p	193
Post-employment benefit net financing cost/(income)	2.1p	21	(3.8)p	(32)
Restructuring costs	9.9p	100	37.2 p	315
Adjustments above attributable to minority interests	-	-	(1.1)p	(9)
Adjusted	161.8p	1,638	136.9 p	1,159
Adjusted diluted	161.4p	1,638	136.4 p	1,159

7. Acquisitions

2009

On 7 October 2008 the Group paid deferred consideration of US\$81 million (£46 million) to acquire the outstanding 49 per cent minority shareholdings in 800 JR Cigar and MCM Management. The holding was already 100 per cent consolidated as control was obtained in prior periods.

2008

On 25 January 2008 the Spanish Securities Exchange Commission, the Comision Nacional del Mercado de Valores ('CNMV'), announced that acceptances representing 95.81 per cent of Altadis, S.A.'s share capital had been received and Imperial Tobacco's

offer to purchase Altadis had become unconditional. The Group exercised the squeeze-out provision available under Spanish law on 25 January 2008 to compulsorily purchase the remaining shares at the offer price of euro 50 per share. The squeeze-out was completed on 21 February 2008. As a consequence the acquisition has been fully consolidated from 25 January 2008 when the Group obtained control of Altadis.

Through the acquisition of Altadis, the Group acquired direct control of Logista, and pursuant to its obligations under Spanish regulations, the Group made an offer for those shares in Logista not already owned by Altadis. The offer, at a price of euro 52.50 per share, completed on 6 May 2008, resulting in a total shareholding in Logista of 96.92 per cent. The remainder of the shares were subsequently acquired on 9 June 2008 by using the squeeze-out provision available under Spanish law.

In the period from 25 January 2008 to 30 September 2008, the acquired business contributed revenue of £6,916 million and loss from operations of £153 million after charging £245 million for amortisation of acquired intangibles and after one-off charges of £118 million in relation to stock revalued to fair value at acquisition and sold during the period. If the acquisition had occurred on 1 October 2007, Group revenue would have been £23,602 million and Group profit from operations for the year would have amounted to £1,212 million, these amounts having been estimated by including Altadis' results for the four months prior to acquisition adjusted to reflect the Group's accounting policies and changes in depreciation and amortisation due to fair value adjustments.

The fair value adjustments arising from the acquisition of Altadis were finalised in January 2009, with adjustments made to the previously published provisional fair values as follows. Provisions and tax liabilities were increased by £7 million and £15 million respectively and property, plant and equipment were reduced by £3 million. Goodwill on the acquisition of Altadis consequently increased by £25 million. The consolidated balance sheet at 30 September 2008 has been restated to reflect the finalisation of the fair value adjustments.

8. Cash Flows from Operating Activities

	2009 £m	2008 £m
Profit for the year	677	441
Adjustments for:		
Taxation	268	180
Finance costs	2,572	1,393
Investment income	(1,180)	(543)
Share of post-tax profits of associates	(1)	(2)
Depreciation, amortisation and impairment	635	457
Profit on disposal of property, plant and equipment	(1)	(1)
Profit on the divestment of brands	-	(174)
Post-employment benefits	1	6

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.

	2009 £m	2008 £m
Reported net debt	(12,044)	(11,687)
Accrued interest	291	158
Fair value of derivatives providing commercial cashflow hedges	890	(40)
Finance lease liabilities	28	26
Adjusted net debt	----- (10,835) -----	----- (11,543) -----

Reconciliation of movement in carrying value of derivative financial instruments

The movements in the carrying value of derivative financial instruments in the year were as follows:

	Fair value attribut- able to currency move- ments recog- nised in state- ment of recog- nised income and expense £m	Fair value attribut- able to currency move- ments recog- nised in income state- ment £m	Fair value attribut- able to interest rate differ- ences recog- nised in income state- ment £m	Total £m
Fair value gains on derivative financial instruments providing commercial hedges (note 3)	-	226	364	590
Fair value losses on derivative financial instruments providing commercial hedges				

(note 3)	-	(626)	(624)	(1,250)
	-----	-----	-----	-----
Net fair value losses on derivative financial instruments providing commercial hedges	-	(400)	(260)	(660)
Fair value gains on derivative financial instruments hedging underlying borrowings (note 3)	-	369	-	369
Fair value losses on derivative financial instruments designated as net investment hedges	(768)	-	-	(768)
	-----	-----	-----	-----
Fair value movement during year	(768)	(31)	(260)	(1,059)
Total carrying value of derivative financial instruments as at 30 September 2008	(103)	(4)	40	(67)
Reclassification	-	(6)	6	-
Collateral transferred in respect of certain derivative financial instruments with negative values	-	125	-	125
Interest on collateral transferred in respect of certain derivative financial instruments with negative values	-	11	-	11
Cash payment on settlement of matured derivative financial instruments	61	(56)	-	5
	-----	-----	-----	-----
Fair value as at 30 September 2009	(810)	39	(214)	(985)
	-----	-----	-----	-----

10. Use of non-GAAP or Adjusted Measures

Management believes that reporting non-GAAP or 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 cost, 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 items excluded from adjusted results are those which are one-off in nature or which arose due to acquisitions and are not influenced by the day to day operations of the Group, and the movements in the fair value of financial instruments which are marked to market and not naturally offset. Adjusted net finance costs also exclude all interest on items not included within adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt. The adjusted measures are used by management to assess the Group's financial performance and aid comparability of results year on year.

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 Altadis at the date of acquisition, and the elimination of sales between the Altadis and Imperial Tobacco Groups.

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.

Fair Value Gains and Losses on Derivative Financial Instruments

IAS 39 requires that all derivative financial instruments are recognised in the balance sheet at fair value, with changes in the fair value being recognised in the income statement unless the instrument satisfies the hedge accounting rules under IFRS and the Group chooses to designate the derivative financial instrument as a hedge.

The Group hedges underlying exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IAS 39 may lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result, the Group has decided not to apply cash flow or fair value hedge accounting for its derivative financial instruments as permitted under IAS 39. However, the Group does apply net investment hedging, designating certain borrowings and derivatives as hedges of the net investment in the Group's foreign operations, as permitted by IAS 39, in order to minimise income statement volatility.

We exclude fair value gains and losses on derivative financial instruments providing commercial hedges from adjusted net financing costs. Fair value gains and losses on the interest element of derivative financial instruments are excluded as they will reverse over time or are matched in future periods by interest rate charges. Fair value gains and losses on the currency element of derivative financial instruments are excluded as the relevant foreign exchange gains and losses on the commercially hedged item are accumulated as a separate component of equity in accordance with the Group's policy on foreign currency.

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 Cost

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.

11. 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.

During the year, as part of our ongoing procedures to improve the quality of our financial reporting, we reviewed our Consolidated Income Statement 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 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. For the year ended 30 September 2008 an amount of £314 million has been reclassified from administrative and other expenses to net finance costs. There was no effect on profit before taxation.

FINANCIAL CALENDAR

Ex dividend date for final dividend	20 January 2010
Final dividend record date	22 January 2010
Final dividend payable	19 February 2010