IMPERIAL BRANDS PLC
INTERIM RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2019

8 MAY 2019

BUILDING MOMENTUM AND ON TRACK FOR FULL YEAR DELIVERY

"This has been another half of pleasing underlying tobacco performance enhanced by the growing contribution of our NGP business, with overall revenues up 2.5 per cent; and Europe and the Americas both growing revenue by 4%. In tobacco, we continue to focus on our longstanding brand and market priorities, and are delivering high margin sales growth. Our Asset Brands continue to outperform and now represent two thirds of our revenue. We have made significant progress in building our NGP business with investment behind *my*blu generating awareness and consumer adoption, resulting in leading retail shares in most markets. We are building on this momentum in the second half focused on further omnichannel expansion and new product initiatives. We have set the foundations for accelerated revenue growth and we are on track to meet our full year expectations."

Alison Cooper
Chief Executive

Overview – Adjusted Basis		Half Year Result		Change	
		2019	2018	Actual	Constant Currency[1]
Tobacco volume	bn SE	**115.2**	123.6	-6.9%	-6.9%
Net revenue[2]	£m	**3,656**	3,523	+3.8%	+2.5%
Asset Brand net revenue[2]	£m	**2,386**	2,213	+7.8%	+7.0%
Tobacco & NGP adjusted operating profit	£m	**1,538**	1,533	+0.3%	-1.8%
Distribution adjusted operating profit	£m	**102**	99	+3.0%	+3.0%
Total adjusted operating profit	£m	**1,620**	1,624	-0.2%	-2.3%
Adjusted earnings per share	pence	**115.6**	114.3	+1.1%	-1.3%
Adjusted net debt	£m	**(12,958)**	(12,698)		

Overview – Reported Basis		Half Year Result		Change
		2019	2018	Actual
Revenue[2]	£m	**14,390**	14,060	+2.3%
Operating profit	£m	**1,150**	833	+38.1%
Basic earnings per share	pence	**71.2**	51.7	+37.7%
Dividend per share	pence	**62.56**	56.87	+10.0%
Reported net debt	£m	**(13,381)**	(13,008)	

See page 3 for basis of preparation and page 13 for the reconciliation between reported and adjusted measures.
[1] *Constant currency removes effect of exchange rate movements on the translation of the results of our overseas operations.*
[2] *2018 revenue restated following adoption of IFRS 15.*

On Track to Deliver FY19

- Net revenue up +2.5% driven by strong NGP growth and a good underlying tobacco performance
- Tobacco benefiting from strong price/mix while volumes temporarily affected by shipment timings
- NGP revenues of £148m (£158m pre IFRS 15) up +245% with growth in Europe, the US and Japan
- Quality growth from Asset Brands with net revenue up 7.0%; +280bps as percentage of net revenue
- Good growth in tobacco profitability driven by the Americas and Europe
- Adjusted operating profit reflects additional £94m gross NGP investment & £40m profit on OTP disposal last year
- Reported operating profit up 38.1% with lower amortisation, the prior year impact of distributor administration, lower restructuring costs and an increase in the contingent consideration liability for the Von Erl acquisition
- On track to deliver growth in revenue, adjusted EPS and cash conversion in line with full year expectations
- Divestment programme on track

Creating Something Better for the World's Smokers

Investing in NGP growth

- Strong year-on-year growth across all divisions driven by blu
- Continued momentum in consumer offtake of blu with a slowdown of category growth in US
- Established blu as a leading vape brand in growing retail channel in UK, France, Germany, Spain, Italy and Japan
- Continued growth in consumer offtake, targeted retail programmes and product initiatives underpin H2 delivery
- Japanese city pilot of Pulze, our heated tobacco offer, following positive consumer feedback

Tobacco revenue and margin supported by strong price/mix

- TobMax delivering good underlying net revenue and operating profit growth driven by Europe and Americas
- Tobacco price mix +6.5%; c.90% of planned FY pricing now embedded
- Volume decline of 6.9% impacted by shipment timings; underlying decline of 4.5%, in line with industry
- Strong US performance with cigarette share growing for first time since acquisition
- Tobacco margins improved by 90bps

Cost and capital discipline

- Divestment programme on track; including sale of Premium Cigars business
- Cost optimisation savings of £60m expected for full year; supports tobacco margins and NGP investment
- Cash conversion of 66% reflecting the timing of duty payments; expect just under 90% for the full year
- Adjusted net debt increased £0.3bn (12-month basis) reflecting working capital timing; reported net debt up £0.4bn
- On track to deliver further deleverage at the full year
- Interim dividend of 62.56p up 10%

Outlook

Driving Growth to Create Value

We have made positive progress in the first six months of the year as we continued to focus on building our NGP business and maximising opportunities in tobacco.

Our expectations for full year revenue, earnings and cash generation are unchanged. We expect to deliver constant currency revenue growth at, or above, the upper end of our 1-4% revenue growth range, driven by consistent growth in tobacco and an increase in NGP revenues. Our medium-term guidance for constant currency EPS growth remains in place. In tobacco, our visibility on shipment timings and embedded pricing support a much stronger second half. In NGP, investment behind our blu Adoption Model is driving awareness, trial and repurchase. We are continuing to invest behind brand equity, product initiatives and omnichannel engagement, all of which will support an acceleration in growth during the second half.

OTHER INFORMATION

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Webcast

Imperial Brands PLC will be hosting a live webcast for investors and investment analysts with senior management following the publication of our Interim Results on 8 May 2019. The webcast will be hosted by Alison Cooper, Chief Executive, and available on www.imperialbrandsplc.com from 9.00am (GMT). An archive of the webcast and the presentation script and slides will also be available.

The webcast audio can also be accessed on a listen only basis using the following telephone details. Please join the event conference 5-10 minutes prior to the start time. You will be asked to provide the confirmation code.

United Kingdom: 44 (0) 20 7192 8000 or 0800 376 7922

USA: +1 631 510 7495or +1 866 966 1396

Conference ID No: 9986487

Basis of Presentation

- To aid understanding of our results, we use 'adjusted' (non-GAAP) measures in accordance with our usual practice. Reconciliations between adjusted and reported (GAAP) measures are also included in the relevant notes. Further definitions of adjusted measures are provided in the 2018 Annual Report and Accounts.
- Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes.
- Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. References in this document to percentage growth and increases or decreases in our adjusted results are on a constant currency basis unless stated otherwise. These are calculated by translating current year results at prior year exchange rates.
- Market share is presented as a 12-month average (MAT), unless otherwise stated. Aggregate market share is a weighted average across markets within our footprint.
- 2018 revenue reflects new geographic segmentation and restatement following adoption of IFRS 15.

Cautionary Statement

Certain statements in this announcement constitute or may constitute forward-looking statements. Any statement in this announcement that is not a statement of historical fact including, without limitation, those regarding the Company's future expectations, operations, financial performance, financial condition and business is or may be a forward-looking statement. Such forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those projected or implied in any forward-looking statement. These risks and uncertainties include, among other factors, changing economic, financial, business or other market conditions. These and other factors could adversely affect the outcome and financial effects of the plans and events described in this announcement. As a result, you are cautioned not to place any reliance on such forward-looking statements. The forward-looking statements reflect knowledge and information available at the date of this announcement and the Company undertakes no obligation to update its view of such risks and uncertainties or to update the forward-looking statements contained herein. Nothing in this announcement should be construed as a profit forecast or profit estimate and no statement in this announcement should be interpreted to mean that the future earnings per share of the Company for current or future financial years will necessarily match or exceed the historical or published earnings per share of the Company. This announcement has been prepared for, and only for the members of the Company, as a body, and no other persons. The Company, its Directors, employees, agents or advisers do not accept or assume responsibility to any other person to whom this announcement is shown or into whose hands it may come, and any such responsibility or liability is expressly disclaimed.

These results demonstrate the additive growth opportunity from our NGP portfolio and financial resilience in the tobacco business. Our NGP revenues grew year-on-year, with blu performing well in several priority markets. We also delivered a good underlying tobacco performance, with quality revenue growth from our Asset Brands in our priority markets. Strong price/mix and margin progression in tobacco, as well as the momentum in blu, underpins a strong second half in line with full year expectations.

Consumer preferences and behaviours are changing, driven by globalisation, demographics and technology. Evolving lifestyle choices, changing regulation and increasing innovation continue to shape what consumers buy, offering them greater choice than ever before. All of which drive category development across consumer goods businesses, including the nicotine market.

Change is creating opportunities for consumers across new categories and we have continued to build NGP revenues, while also delivering a strong underlying performance in the tobacco business. Last year, we significantly expanded our presence in vapour with new product and market launches and exited the year with growing sales of our pioneering blu brand.

We believe Imperial has a significant additive opportunity in NGP as the relative size of our global cigarette market share means we have the most to gain and the least to lose from any cannibalisation of combustible tobacco. We have substantial NGP growth ambitions and to support that growth, we have invested an additional £94m behind our blu-Adoption Model which is driving increased brand awareness, smoker trial and repurchase across all our markets.

The opportunities NGP provides across all our markets means our historical segmental descriptors of Growth and Returns are no longer applicable. As announced in September 2018, these interim results are presented on a new geographic basis based on three regions: Europe, Americas and Africa, Asia & Australasia. Each region includes all tobacco and NGP sales in their respective geographies, reflecting the way we now run the business.

Growing Sales of blu

Strong growth in sales of *my*blu reflects the positive response from smokers, vapers and retailers in a growing number of markets while we also continue to focus on building our presence on-line and in specialist vape stores. Increased investment in brand building and marketing activities are supporting consistent growth in sales to consumers particularly through traditional retail outlets. NGP revenue was up by over 200 per cent to £148m driven by expansion in Europe, Japan and continued growth in the US, although we have seen a slowdown in the US where regulatory statements have tempered growth of the category. We continue to monitor regulatory developments in the US and will seek to mitigate any further potential impacts.

Our objective is to transition adult smokers to something better and we continue to refine the approach we are taking based on learnings from market rollouts and deepening consumer insights. We are building distribution to ensure blu is available where smokers go to buy tobacco which is increasing the importance of the retail channel in driving category growth.

The roll-out of *my*blu into major European markets has leveraged our expertise in the retail and tobacconist channels. We have rapidly expanded national distribution and established early category leadership in Italy, France and Germany. We are also leading in Spain where we are creating the category. In the UK we have continued to focus on *my*blu, consistently growing consumer sales and educating retailers on pod-based devices. In Japan, following the success of our unique zero-nicotine proposition in Fukuoka, we recently expanded distribution into a further five regions.

We are building on this momentum to deliver a further growth in NGP revenues in the second half. The increased scale, coupled with our initiatives to streamline costs, will support improving profitability as we exit the year. We have substantial growth ambitions, which are reflected in our management incentives to deliver compound annual growth of 35-150 per cent over the three years from 2017. This equates to a range of NGP revenues in 2020 of between £250 million and £1.5 billion.

Heated Tobacco and Oral Nicotine

We recently added to our growing repertoire of NGP products with our heated tobacco product Pulze which has been launched in a city pilot in Fukuoka, Japan. We have taken our time to understand what smokers want, which has informed the development of a high-quality device combined with our consumable 'iD' sticks, to deliver a more consistent and a uniquely personalised experience.

We have also made good early progress in expanding our presence in the next generation of oral nicotine products, growing sales of all white and tobacco free snus in Scandinavia, Austria and Russia.

Tobacco Maximisation Delivering Good Underlying Performance
Consistent application of our Market Repeatable Model provides a codified framework for driving quality tobacco growth across our footprint, with resources and investment focused behind our Asset Brands in priority markets where we continue to balance financial returns with optimising our share position over time.

We delivered a good underlying tobacco performance, reflecting the benefit of the investment step-up in 2017, with revenue growing in many of our priority markets and growth in tobacco profit margins. Although first half volumes were weaker, much of this was due to the timing of shipments, which are expected to reverse in the second half.

Volume declines were broadly offset by tobacco price/mix, with revenue marginally lower year on year. Around 90 per cent of pricing for the full year is already embedded, underpinning delivery of improved tobacco revenues in the second half, in line with our expectations.

Tobacco and NGP Regulation in the US
Recent FDA statements about potential changes to tobacco and vapour regulations include possible restrictions on menthol and the level of nicotine in cigarettes, changes to the regulation of cigars, an increase to the nationwide minimum age for purchase of tobacco and vapour products as well as other measures to prevent youth access. We are actively participating in the ongoing regulatory engagement, supporting the FDA's evidence-based process, where any proposals need to be underpinned by relevant independent science. The positioning of our tobacco cigarette and cigar portfolios and the focus of our vapour activities leave us well-placed to manage regulatory changes and continue to develop our business.

Exploring Growth Adjacencies
We continue to explore other growth opportunities in adjacent areas where we could leverage our capabilities and technology assets to create value. Last year we invested in Oxford Cannabinoid Technologies (OCT) as a means to build a deeper understanding of the cannabis market. OCT is a biopharmaceutical company that researches, develops and licenses cannabinoid-based compounds and therapies. Consumer attitudes and regulations are evolving quickly and we continue to evaluate growth opportunities in this fast-growing category.

Disciplined Cost and Cash Management
Our commitment to capital discipline underpins our focus on cash generation and the effective management of our working capital. We continue to make good progress with our remaining cost optimisation programme and expect to realise £60m of annualised savings this year. Against a strong comparator period, cash conversion was lower due to the timing of Logista cash flows and investment in contingency stocks to support the UK business through Brexit. Underlying cash generation remains strong and we expect cash conversion of just under 90 per cent for the full year.

Active Capital Allocation
Our divestment programme is on track, with significant progress on a number of value creation opportunities. As part of this programme, we recently announced our intention to sell our Premium Cigar business. Premium Cigar has performed well over recent years with good revenue and profit growth; however, it is a unique luxury business with a different consumer base and route to market relative to our other businesses. Therefore, the sale of the business provides an attractive opportunity to realise shareholder value.

We also note that tobacco valuations have come under some pressure in the last 12 months and, as our priority is to maximise shareholder value, assets will be sold only when they realise appropriate value.

Managing our ESG Responsibilities
Our commitment to sustainability supports the long-term development of the business by ensuring that we maintain a sustainable supply of tobacco, develop a pipeline of next generation products and operate responsibly at all times. These three focus areas define the approach we take to addressing our environmental, social and governance (ESG) responsibilities. Later this month we will be convening an independently facilitated panel of stakeholders, including investors, consumers and non-governmental organisations, to review these responsibilities and help us further shape the way we prioritise and manage ESG issues. A report summarising the findings will be made available on our corporate website and details will also be published in our annual report.

Driving Growth to Create Value
We have made positive progress in the first six months of the year as we continued to focus on building our NGP business and maximising opportunities in tobacco.

Our expectations for full year revenue, earnings and cash generation are unchanged. We expect to deliver constant currency revenue growth at, or above, the upper end of our 1-4% revenue growth range, driven by consistent growth in tobacco and an increase in NGP revenues. Our medium-term guidance for constant currency EPS growth remains in place. In tobacco, our visibility on shipment timings and embedded pricing support a much stronger second half. In NGP, investment behind our blu Adoption Model is driving awareness, trial and repurchase. We are continuing to invest behind brand equity, product initiatives and omnichannel engagement, all of which will support an acceleration in growth during the second half.

Alison Cooper
Chief Executive

We have made a positive start to the year with good underlying results in tobacco, complemented by significant progress in NGP. Continued momentum in tobacco and further growth from NGP support full year results in line with expectations.

Asset Brands

Consumer preferences are changing; consumers are using a broader repertoire of nicotine products than ever before. We are shaping category development through leading-edge innovation of our high-quality portfolio, to meet evolving consumer preferences. We have strong positions in cigarettes, fine-cut tobacco, papers and cigars and have also built a portfolio of other nicotine assets in snus, oral nicotine, vapour and most recently in heated tobacco with the launch of Pulze.

We continue to reshape our portfolio prioritising our Growth and Specialist Brands to drive quality growth. Together these brands form our Asset Brands and account for 65.3 per cent of our tobacco net revenue, up 280 basis points on last year.

		Half Year Result		**Change**	
		2019	2018	Actual	Constant Currency
Growth Brand net revenue	£m	**1,784**	1,682	+6.1%	+5.9%
Specialist Brand net revenue	£m	**602**	531	+13.4%	+10.6%
Asset Brand net revenue	£m	**2,386**	2,213	+7.8%	+7.0%
Asset Brand % of net revenue	%	**65.3**	62.8	+250 bps	+280 bps

2018 net revenue restated for the adoption of IFRS 15 and brand reclassifications outlined below

Our Growth Brands are Davidoff, Gauloises Blondes, JPS, West, Fine, News, Winston, Bastos, Lambert & Butler, Parker & Simpson and now blu. We have reclassified blu as a Growth Brand from a Specialist Brand, reflecting its importance to our growth agenda. These are quality brands with broad consumer appeal that are generating an increasing proportion of our total revenue.

As part of our Market Repeatable Model, we have focused Growth Brand investment in tobacco behind a range of activities, including growth in demand shifts such as crushball and queen size.

Growth Brands outperformed the market in the period, with net revenue growing 6.1 per cent at actual rates and 5.9 per cent at constant currency, mainly driven by significant revenue growth from blu and a strong performance from Davidoff and its new queen size range, Davidoff Reach. Excluding blu, Growth Brand revenue was up slightly, held back by the impact of shipment timings on Gauloises and West in the Middle East.

Specialist Brand net revenues grew strongly, up 13.4 per cent at actual rates and 10.6 per cent at constant currency. These gains were led by Backwoods, Rizla, Skruf and Jadé, offset by some weakness in Golden Virginia.

As part of our brand portfolio and segmental review, we moved Horizon and Knox to Specialist Brands from Portfolio Brands and reclassified Gitanes and Drum as Portfolio Brands. This reflects an ongoing refinement of our brand investment priorities and the equities we believe have the greatest potential for growth.

Asset Brands	Highlights
JPF *(JPS, Parker & Simpson and Fine)*	Blue Stream, a low tar range, has been rolled out across the JPS footprint, capitalising on this ongoing consumer demand shift. Performance has been impacted by increased competition in the value segment in some of the brand's biggest markets. Parker & Simpson has benefited from growth in modern formats along with its roll out to more markets, offsetting declines in traditional formats.
West *(West, L&B, News and Bastos)*	Value formats, such as super king size, fine cut tobacco and 'big box', have achieved substantial volume growth, partially offsetting the decline experienced by the traditional range in the Middle East. West is also benefiting from footprint expansion.
Winston	Winston lost share slightly in the period alongside other premium non-menthol brands in the US as the premium segment remains under pressure from the growth in deep discount. Targeted direct marketing and instore trial activities have been increased to address share performance.
Davidoff	The success of Davidoff Reach, a new queen size range, is driving rapid volume, net revenue and share growth. Davidoff Reach is capitalising on this growing demand shift and is now sold in 19 markets. Brand growth is also supported by additional migrations of Portfolio Brands and by the recent launch of a new king size offering, Davidoff Evolve.
Gauloises	Performance has been impacted by shipment timings in the Middle East, which we expect to reverse in the second half. We have increased our focus on Gauloises in Germany.
Backwoods	Backwoods continues to deliver strong growth in both volumes, revenues and profits. Market restrictions on the supply of leaf wrapper has limited our ability to meet even stronger consumer demand for the product.
Premium cigars	Our premium cigar portfolio continues to grow revenues and profits led by strong performances from Cohiba, Montecristo and Romeo y Julieta.
Blu	The roll out of *my*blu over the past year has driven significant growth in revenues. We continue to invest substantially behind the brand in both equity building campaigns and activations. blu now has market-leading retail positions in many of its markets and is creating the pod category in Japan and many other European markets.

Portfolio Brands

The rest of the portfolio is comprised of Portfolio Brands, some of which are strong local brands that support our volume and revenue development.

Reflecting our continued focus on Asset Brands, Portfolio Brand volumes fell 8.4 per cent, while net revenues fell 5.2 per cent at constant currency. Portfolio Brands now represent only 30.5 per cent of our volumes and 35 per cent of our overall revenue at actual rates.

Market Performances

From the beginning of this financial year, we restructured how we manage our tobacco and NGP footprint geographically in three segments: Europe; Americas and Africa, Asia and Australasia (AAA). Restated prior year comparators can be found in the slide appendices to the 2018 Preliminary Results presentation, available on our website.

Europe

		Half Year Result		Change	
		2019	2018	Actual	Constant Currency
Tobacco volume	SE	**64.6**	67.8	-4.7%	
NGP net revenue	£m	**73**	3	>100%	>100%
Tobacco & NGP net revenue	£m	**1,680**	1,616	+4.0%	+4.5%
Adjusted operating profit	£m	**771**	740	+4.2%	+3.9%
Asset Brand % of net revenue	%	**74.3%**	71.1%	+320 bps	+320 bps

2018 revenue restated following adoption of IFRS 15.

Overall volumes decreased by 4.7 per cent, reflecting tobacco market trends in Western Europe and volume pressure in the Ukraine. Ukraine volumes impacted the region by c.140bps, although this had a limited impact on profitability.

Since we significantly stepped up investment in FY17 behind our Market Repeatable Model, we have achieved improved share trajectories in many of our European markets. We continue to balance financial returns with optimising our share positions across our priority markets over time, ensuring that we continue to deliver quality growth in the right markets and with the right brands.

Net revenue was up 4.5 per cent at constant currency benefiting from strong growth in NGP, which grew revenues to £73 million (HY18: £3 million). We have continued to build national distribution for *my*blu in the UK, Germany, France, Spain and Italy whilst also growing the category. We successfully leveraged our existing tobacco distribution to achieve market-leading positions for *my*blu in the retail channel in the majority of these markets, whilst also continuing to focus on targeted expansion online and in vape stores. The tobacco business also achieved strong pricing, particularly in Germany, the UK and Italy, which supported overall revenues.

Our focus on Asset Brands, supported by our Market Repeatable Model, has driven high quality revenue with 74.3 per cent now coming from Asset Brands in the region, an increase of 320 bps.

Adjusted operating profit was up 3.9 per cent at constant currency with pricing in tobacco partially offset by the additional investment to support market launches of *my*blu in Europe.

Priority Markets *Tobacco Share*	**Performance**
UK *41.6% (-40bps)*	Positive price/mix supported net revenue growth. Players, Gold Leaf and Riverstone all grew share. Overall tobacco share was down following our price increases. myblu continued to achieve good growth following its launch last year, supported by growing distribution in key accounts. H2 will benefit from a carryover of the price increases and further blu growth.
Germany *21.7% (-50bps)*	To address the share declines, we are reshaping our portfolio to strengthen our position in both cigarette and fine cut tobacco including migrating some portfolio brands. *my*blu was launched nationally in October and has already achieved a market leading share in retail. Further growth in blu and other brand activations such as Davidoff Evolve will support H2 results.
Spain *28.8% (-40bps)*	Fine cut tobacco share has grown since the successful launch of Horizon in the natural segment and blonde cigarette share trajectory continues to improve with investment in Fortuna and West. *my*blu was launched nationally in January, building strong distribution and a market leading position.
France *18.5% (-250bps)*	Following significant excise increases, we continue to prioritise financial returns and quality share. As a result, overall share declined despite fine cut tobacco gains led by JPS and News performance. *my*blu delivered consecutive month-on-month growth, becoming the leading closed system in retail.

Italy *5.3% (+60bps)*	Our market share continues to grow, driven by our investment behind JPS, and recently supported by new Davidoff and West launches. *my*blu has gained a market leading position in the tobacconist channel following its launch last year.

Other Markets	**Performance**
Greece	Share reached a new high supported by continued strong results from Davidoff, led by successful investments in distribution and visibility.
Sweden and Norway	We have delivered share growth in Sweden and Norway, led by growth in Skruf Super white, which was launched last year.
Benelux	We have grown share in the Netherlands, driven by fine cut tobacco and a strong performance from JPS and News.
Ukraine	The market continues to experience aggressive price discounting and a rise in illicit trade impacting share performance. Davidoff performed well with the successful launch of Davidoff Reach.
Poland	Market share is under pressure due to price aggression in the market, most notably affecting the performance of Parker & Simpson and West.

Americas

		Half Year Result		**Change**	
		2019	2018	Actual	Constant Currency
Tobacco volume	SE	**10.0**	10.8	-7.6%	
NGP net revenue	£m	**61**	39	+56.4%	+48.7%
Tobacco & NGP net revenue	£m	**1,114**	1,019	+9.3%	+4.0%
Adjusted operating profit*	£m	**439**	442	-0.7%	-7.5%
Asset Brand % of net revenue	%	**54.5**	51.1	+340 bps	+340 bps

2018 revenue restated following adoption of IFRS 15.

**Underlying adjusted operating profit grew 1.7% at constant currency excluding the £40m impact from the HY 18 disposal of Other Tobacco Products*

We have grown cigarette share over the past six months, which is the first time since our US acquisition. It has been supported by our focused portfolio strategy and share growth in Kool, Maverick and Sonoma. This share growth has underpinned a very strong start to the year for our US business across its key metrics. On a 12-month MAT basis, share was stable at 8.7 per cent.

Reported volumes were affected by the timing of our price increase in the USA, which was almost a month earlier than last year. This affected the timing of shipments relative to last year, which resulted in first half volumes declining 7.6 per cent, weaker than the industry volume declines of 4.9 per cent. Excluding the impact of shipment timings, our volumes declined in line with the industry at 4.9%. Second half volumes and revenue will benefit from the earlier price increase.

We delivered a strong revenue performance, with a 4.0 per cent increase in net revenue at constant currency. This reflects strong pricing, a mix benefit from the continued growth of our mass market cigar business led by Backwoods and the positive contribution from blu.

Our investments in blu have delivered revenue growth of 56.4 per cent to £61m at actual rates (HY18: £39m) despite a slowing in the overall category growth because of uncertainty with retailers and wholesalers following statements by the US Food and Drug Administration. We have invested in brand equity, distribution and trial to drive consumer adoption and repeat purchase in both the USA and Canada.

Last year's adjusted operating profit benefited from a £40 million profit on the sale of our other tobacco product assets and as a result, adjusted operating profit fell in the period by 7.5 per cent at constant currency. Excluding the gains from the sale, underlying adjusted operating profit would have increased by 1.6 per cent at constant currency despite the significant step-up in NGP investment.

The percentage of net revenue generated by Asset Brands increased to 54.5 per cent, with the growth of blu and Backwoods mainly driving the increase.

Africa, Asia and Australasia

		Half Year Result		Change	
		2019	2018	Actual	Constant Currency
Tobacco volume	SE	**40.6**	45.0	-9.9%	
NGP net revenue	£m	**14**	0	>100%	>100%
Tobacco & NGP net revenue	£m	**862**	888	-2.9%	-2.9%
Adjusted operating profit	£m	**328**	351	-6.6%	-6.6%
Asset Brand % of net revenue	%	**61.6**	61.1	+50 bps	+100 bps

2018 revenue restated following adoption of IFRS 15.

Market share has grown in Australia, Japan and Russia although volumes were down 9.9% in the region, with volume pressures in the Middle East caused by the timing of excise increases and other regulations impacting the phasing of shipments versus last year. We expect much of this to reverse in the second half of the year. Temporary distributor disruption in Vietnam also resulted in volume declines, which we expect to improve in the second half.

Net revenue was down 2.9 per cent at constant currency, primarily driven by the volume performance and adverse price/mix in the Middle East. Revenue was supported by a strong performance in Australia, Africa and Taiwan and by growth in NGP where we have launched *my*blu in Japan and Russia.

Asset Brands are now generating 61.6 per cent of tobacco net revenue, increasing 50 basis points as temporary volume reductions in the Middle East are all in Asset brands.

Adjusted operating profit was down 6.6 per cent at constant currency, as a result of the volume and price/mix pressures arising in the Middle East.

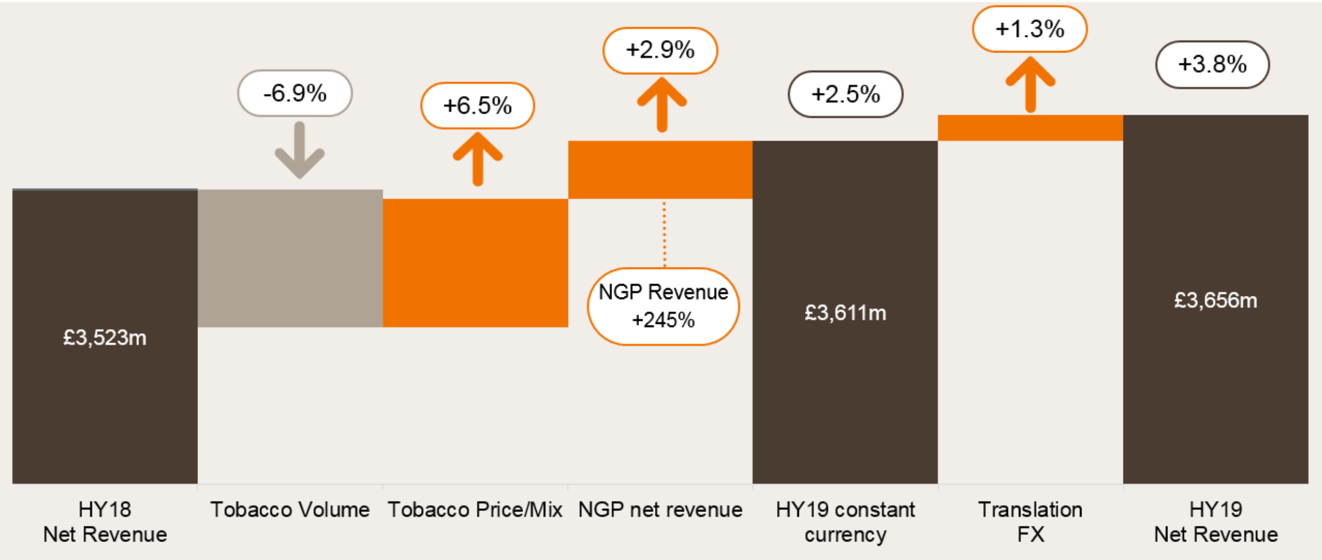
Priority Markets *Tobacco Share*	**Performance**
Australia *32.4% (+10bps)*	Share grew due to the successful launch of Parker & Simpson. Net revenue growth was supported by the carry-over of pricing from the prior year, which will also benefit H2.
Japan *1.1% (+20bps)*	Our market share grew with the continued success of West. We expanded the roll-out of nicotine-free variants of *my*blu, achieving strong growth and supporting increased sales in the second half of the year. A city pilot of Pulze was launched in Fukuoka in May.
Russia *7.8% (+40bps)*	We grew market share with a focus on key account activation and further success with Parker & Simpson and Maxim, but, financial results have been impacted by competitor discounting. The launch of new Davidoff variants Reach and Evolve will support further share growth in the second half. *my*blu was launched in several cities with a full national roll-out planned in the second half.
Saudi Arabia *11.4% (-490bps)*	Market share performance has been impacted by the slower sell out of West, which is being addressed through the introduction of West fresh seal. Volumes were impacted by shipment timings, which we expect to reverse in the second half. The launch of Davidoff Evolve in April and improved West performance will also support a stronger second half.

Other Markets	**Performance**
Algeria	Gauloises remains the number one brand in the market, although volumes and overall share have been impacted by difficult political conditions and disruptions in the route to market.
Morocco	Gauloises has performed well with increased volumes and share, although pressure in local brands has resulted in lower overall market share. A national trade promotion has boosted performance benefiting Marquise and Gauloises and delivering overall revenue growth.
Taiwan	Volumes have been affected by the increase in illicit trade and last year's inventory phasing ahead of the introduction of pictorial health warnings which have affected overall share.

Momentum continues behind the delivery of our strategy, with strong capital discipline ensuring we have resources to invest in tobacco and deliver significant growth in NGP, whilst generating returns for shareholders and reducing our debt levels.

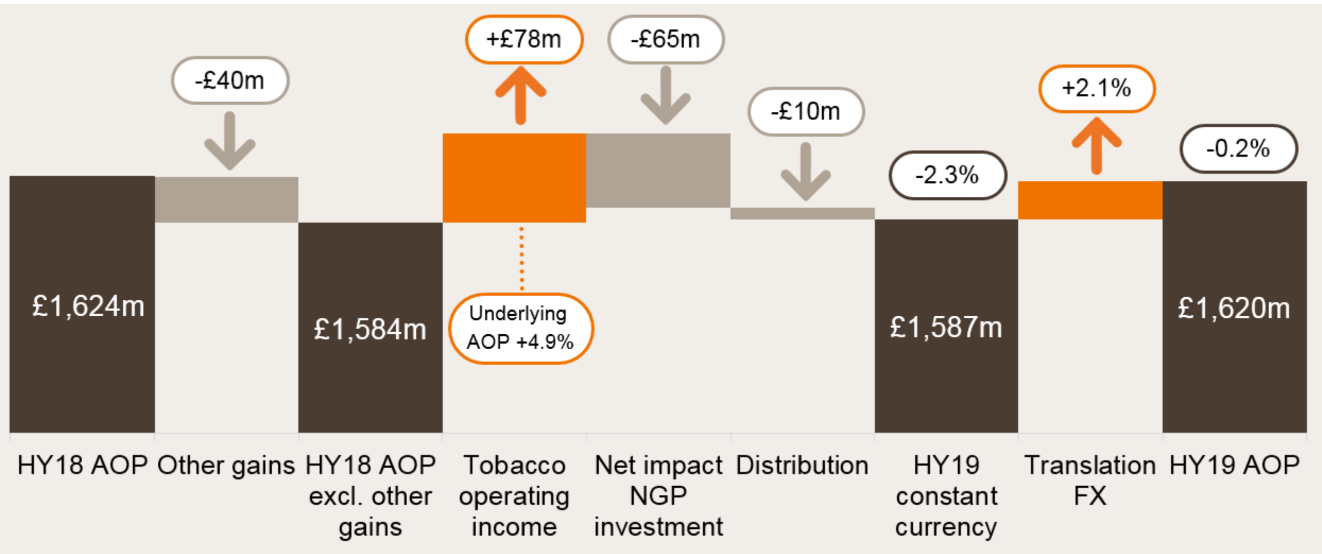
Investment in NGP initiatives and tobacco price/mix delivering growth in net revenue

- Net revenue up 2.5% at constant currency comprising -0.4% from tobacco and +2.9% from NGP
- H1 tobacco volume decline reflects shipment timing; expect full year in line with the industry
- Revenue up in Europe with Germany, UK and Italy more than offsetting declines in France
- US revenue driven by strong price/mix, further growth in mass market cigars and performance of *my*blu
- AAA results affected by shipment timing & market discounting in Middle East; good results in Africa & Australia
- NGP revenue of £148m *(£158m pre IFRS 15)* driven by roll-out of *my*blu



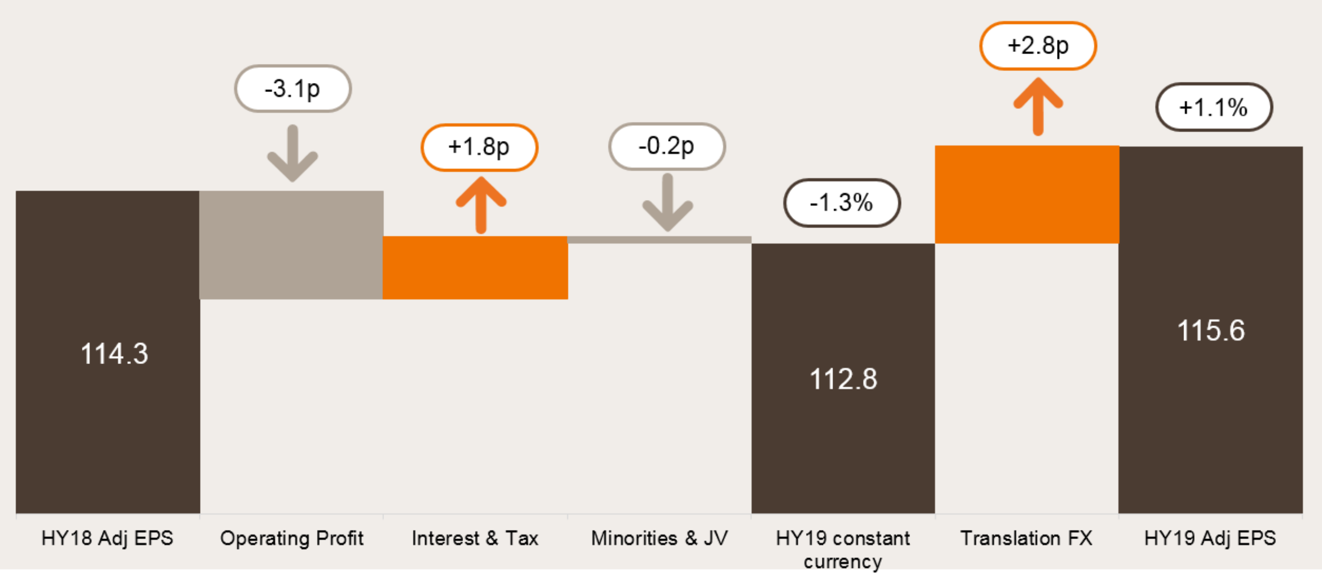
Increased tobacco profitability supporting step-up in NGP investment

- Adjusted operating profit down 0.2% at actual rates and 2.3% at constant currency
- Underlying adjusted operating profit up 4.9% excluding increased NGP investment of £65m, net of the additional margin contribution (£94m gross investment), and last year's £40m divestment of Other Tobacco Products (OTP) business
- Adjusted tobacco margins up +90bps; underlying margins +200bps adjusted for profit on sale of OTP business
- Reported operating profit up 38% due to lower amortisation associated with the Altadis acquired intangible assets, the UK distributor Palmer & Harvey administration in FY18, increased Von Erl contingent consideration and lower restructuring costs



Adjusted earnings per share of 115.6p up 1.1% at actual rates and down 1.3% at constant currency

- Lower interest charge benefited EPS by 1.8p with change in the mix of debt with more favourable rates
- Last year's reduction in our stake in Logista impacted EPS by 0.7p
- Reported EPS of 71.2p, up 38% due to higher reported operating profit and gains in the fair value of derivatives



Group Results – Constant Currency Analysis

£ million (unless otherwise indicated)	Six months ended 31 March 2018	Foreign exchange	**Constant currency movement**	**Six months ended 31 March 2019**	**Change**	**Constant currency change**
Tobacco & NGP Net Revenue						
Europe	1,616	(9)	**73**	**1,680**	**+4.0%**	**+4.5%**
Americas	1,019	54	**41**	**1,114**	**+9.3%**	**+4.0%**
Africa, Asia and Australasia	888	-	**(26)**	**862**	**-2.9%**	**-2.9%**
Total Group	3,523	45	**88**	**3,656**	**+3.8%**	**+2.5%**
Tobacco & NGP Adjusted Operating Profit						
Europe	740	2	**29**	**771**	**+4.2%**	**+3.9%**
Americas	442	30	**(33)**	**439**	**-0.7%**	**-7.5%**
Africa, Asia and Australasia	351	-	**(23)**	**328**	**-6.6%**	**-6.6%**
Total Group	1,533	32	**(27)**	**1,538**	**+0.3%**	**-1.8%**
Distribution						
Distribution fees	483	(3)	**19**	**499**	**+3.3%**	**+3.9%**
Adjusted operating profit	99	-	**3**	**102**	**+3.0%**	**+3.0%**
Group Adjusted Results						
Adjusted operating profit	1,624	33	**(37)**	**1,620**	**-0.2%**	**-2.3%**
Adjusted net finance costs	(244)	(1)	**25**	**(220)**	**-9.8%**	**-10.2%**
Adjusted EPS (pence)	114.3	2.8	**(1.5)**	**115.6**	**+1.1%**	**-1.3%**

2018 revenue restated following adoption of IFRS 15.

When managing the performance of our business we focus on non-GAAP measures, which we refer to as adjusted measures. We believe they provide an important comparison of performance from one period to the next. These adjusted measures are supplementary to, and should not be regarded as a substitute for, GAAP measures, which we refer to as reported measures. The basis of our adjusted measures is explained in our accounting policies accompanying our financial statements, and reconciliations between reported and adjusted measures are included in the appropriate notes to our financial statements. Percentage growth figures for adjusted results are given on a constant currency basis, where the effects of exchange rate movements on the translation of the results of our overseas operations are removed.

Group Earnings Performance

£ million unless otherwise indicated	Adjusted HY 2019	Adjusted HY 2018	Reported HY 2019	Reported HY 2018
Operating profit				
Tobacco & NGP	**1,538**	1,533	**1,110**	786
Distribution	**102**	99	**60**	55
Eliminations	**(20)**	(8)	**(20)**	(8)
Group operating profit	**1,620**	1,624	**1,150**	833
Net finance costs	**(220)**	(244)	**(156)**	(252)
Share of profit of investments accounted for using the equity method	**24**	19	**24**	19
Profit before tax	**1,424**	1,399	**1,018**	600
Tax	**(278)**	(274)	**(310)**	(79)
Minority interests	**(44)**	(39)	**(29)**	(30)
Earnings	**1,102**	1,086	**679**	491
Earnings per ordinary share (pence)	**115.6**	114.3	**71.2**	51.7

Reconciliation of Adjusted Performance Measures

£ million unless otherwise indicated	Operating profit HY 2019	Operating profit HY 2018	Net finance costs HY 2019	Net finance costs HY 2018	Earnings per share (pence) HY 2019	Earnings per share (pence) HY 2018
Reported	**1,150**	833	**(156)**	(252)	**71.2**	51.7
Amortisation of acquired intangibles	**297**	526	**–**	–	**31.8**	42.8
Administration of UK distributor	**–**	160	**–**	–	**–**	13.7
Fair value adjustment to contingent consideration	**119**	–	**–**	–	**12.5**	–
Fair value and exchange movements on derivative financial instruments	**–**	–	**(67)**	1	**(6.9)**	(1.2)
Post-employment benefits net financing costs	**–**	–	**3**	7	**0.1**	0.4
Restructuring costs	**54**	105	**–**	–	**4.4**	7.9
Tax on unrecognised losses	**–**	–	**–**	–	**4.1**	2.5
Deferred tax impact of US tax reforms	**–**	–	**–**	–	**–**	(2.6)
Items above attributable to non-controlling interests	**–**	–	**–**	–	**(1.6)**	(0.9)
Adjusted	**1,620**	1,624	**(220)**	(244)	**115.6**	114.3

Financial Results

Total net revenue grew by 2.5 per cent on a constant currency basis. Strong tobacco price/mix benefited from the carryover of price increases last year as well as increases in higher value markets of the UK, US and Australia in the first half. Net revenue was impacted by shipment timings, particularly in the Middle East and USA, which will unwind to benefit the second half.

Year on year revenue growth in NGP across all divisions, was supported by the increased first half gross investment of £94m (or £65m net investment, after the benefit of the additional margin contribution). This investment will underpin growth in the second half with continued expansion in Europe and Japan and further growth in the US.

Tobacco & NGP adjusted operating profit fell 1.8 per cent on a constant currency basis as a result of the first half investment in NGP and last year's profit on disposal of our US Other Tobacco Products business (£40m). As previously guided, we expect other gains recognised in adjusted operating profit to total £50–100m for the full year.

Distribution operating profit generated by Logista grew by 3.0 per cent on a constant currency basis, driven by the growth of its convenience and transport businesses, as well as good tobacco performances in Spain and Italy.

Adjusted earnings per share of 115.6 pence was also impacted by the FY18 part divestment in Logista (9.99%). The impact on increased minority interest outflows was partly offset by interest savings from the lower cost of debt.

Reported net finance costs were £156m (2018: £252m), as 2019 saw a gain from the impact of the net fair value of financial instruments of £67m (2018: loss of £1m) relating to foreign exchange movements and post-employment benefits net financing costs of £3m (2018: cost of £7m).

After tax at an effective adjusted tax rate of 19.5 per cent (2018: 19.5%), adjusted earnings per share declined by 1.3 per cent to 115.6 pence. The effective reported tax rate is 30.5 per cent (2018: 13.2%), principally due to a reduction in deferred tax from the lower amortisation of acquired intangibles and the inclusion in 2018 of a one-off benefit for the deferred tax effect of US tax reforms.

The tax rate remains sensitive to the geographic mix of profits, reflecting a combination of higher rates in certain markets, such as Germany and lower rates in other markets, such as the UK. The rate is also sensitive to future legislation changes affecting international businesses.

The performance of *my*blu has demonstrated the potential for significant additional growth. As a result, we have increased the contingent consideration liability relating to our 2017 acquisition of the e-vapour business, Von Erl Gmbh by £119m to £131m (2018: £12m). This revision impacts reported operating profit by £119m and reported earnings per share by 12.5 pence.

Reported earnings per share were 71.2 pence (2018: 51.7 pence) reflecting non-cash amortisation of £297m (2018: £526m), Von Erl contingent consideration of £119m (2018: £0m) and restructuring costs of £54m (2018: £105m), as well as the effects of movements in fair value on finance costs mentioned above. The difference between reported (71.2 pence) and adjusted earnings per share (115.6 pence) is materially due to the same items.

The weakening of sterling versus the US dollar positively impacted reported and adjusted measures, partly offset by the strengthening of sterling against the euro. On a constant currency basis, adjusted earnings per share fell 1.3 per cent impacted by the first half investment in NGP and last year's divestment of our US Other Tobacco Products business. The restructuring charge for the period of £54m (2018: £105m) relates mainly to our remaining cost optimisation programme announced in 2016.

Cost Optimisation and Capital Discipline

Our remaining cost optimisation programme, announced in September 2016, continues to make good progress and we expect to realise a further £60m of annualised savings this year. This year's savings are below our original expectation of £80m as we have re-phased various initiatives to the following year. The programme remains on track to achieve £300m of cost savings compared to 2016, by September 2020, with a cash cost of around £750m.

Against a strong comparator period which benefited from the timing of duty payments, cash conversion over the last 12 months was lower at 65.6 per cent (2018: 110.8%). Working capital increased by £1.2bn impacted by the timing of Logista cash flows and other duty payments as well as movements related to the implementation of track and trace in Europe. Excluding these timing differences, underlying cash generation remains strong and we expect cash conversion of just under 90 per cent for the full year.

Over a 12-month period, our adjusted net debt has increased by £0.3bn to £13.0bn, reflecting the temporary increase in working capital. Excluding the impact of foreign exchange, adjusted net debt increased by £0.2bn. Reported net debt has increased by £0.4bn to £13.4bn.

Our all-in cost of debt reduced to 3.5 per cent (2018: 3.7%) supported by a higher proportion of lower interest charge euro debt in the debt mix. Our EBITDA interest cover was 8.6 times (2018: 7.7 times). We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

All our capital allocation decisions are subject to relevant commercial analysis and hurdle rates to ensure they deliver appropriate levels of return. Potential acquisitions and divestments are judged on strict financial and commercial criteria, including the ability to enhance the Group's return on invested capital (ROIC).

Dividends

We have declared an interim dividend of 62.56 pence per share, an increase of 10 per cent. This dividend will be paid in two payments of 31.28 pence per share on 28 June 2019 and 30 September 2019, with an ex-dividend date of 23 May and 22 August respectively.

The third interim and final dividends will be announced with our full year results in November 2019 and paid in December 2019 and March 2020 respectively, subject to AGM approval. We expect to deliver another year of 10 per cent dividend growth.

Liquidity and Going Concern

The Group's policy is to ensure that we always have sufficient capital markets funding and committed bank facilities in place to meet foreseeable peak borrowing requirements.

In reviewing the Group's committed funding and liquidity positions, the Board considered various sensitivity analyses when assessing the forecast funding and headroom requirements of the Group in the context of the maturity profile of the Group's facilities. The Group plans its financing in a structured and proactive manner and remains confident that sources of financing will be available when required.

Based on its review, and having assessed the principal risks facing the Group, the Board is of the opinion that the Group as a whole and Imperial Brands PLC have adequate resources to meet operational needs for a period of at least 12 months from the date of this report and conclude that it is appropriate to prepare the financial statements on a going concern basis.

Principal Risks and Uncertainties

The principal risks and uncertainties to which the Group is exposed and our approach to managing those risks are unchanged from those identified on pages 24 to 29 of our 2018 Annual Report and Accounts and cover the following areas:

- realising NGP opportunities;
- reduction in the size of the legitimate tobacco market;
- optimising market share;
- cost optimisation;
- compliance with legal and regulatory requirements; and
- maintaining capital discipline and strong cash generation.

The Group's Risk Management approach enables ongoing identification and assessment of risks and development and ongoing assessment of related mitigations. For example, uncertain tax positions (e.g. the Russian tax audit and EU Commission State Aid investigation into the UK CFC regime) as disclosed in Note 6 are regularly reviewed as the resolution and developments on these matters are uncertain as to both timing and quantum. We also continue to consider risks relating to the wider potential impacts arising from the result of the United Kingdom European Union membership referendum and any associated regulatory, political, tax or foreign exchange risks. We have also assessed the risk of cyber security which is an ever-growing risk for all businesses. In this context, it is the Board's view that the principal risks and uncertainties surrounding the Group in the second half of the financial year remain those set out in the 2018 Annual Report and Accounts.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with IAS 34 as adopted by the European Union and that the interim management report includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely: an indication of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and material related party transactions in the first six months of the current financial year and any material changes in the related-party transactions described in the last annual report.

A list of current directors is maintained on the Imperial Brands PLC website: www.imperialbrandsplc.com.

The Directors are responsible for the maintenance and integrity of the Company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

By order of the Board

Oliver Tant
Chief Financial Officer

SUMMARY OF KEY FOOTPRINT FINANCIALS & METRICS

FOOTPRINT		Half Year Result		Change	
		2019	2018	Actual	Constant Currency
Volume					
Europe	bn SE	**64.6**	67.8	-4.7%	
Americas	bn SE	**10.0**	10.8	-7.6%	
Africa, Asia and Australasia	bn SE	**40.6**	45.0	-9.9%	
Total Group	bn SE	**115.2**	123.6	-6.9%	
NGP Net Revenue					
Europe	£m	**73**	3	>100%	>100%
Americas	£m	**61**	39	+56.4%	+48.7%
Africa, Asia and Australasia	£m	**14**	-	>100%	>100%
Total Group	£m	**148**	42	+252.4%	+245.2%
Tobacco Net Revenue					
Europe	£m	**1,607**	1,613	-0.4%	+0.2%
Americas	£m	**1,053**	980	+7.4%	+2.2%
Africa, Asia and Australasia	£m	**848**	888	-4.5%	-4.5%
Total Group	£m	**3,508**	3,481	+0.8%	-0.4%
Tobacco Net Revenue per ‘000 SE					
Europe	£	**24.88**	23.80	+4.6%	+5.2%
Americas	£	**105.06**	90.37	+16.3%	+10.6%
Africa, Asia and Australasia	£	**20.91**	19.73	+6.0%	+6.0%
Total Group	£	**30.46**	28.16	+8.2%	+6.9%
Tobacco Price/Mix					
Europe	%			+4.3%	+4.9%
Americas	%			+15.0%	+9.8%
Africa, Asia and Australasia	%			+5.4%	+5.4%
Total Group	%			+7.7%	+6.5%
Adjusted Tobacco & NGP Operating Profit					
Europe	£m	**771**	740	+4.2%	+3.9%
Americas	£m	**439**	442	-0.7%	-7.5%
Africa, Asia and Australasia	£m	**328**	351	-6.6%	-6.6%
Total Group	£m	**1,538**	1,533	+0.3%	-1.8%
Distribution					
Distribution Fees	£m	**499**	483	+3.3%	+3.9%
Operating Profit	£m	**102**	99	+3.0%	+3.0%
Operating Margin	%	**20.4**	20.5	-10 bps	

SUMMARY OF KEY PORTFOLIO FINANCIALS & METRICS

PORTFOLIO		Half Year Result 2019	Half Year Result 2018	Change Actual	Change Constant Currency
Asset Brand Net Revenue					
Europe	£m	**1,248**	1,149	+8.6%	+9.2%
Americas	£m	**607**	521	+16.6%	+11.0%
Africa, Asia and Australasia	£m	**531**	543	-2.2%	-1.4%
Total Group	£m	**2,386**	2,213	+7.8%	+7.0%
Asset Brands as % of Net Revenue					
Europe	%	**74.3**	71.1	+320 bps	
Americas	%	**54.5**	51.1	+340 bps	
Africa, Asia and Australasia	%	**61.6**	61.1	+50 bps	
Total Group	%	**65.3**	62.8	+250 bps	
Portfolio Brands Net Revenue					
Total Group	£m	**1,270**	1,310	-3.1%	-5.2%
% of Total Net Revenue	%	**34.7**	37.2	-250 bps	

INDEPENDENT REVIEW REPORT TO IMPERIAL BRANDS PLC

Report on the Condensed Consolidated Interim Financial Statements

Our conclusion

We have reviewed Imperial Brands PLC's Condensed Consolidated Interim Financial Statements (the "interim financial statements") in the Interim Results of Imperial Brands PLC for the 6 month period ended 31 March 2019. Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

What we have reviewed

The interim financial statements comprise:

- the Consolidated Balance Sheet as at 31 March 2019;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cashflow Statement for the period then ended;
- the Consolidated Statement of Changes in Equity for the period then ended; and
- the explanatory notes to the interim financial statements.

The interim financial statements included in the Interim Results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

As disclosed in note 1 to the interim financial statements, the financial reporting framework that has been applied in the preparation of the full annual financial statements of the Group is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the directors

The Interim Results, including the interim financial statements, is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the Interim Results in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the Interim Results based on our review. This report, including the conclusion, has been prepared for and only for the company for the purpose of complying with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

What a review of interim financial statements involves

We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410, 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Auditing Practices Board for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the Interim Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
8th May 2019

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

The figures and financial information for the six months ended 31 March 2019 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.imperialbrandsplc.com.

CONSOLIDATED INCOME STATEMENT

£ million unless otherwise indicated	Notes	**Unaudited** **6 months ended 31 March 2019**	Unaudited Restated 6 months ended 31 March 2018	Audited Restated Year ended 30 September 2018
Revenue	3	**14,390**	14,060	30,066
Duty and similar items		**(6,961)**	(6,928)	(14,700)
Other cost of sales		**(4,613)**	(4,399)	(9,356)
Cost of sales		**(11,574)**	(11,327)	(24,056)
Gross profit		**2,816**	2,733	6,010
Distribution, advertising and selling costs		**(1,092)**	(981)	(2,001)
Amortisation of acquired intangibles	9	**(297)**	(526)	(1,053)
Administration of UK distributor		**-**	(160)	(110)
Fair value adjustment to contingent consideration	10	**(119)**	-	-
Restructuring costs	4	**(54)**	(105)	(196)
Other expenses		**(104)**	(128)	(243)
Administrative and other expenses		**(574)**	(919)	(1,602)
Operating profit	3	**1,150**	833	2,407
Investment income		**490**	493	631
Finance costs		**(646)**	(745)	(1,257)
Net finance costs	5	**(156)**	(252)	(626)
Share of profit of investments accounted for using the equity method		**24**	19	42
Profit before tax		**1,018**	600	1,823
Tax	6	**(310)**	(79)	(396)
Profit for the period		**708**	521	1,427
Attributable to:				
Owners of the parent		**679**	491	1,368
Non-controlling interests		**29**	30	59
Earnings per ordinary share (pence)				
- Basic	8	**71.2**	51.7	143.6
- Diluted	8	**71.0**	51.6	143.2

See Note 1 Accounting Policies for details of the restatement in respect of the period ending 31 March 2018 and year ending 30 September 2018.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Profit for the period	**708**	521	1,427
Other comprehensive income			
Exchange movements	**(223)**	(271)	176
Items that may be reclassified to profit and loss	**(223)**	(271)	176
Net actuarial (losses)/gains on retirement benefits	**(118)**	122	196
Deferred tax relating to net actuarial (losses)/gains on retirement benefits	**11**	(33)	(54)
Items that will not be reclassified to profit and loss	**(107)**	89	142
Other comprehensive (expense)/income for the period, net of tax	**(330)**	(182)	318
Total comprehensive income for the period	**378**	339	1,745
Attributable to:			
Owners of the parent	**372**	315	1,683
Non-controlling interests	**6**	24	62
Total comprehensive income for the period	**378**	339	1,745

RECONCILIATION FROM OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

£ million	Notes	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Operating profit		**1,150**	833	2,407
Amortisation of acquired intangibles		**297**	526	1,053
Administration of UK distributor		**-**	160	110
Fair value adjustment to contingent consideration	10	**119**	-	-
Restructuring costs	4	**54**	105	196
Adjusted operating profit		**1,620**	1,624	3,766

On 28 November 2017 Palmer & Harvey (P&H) announced that they had entered administration. As a result of P&H entering administration, a provision was made of £160 million in the period ending 31 March 2018 in respect of monies considered irrecoverable. This was revised to £110 million at 30 September 2018 following receipt of monies in respect of a loan issued to P&H. There was no significant disruption to UK operations as well-prepared contingency plans ensured the on-going supply to retail customers was unaffected.

RECONCILIATION FROM NET FINANCE COSTS TO ADJUSTED NET FINANCE COSTS

£ million	Notes	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Net finance costs		**(156)**	(252)	(626)
Net fair value and exchange (gains)/losses on financial instruments	5	**(67)**	1	126
Post-employment benefits net financing cost	5	**3**	7	13
Adjusted net finance costs	5	**(220)**	(244)	(487)

CONSOLIDATED BALANCE SHEET

£ million	Notes	Unaudited 31 March 2019	Unaudited 31 March 2018	Audited 30 September 2018
Non-current assets				
Intangible assets	9	**18,428**	18,876	19,117
Property, plant and equipment		**1,871**	1,851	1,891
Investments accounted for using the equity method		**850**	760	845
Retirement benefit assets		**566**	550	598
Trade and other receivables		**73**	114	82
Derivative financial instruments	12	**473**	497	462
Deferred tax assets		**527**	527	600
		22,788	23,175	23,595
Current assets				
Inventories		**4,071**	3,486	3,692
Trade and other receivables		**2,949**	2,834	2,585
Current tax assets		**158**	80	164
Cash and cash equivalents	11	**539**	658	775
Derivative financial instruments	12	**57**	42	37
		7,774	7,100	7,253
Total assets		**30,562**	30,275	30,848
Current liabilities				
Borrowings	11	**(3,307)**	(3,388)	(2,397)
Derivative financial instruments	12	**(82)**	(34)	(105)
Trade and other payables		**(7,634)**	(8,086)	(8,270)
Current tax liabilities		**(269)**	(162)	(286)
Provisions	4	**(141)**	(187)	(179)
		(11,433)	(11,857)	(11,237)
Non-current liabilities				
Borrowings	11	**(10,039)**	(9,718)	(9,598)
Derivative financial instruments	12	**(1,022)**	(1,065)	(1,073)
Trade and other payables		**(121)**	(45)	(47)
Deferred tax liabilities		**(1,104)**	(881)	(1,113)
Retirement benefit liabilities		**(1,066)**	(1,079)	(1,061)
Provisions	4	**(251)**	(271)	(274)
		(13,603)	(13,059)	(13,166)
Total liabilities		**(25,036)**	(24,916)	(24,403)
Net assets		**5,526**	5,359	6,445
Equity				
Share capital		**103**	103	103
Share premium and capital redemption		**5,837**	5,837	5,837
Retained earnings		**(1,804)**	(1,666)	(1,150)
Exchange translation reserve		**780**	563	980
Equity attributable to owners of the parent		**4,916**	4,837	5,770
Non-controlling interests		**610**	522	675
Total equity		**5,526**	5,359	6,445

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

£ million	Share capital	Share premium and capital redemption	Retained earnings	Exchange translation reserve	Equity attributable to owners of the parent	Non-controlling interests	Total equity
							Unaudited
At 30 September 2018	**103**	**5,837**	**(1,150)**	**980**	**5,770**	**675**	**6,445**
IFRS 9 Transition	**-**	**-**	**(5)**	**-**	**(5)**	**-**	**(5)**
At 1 October 2018	**103**	**5,837**	**(1,155)**	**980**	**5,765**	**675**	**6,440**
Profit for the period	**-**	**-**	**679**	**-**	**679**	**29**	**708**
Other comprehensive expense	**-**	**-**	**(107)**	**(200)**	**(307)**	**(23)**	**(330)**
Total comprehensive income/(expense)	**-**	**-**	**572**	**(200)**	**372**	**6**	**378**
Transactions with owners							
Costs of employees' services compensated by share schemes	**-**	**-**	**14**	**-**	**14**	**-**	**14**
Changes in non-controlling interests	**-**	**-**	**13**	**-**	**13**	**(13)**	**-**
Dividends paid	**-**	**-**	**(1,248)**	**-**	**(1,248)**	**(58)**	**(1,306)**
At 31 March 2019	**103**	**5,837**	**(1,804)**	**780**	**4,916**	**610**	**5,526**
At 1 October 2017	103	5,837	(1,084)	828	5,684	542	6,226
Profit for the period	-	-	491	-	491	30	521
Other comprehensive income/(expense)	-	-	89	(265)	(176)	(6)	(182)
Total comprehensive income/(expense)	-	-	580	(265)	315	24	339
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	-	-	1	-	1	-	1
Costs of employees' services compensated by share schemes	-	-	12	-	12	-	12
Cancellation of share capital	-	-	(41)	-	(41)	-	(41)
Dividends paid	-	-	(1,134)	-	(1,134)	(44)	(1,178)
At 31 March 2018	103	5,837	(1,666)	563	4,837	522	5,359

CONSOLIDATED CASHFLOW STATEMENT

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Cash flows from operating activities			
Operating profit	**1,150**	833	2,407
Dividends received from investments accounted for under the equity method	**27**	12	25
Depreciation, amortisation and impairment	**413**	617	1,266
Profit on disposal of non-current assets	**(16)**	(41)	(76)
Post-employment benefits	**(86)**	(72)	(60)
Costs of employees' services compensated by share schemes	**14**	12	26
Provision in respect of loan to third parties	**-**	-	4
Fair value adjustment to contingent consideration	**119**	-	-
Movement in provisions	**(56)**	(64)	(87)
Operating cash flows before movement in working capital	**1,565**	1,297	3,505
(Increase)/decrease in inventories	**(478)**	34	(112)
Increase in trade and other receivables	**(439)**	(331)	(35)
(Decrease)/increase in trade and other payables	**(452)**	97	136
Movement in working capital	**(1,369)**	(200)	(11)
Tax paid	**(248)**	(260)	(407)
Net cash flows (used in)/generated from operating activities	**(52)**	837	3,087
Cash flows from investing activities			
Interest received	**5**	6	10
Loan to joint ventures	**4**	-	-
Loan to third parties	**-**	-	28
Proceeds from the sale of non-current assets	**45**	59	134
Purchase of non-current assets	**(190)**	(149)	(327)
Purchases of businesses – net of cash acquired	**-**	(4)	(8)
Purchase of brands and operations	**-**	(64)	(67)
Net cash used in investing activities	**(136)**	(152)	(230)
Cash flows from financing activities			
Interest paid	**(309)**	(305)	(501)
Cash from employees on maturity/exercise of share schemes	**-**	1	2
Increase in borrowings	**2,539**	2,019	1,619
Repayment of borrowings	**(912)**	(1,119)	(2,261)
Cash flows relating to derivative financial instruments	**(19)**	30	41
Repurchase of shares	**-**	(41)	(41)
Proceeds from sale of shares in a subsidiary to non-controlling interests (net of fees)	**-**	-	234
Dividends paid to non-controlling interests	**(58)**	(44)	(71)
Dividends paid to owners of the parent	**(1,248)**	(1,134)	(1,676)
Net cash used in financing activities	**(7)**	(593)	(2,654)
Net (decrease)/increase in cash and cash equivalents	**(195)**	92	203
Cash and cash equivalents at the start of period	**775**	624	624
Effect of foreign exchange rates on cash and cash equivalents	**(41)**	(58)	(52)
Cash and cash equivalents at the end of period	**539**	658	775

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The financial information comprises the unaudited results for the six months ended 31 March 2019 and 31 March 2018, together with the audited results for the year ended 30 September 2018.

The information shown for the year ended 30 September 2018 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, and is an abridged version of the Group's published financial statements for that year. The Auditors' Report on those statements was unqualified and did not contain any statements under section 498 of the Companies Act 2006. The financial statements for the year ended 30 September 2018 were approved by the Board of Directors on 6 November 2018 and filed with the Registrar of Companies.

This condensed set of financial statements for the six months ended 31 March 2019 has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with IAS 34 Interim Financial Reporting as adopted by the European Union. The condensed set of financial statements for the six months ended 31 March 2019 should be read in conjunction with the annual financial statements for the year ended 30 September 2018 which have been prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union.

The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the year ended 30 September 2018, which are available on our website www.imperialbrandsplc.com.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' with effect from 1 October 2018. The detail of adoption is provided below. There have been no other new standards or amendments which became effective for the current reporting period that have had a material effect on the Group.

On 1 October 2018 the Group adopted IFRS 9 ‘Financial Instruments’, with no revision of prior periods as permitted by the standard. IFRS 9 has replaced IAS 39 ‘Financial Instruments: Recognition and Measurement’ and includes revised guidance on:

- Classification and measurement: Financial assets are now classified as either being accounted for as amortised cost, fair value through other comprehensive income, or fair value through profit or loss. There are no changes to the classification or accounting for financial liabilities. Other than trade receivables and derivative financial instruments, the Group does not currently hold any significant financial assets.

  The group has revised the classification of certain trade receivables which are subject to a non-recourse factoring arrangement. This arrangement covers various markets and customer accounts. Prior to the adoption of IFRS 9 all trade receivables were recognised at amortised cost. Where trade receivables may be sold in the future under a factoring arrangement that involves realising cash flows through the sale of assets in order to manage customer credit risk, they are now classified as fair value through other comprehensive income (OCI). Under this classification, valuation changes are recognised in the OCI. The level of trade receivables that were sold to a financial institution under a non-recourse factoring arrangement totalled £724 million at 1 October 2018 and £575 million at 31 March 2019. The total value of trade receivables reclassified as fair value through OCI was £37 million at 1 October 2018 and £95 million at 31 March 2019. On adoption of the standard there was no valuation difference and therefore the OCI has not been impacted. Trade receivables managed under a hold to collect business model continue to be measured at amortised cost.

- Impairment of financial assets: Impairment provisions are calculated using a forward looking expected credit loss approach for financial assets, rather than the incurred loss approach applicable under IAS 39. The expected credit loss model requires the recognition of a provision which reflects future impairment risk. Provision levels are calculated on the residual credit risk after consideration of any credit protection which is used by the Group.

  Under the revised Trade Receivables provisioning policy, expected future credit loss provisions are now recognised in addition to doubtful debt provisions on receivables which have already become overdue. With the exception of the Palmer and Harvey debt write-off in 2018, the Group has historically experienced low levels of credit default. On adoption of the standard the Group has recognised an additional expected credit loss provision of £5 million, with the costs being recognised directly in equity within the retained earnings reserve at 1 October 2018.

- Hedge Accounting: IFRS 9 aligns the accounting approach with an entity’s risk management strategies and risk management objectives. The Group has adopted the hedge accounting aspects of IFRS 9 prospectively from 1 October 2018. The Group continues to apply net investment hedging as part of its risk management approach. All hedging relationships that existed at 30 September 2018 continue to apply under IFRS 9. The adoption of this area of IFRS 9 has not had any significant impact on the financial statements.

On 1 October 2018 the Group adopted IFRS 15 'Revenue from Contracts with Customers', the Group has restated prior periods as permitted by the standard. IFRS 15 has introduced an amended framework for revenue recognition and has replaced the prior guidance in IAS 18 'Revenue'. The standard provides revised guidance on revenue accounting, matching income recognition to the delivery of performance obligations in contractual arrangements for the provision of goods or services. It also provides different guidance on the measurement of revenue contracts involving discounts, rebates and payments to customers.

Following the adoption of the standard, revenue continues to be recognised in line with the completion of performance obligations constituting the delivery of goods or services to customers. The performance obligation is met when the customer has accepted products and the collectability of the related receivables is reasonably assured. We have reclassified certain distribution, advertising and selling costs arising from payments to customers, from overheads / other costs of sales to discounts from revenue. These costs are judged as not distinct from the related sales to the customer. This has reduced revenue, but has had no net impact on gross profit. The Group has taken the option to restate the comparative figures on adoption of the standard. This has reduced the level of revenue recorded in the 6 month period ended 31 March 2018 by £218 million and for the year ended 30 September 2018 by £458 million.

Following a review of the presentation of duties, levies and similar payments against the guidance given by IFRS 15, levy payments made in the United States under the Master Settlement Agreement (MSA) are now being recognised in other cost of sales. This has increased the level of net revenue recorded in the 6 month period ended 31 March 2018 by £210 million and the year ended 30 September 2018 by £425 million. The adoption of the standard has not had any other impact on the Group's results.

PRIOR PERIOD RE-STATEMENTS REQUIRED FOLLOWING ACCOUNTING STANDARD ADOPTION

	6 months ended 31 March 2018			Year ended 30 September 2018		
£ million	Previously reported	IFRS 15 adjustment	Restated	Previously reported	IFRS 15 adjustment	Restated
Revenue	14,278	(218)	14,060	30,524	(458)	30,066
Duty and similar items	(7,138)	210	(6,928)	(15,125)	425	(14,700)
Net revenue	7,140	(8)	7,132	15,399	(33)	15,366
Europe	1,750	(134)	1,616	3,812	(289)	3,523
Americas	809	210	1,019	1,823	425	2,248
Africa, Asia and Australasia	972	(84)	888	2,095	(169)	1,926
Distribution	3,954	-	3,954	8,383	-	8,383
Eliminations	(345)	-	(345)	(714)	-	(714)
Other cost of sales	(4,192)	(207)	(4,399)	(8,949)	(407)	(9,356)
Gross profit	2,948	(215)	2,733	6,450	(440)	6,010
Distribution, advertising and selling costs	(1,196)	215	(981)	(2,441)	440	(2,001)
Administrative and other expenses	(919)	-	(919)	(1,602)	-	(1,602)
Operating profit	833	-	833	2,407	-	2,407

FINANCIAL INSTRUMENT AND HEDGE ACCOUNTING POLICIES

Following the adoption of IFRS 9, the Group's accounting policies for financial instruments and hedging remain the same as disclosed in the 30 September 2018 annual report and accounts, except for changes to the classification and measurement of certain non-derivative financial assets and the calculation of expected credit losses, as detailed below.

At 30 September 2018 all non-derivative financial assets were classified as loans and receivables. Receivables were all initially recognised at fair value and subsequently stated at amortised cost using the effective interest method. From 1 October 2018, receivables held under a hold to collect business model continue to be stated at amortised cost. Receivables held under a hold to sell business model, which are expected to be sold via a non-recourse factoring arrangement are now separately classified as fair value through profit or loss, within trade and other receivables.

At 30 September 2018, provisions for impairment of receivables were established when there was objective evidence that the Group would not be able to collect all amounts due according to the original terms of those receivables. Provisions were only recognised when an impairment had crystallised. From 1 October 2018 the calculation of impairment provisions is subject to an expected credit loss model, involving a prediction of future credit losses based on past loss patterns. The revised approach involves the recognition of provisions relating to potential future impairments, in addition to impairments that have already occurred. The expected credit loss approach involves modelling of historic loss rates, and consideration of the level of future credit risk. Expected loss rates are then applied to the gross receivables balance to calculate the impairment provision.

REVENUE RECOGNITION ACCOUNTING POLICY

For the Tobacco & Next Generation Products (Tobacco & NGP) business (previously referred to as Tobacco), revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts. Revenue is based on the completion of performance obligations that constitute the delivery of goods and completion of services. The performance obligation is recognised as complete when a Group company has delivered products to the customer, the customer has accepted the products and collectability of the related receivables is reasonably assured. Performance obligations associated with services, which include fees for distributing certain third party products, are linked to the delivery of those services. Income arising from the licencing or sale of intellectual property, occurring in the ordinary course of business, is treated as revenue.

For the Distribution business (previously referred to as Logistics), revenue comprises the invoiced value for the sale of goods and services net of sales taxes, rebates and discounts when goods have been delivered or services provided. The Distribution business only recognises commission revenue on purchase and sale transactions in which it acts as a commission agent. Distribution and marketing commissions are included in revenue. Revenue is recognised on products on consignment when these are sold by the consignee.

Payments are made to both direct and indirect customers for rebates, discounts and other promotional activities. Direct customers are those to which the Group supplies goods or services. Indirect customers are other entities within the supply chain to the end consumer. Rebates and discounts are deducted from Revenue. Payments for promotional activities will also be deducted from Revenue where the payments relate to goods or service that are closely related to or indistinct from associated sales of goods or services to that customer. The calculated costs are accrued and accounted for as incurred and matched as a deduction from the associated revenues (i.e. excluded from revenues reported in the Group's consolidated income statement).

DUTY AND SIMILAR ITEMS ACCOUNTING POLICY

Duty and similar items includes duty and levies having the characteristics of duty. In countries where duty is a production tax, duty is included in revenue and in cost of sales in the consolidated income statement. Where duty is a sales tax, duty is excluded from revenue and cost of sales. Payments due in the USA under the Master Settlement Agreement are no longer deducted from net revenue, instead these payments are now being recognised in other cost of sales.

NEW ACCOUNTING STANDARDS AND INTERPRETATIONS NOT YET IN ISSUE

IFRS 16 'Leases' has not been adopted in these financial statements, it is in issue but will be effective for the period beginning 1 October 2019. The new standard requires operating leases to be accounted for through the recognition of a 'right of use asset' and a corresponding lease liability. Interest-bearing borrowings and non-current assets will increase on implementation of this standard. Operating lease costs will no longer be classified within the income statement based on amounts paid, but via a 'right of use asset' depreciation charge recognised within operating profit and a lease interest expense within finance costs, subject to the exemptions on amount and duration. The Group is currently in the process of implementing a solution to support the adoption of the standard and facilitate the associated accounting. The Group is intending to apply the modified retrospective approach on adoption of the standard which does not require comparative figures to be restated. Our initial assessment of IFRS 16 Leases is that it will not have a material effect on the Group's net assets or results.

IFRIC 23 'Uncertainty over income tax treatments' will be effective, subject to EU endorsement, for the period beginning 1 October 2019. The Interpretation clarifies how to apply the recognition and measurement requirements in IAS 12 when there is uncertainty over income tax treatments. The Group is currently assessing the impact of the Interpretation. Our initial assessment of IFRIC 23 'Uncertainty over income tax treatments' is that it will not have a material effect on the Group's net assets or results.

There are no other standards or interpretations, issued but not yet effective, that are expected to have a material effect on the Group's net assets or results.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

In the future, actual experience may deviate from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in note 2 of the financial statements for the year ended 30 September 2018, with the exception of the impairment analysis disclosed in note 9.

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

The Group has various obligations to potentially pay consideration in the future, related to past acquisitions. The amount of consideration payable is contingent on the level of the Group's future financial performance and certain other targets being met. The calculation of contingent consideration liabilities requires the use of forecasts and other forward looking information, which may vary over time. Forecasts always contain an inherent level of uncertainty and therefore there will be judgement involved in valuing contingent consideration liabilities. The liabilities are reassessed at each reporting date, based on the latest available information, and therefore may change in value over time.

3. SEGMENT INFORMATION

Imperial Brands comprises two distinct businesses – Tobacco & NGP and Distribution. The Tobacco & NGP business comprises the manufacture, marketing and sale of Tobacco & NGP and Tobacco & NGP-related products, including sales to (but not by) the Distribution business. The Distribution business comprises the distribution of Tobacco & NGP products for Tobacco & NGP product manufacturers, including Imperial Brands, as well as a wide range of non-Tobacco & NGP products and services. The Distribution business is run on an operationally neutral basis ensuring all customers are treated equally, and consequently transactions between the Tobacco & NGP and Distribution businesses are undertaken on an arm's length basis reflecting market prices for comparable goods and services.

On 1 October 2018 we reorganised the Tobacco & NGP business to manage our footprint based on geographic proximity changing from the previous approach of grouping markets based on their growth and returns profiles. The managerial and internal reporting structures of the business have been revised to reflect the new structure. Following the introduction of these changes we have revised our segmental reporting as required under IFRS 8.

The function of Chief Operating Decision Maker (defined in IFRS 8), which is to review performance and allocate resources, is performed by the Board and the Chief Executive, who are regularly provided with information on our segments. This information is used as the basis of the segment revenue and profit disclosures provided below. The main profit measure used by the Board and the Chief Executive is adjusted operating profit. Segment balance sheet information is not provided to the Board or the Chief Executive.

Our reportable segments are Europe, Americas, Africa, Asia & Australasia (AAA) and Distribution. Operating segments are comprised of geographical groupings of business markets. The main Tobacco & NGP business markets within the Europe, Americas and AAA reportable segments are:

Europe – United Kingdom, Germany, Spain, France, Italy, Greece, Sweden, Norway, Belgium, Netherlands, Ukraine and Poland.

Americas – United States and Canada

AAA – Australia, Japan, Russia, Saudi Arabia, Taiwan and our African markets including Algeria and Morocco (also includes premium cigar, which is run as a separate business within AAA. Premium cigar primarily manufacturers within the AAA geography but does make sales in countries outside of this area).

TOBACCO & NGP

£ million unless otherwise indicated	**Unaudited** **6 months ended 31 March 2019**	Unaudited Restated 6 months ended 31 March 2018	Audited Restated Year ended 30 September 2018
Revenue	**10,630**	10,467	22,427
Net revenue	**3,656**	3,523	7,697
Operating profit	**1,110**	786	2,282
Adjusted operating profit	**1,538**	1,533	3,557
Adjusted operating margin %	**42.1**	43.4	46.2

DISTRIBUTION

£ million unless otherwise indicated	**Unaudited** **6 months ended 31 March 2019**	Unaudited Restated 6 months ended 31 March 2018	Audited Restated Year ended 30 September 2018
Revenue	**4,191**	3,954	8,383
Distribution fees	**499**	483	989
Operating profit	**60**	55	128
Adjusted operating profit	**102**	99	212
Adjusted distribution margin %	**20.4**	20.5	21.4

REVENUE

£ million	Unaudited 6 months ended 31 March 2019 Total revenue	 External revenue	Unaudited Restated 6 months ended 31 March 2018 Total revenue	 External revenue	Audited Restated Year ended 30 September 2018 Total Revenue	 External revenue
Tobacco & NGP						
Europe	**6,553**	**6,122**	6,553	6,192	14,183	13,439
Americas	**1,517**	**1,517**	1,451	1,451	3,123	3,123
Africa, Asia & Australasia	**2,560**	**2,560**	2,463	2,463	5,121	5,121
Total Tobacco & NGP	**10,630**	**10,199**	10,467	10,106	22,427	21,683
Distribution	**4,191**	**4,191**	3,954	3,954	8,383	8,383
Eliminations	**(431)**	**-**	(361)	-	(744)	-
Total Group	**14,390**	**14,390**	14,060	14,060	30,066	30,066

RECONCILIATION FROM TOBACCO & NGP REVENUE TO TOBACCO & NGP NET REVENUE

£ million	Unaudited 6 months ended 31 March 2019	Unaudited Restated 6 months ended 31 March 2018	Audited Restated Year ended 30 September 2018
Revenue	**10,630**	10,467	22,427
Duty and similar items	**(6,961)**	(6,928)	(14,700)
Sale of peripheral products	**(13)**	(16)	(30)
Net revenue	**3,656**	3,523	7,697

TOBACCO & NGP NET REVENUE

£ million	Unaudited 6 months ended 31 March 2019	Unaudited Restated 6 months ended 31 March 2018	Audited Restated Year ended 30 September 2018
Europe	**1,680**	1,616	3,523
Americas	**1,114**	1,019	2,248
Africa, Asia & Australasia	**862**	888	1,926
Total Tobacco & NGP	**3,656**	3,523	7,697

ADJUSTED OPERATING PROFIT AND RECONCILIATION TO PROFIT BEFORE TAX

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Tobacco & NGP			
Europe	**771**	740	1,705
Americas	**439**	442	1,018
Africa, Asia & Australasia	**328**	351	834
Total Tobacco & NGP	**1,538**	1,533	3,557
Distribution	**102**	99	212
Eliminations	**(20)**	(8)	(3)
Adjusted operating profit	**1,620**	1,624	3,766
Amortisation of acquired intangibles - Tobacco & NGP	**(255)**	(482)	(970)
Amortisation of acquired intangibles - Distribution	**(42)**	(44)	(83)
Administration of UK distributor	**-**	(160)	(110)
Fair value adjustment to contingent consideration	**(119)**	-	-
Restructuring costs - Tobacco & NGP	**(54)**	(105)	(196)
Operating profit	**1,150**	833	2,407
Net finance costs	**(156)**	(252)	(626)
Share of profit of investments accounted for using the equity method	**24**	19	42
Profit before tax	**1,018**	600	1,823

The comparative figures have been restated to reflect the change in operating segments. In addition, revenue figures have been restated to reflect the changes arising on adoption of IFRS 15 (see note 1, Accounting Policies).

4. RESTRUCTURING COSTS AND PROVISIONS

RESTRUCTURING COSTS

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Employment related	**27**	97	170
Asset impairments	**17**	2	3
Other charges	**10**	6	23
	54	105	196

Restructuring costs analysed by workstream:

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Cost optimisation programme	**54**	103	181
Acquisition integration costs	**-**	1	15
Other restructuring activities	**-**	1	-
	54	105	196

The cost optimisation programme (Phase I announced in 2013 and Phase II announced in November 2016) is part of the Group's refocusing of its strategy to achieve a unique, non-recurring and fundamental transformation of the business. The costs of factory closures and implementation of a standardised operating model are considered to be one-off as they are a permanent scaling down of capacity and a once in a generation transformational change respectively. The cost optimisation programme is a discrete, time bound project which, given its scale, will be delivered over a number of years and once delivered the associated restructuring costs will cease.

Costs of implementing cost savings that do not arise from the refocused strategy are excluded from restructuring costs.

The charge for the period of £54 million (6 months to 2018: £105 million) relates to our two cost optimisation programmes announced in 2013 and 2016.

In the 6 months to 31 March 2019 the cash cost of the cost optimisation programmes was £71 million (6 months 2018: £129 million) bringing the cumulative cash costs of Phase I to £532 million and Phase II to £365 million.

Cost optimisation programme Phase I is expected to have a cash implementation cost in the region of £600 million in respect of the savings of £300 million per annum that the programme had generated by 2018 (the last year of the programme), and Phase II is expected to have a cash implementation cost in the region of £750 million, generating savings of a further £300 million per annum by 2020.

The total restructuring cash flow in the 6 months to 31 March 2019 was £78 million (6 months 2018: £141 million).

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

PROVISIONS

£ million	Unaudited 6 months ended 31 March 2019 Restructuring	Other	Total
At 1 October 2018	**297**	**156**	**453**
Additional provisions charged to the consolidated income statement	**14**	**14**	**28**
Amounts used	**(57)**	**(16)**	**(73)**
Unused amounts reversed	**-**	**(4)**	**(4)**
Exchange movements	**(7)**	**(5)**	**(12)**
At 31 March 2019	**247**	**145**	**392**

Analysed as:

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Current	**141**	187	179
Non-current	**251**	271	274
	392	458	453

5. NET FINANCE COSTS AND RECONCILIATION TO ADJUSTED NET FINANCE COSTS

RECONCILIATION FROM REPORTED NET FINANCE COSTS TO ADJUSTED NET FINANCE COSTS

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Reported net finance costs	**156**	252	626
Fair value gains on derivative financial instruments	**240**	411	492
Fair value losses on derivative financial instruments	**(347)**	(424)	(567)
Exchange gains/(losses) on financing activities	**174**	12	(51)
Net fair value and exchange gains/(losses) on financial instruments	**67**	(1)	(126)
Interest income on net defined benefit assets	**70**	64	129
Interest cost on net defined benefit liabilities	**(73)**	(71)	(142)
Post-employment benefits net financing cost	**(3)**	(7)	(13)
Adjusted net finance costs	**220**	244	487
Comprising:			
Interest on bank deposits	**(6)**	(6)	(10)
Interest on bank loans and other loans	**226**	250	497
Adjusted net finance costs	**220**	244	487

6. TAX

RECONCILIATION FROM REPORTED TAX TO ADJUSTED TAX

Reported tax for the six months ended 31 March 2019 has been calculated on the basis of an estimated effective rate for the year ended 30 September 2018. 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 8.

£ million	**Unaudited 6 months ended 31 March 2019**	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Reported tax	**310**	79	396
Deferred tax on amortisation of acquired intangibles	**(6)**	119	196
Tax on administration of UK distributor	**-**	30	21
Tax on net fair value and exchange movements on financial instruments	**(1)**	12	22
Tax on post-employment benefits net financing cost	**2**	3	5
Tax on restructuring costs	**12**	30	55
Tax on unrecognised losses	**(39)**	(24)	(76)
Deferred tax impact of US tax reforms	**-**	25	29
Adjusted tax charge	**278**	274	648

UNCERTAIN TAX POSITIONS

In 2017 new legislation was introduced in Russia, prospectively limiting the amount of production that could take place prior to new excise tax increases without being subject to a higher excise tax rate. On 28 September 2018, the Russian tax authorities issued a preliminary tax audit report for the calendar years 2014-2016 seeking to assess retrospectively additional excise and VAT with associated interest and penalties of approximately £132 million in respect of pre-production prior to new excise duty increases. In the event that the Russian tax authorities were to apply the same ruling to 2017, the Group estimates further excise and VAT with associated interest and penalties of £74 million could be assessed. The Group believe they have strong grounds for objecting to the preliminary report which were discussed with the Russian tax authorities in November 2018. Subsequent to these discussions, additional audit measures were commenced by the tax authorities. The Group awaits the tax authorities' revised preliminary report. The Group has complied with the legislation since it became effective. The Group is unable to make a reliable estimate of any provision until it has received the Russian tax authorities' response to its objections to the preliminary report, and furthermore, disclosure of a provision could be prejudicial.

In November 2015 the Group received a challenge from the French tax authorities that could lead to additional tax liabilities of up to £233 million. The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intra-group transfer of shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. In September 2018 the dispute was heard before the Commission Nationale, an independent adjudication body, whose decision is advisory only. In October 2018 the Commission issued its report which was favourable to the Group's position. In November 2018 a meeting was held with the French tax authorities to discuss the Commission's decision. In December 2018 the French tax authorities issued their final assessments seeking the full amount of additional tax assessed (£233 million). In January 2019 the Group appealed against the assessment. The Group awaits the response of the French tax authorities. At this time it is appropriate to maintain the £41 million (2018: £42 million) held in the provision for uncertain tax positions in respect of this matter.

The Group continues to monitor developments in relation to EU State Aid investigations. On 25 April 2019, the EU Commission's final decision regarding its investigation into the UK's Controlled Foreign Company regime was published. It concludes that the legislation up until December 2018 does partially represent State Aid. The UK Government has not announced how it will identify and recover State Aid. The Group considers that the potential amount of additional tax payable remains between nil and £300 million depending on the basis of calculation. Based upon current advice the Group does not consider any provision is required in relation to this investigation or any other EU State Aid investigation. The assessment of uncertain tax positions is subjective and significant management judgement is required. This judgement is based on current interpretation of legislation, management experience and professional advice.

7. DIVIDENDS

DISTRIBUTIONS TO ORDINARY EQUITY HOLDERS

	Unaudited	Audited	Audited
£ million	2019	2018	2017
Paid interim of nil pence per share (2018: 122.33 pence, 2017: 111.21 pence)			
- Paid June 2017	**-**	-	247
- Paid September 2017	**-**	-	247
- Paid December 2017	**-**	-	567
- Paid June 2018	**-**	271	-
- Paid September 2018	**-**	271	-
- Paid December 2018	**-**	624	-
Interim dividend paid	**-**	1,166	1,061
Proposed interim of 62.56 pence per share (2018: nil, 2017: nil)			
- To be paid June 2019	**298**	-	-
- To be paid September 2019	**298**	-	-
Interim dividend proposed	**596**	-	-
Paid final of nil pence per share (2018: 65.46 pence, 2017: 59.51 pence)			
- Paid March 2018	**-**	-	567
- Paid March 2019	**-**	624	-
Final dividend	**-**	624	567
Total ordinary share dividends of 62.56 pence per share (2018: 187.79 pence, 2017: 170.72 pence)	**596**	1,790	1,628

The declared interim dividend for 2019 amounts to a total dividend of £596 million based on the number of shares ranking for dividend at 31 March 2019. This will be paid in two stages, one in June 2019 and one in September 2019.

The dividend paid during the half year to 31 March 2019 is £1,248 million (2018: £1,134 million).

8. EARNINGS PER SHARE

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Earnings: basic and diluted – attributable to owners of the Parent Company	**679**	491	1,368
Millions of shares			
Weighted average number of shares:			
Shares for basic earnings per share	**953.3**	950.4	952.4
Potentially dilutive share options	**3.2**	1.6	3.0
Shares for diluted earnings per share	**956.5**	952.0	955.4
Pence			
Basic earnings per share	**71.2**	51.7	143.6
Diluted earnings per share	**71.0**	51.6	143.2

RECONCILIATION FROM REPORTED TO ADJUSTED EARNINGS AND EARNINGS PER SHARE

	Unaudited 6 months ended 31 March 2019		Unaudited 6 months ended 31 March 2018		Audited Year ended 30 September 2018	
£ million unless otherwise indicated	Earnings per share (pence)	Earnings net of tax	Earnings per share (pence)	Earnings net of tax	Earnings per share (pence)	Earnings net of tax
Reported basic	**71.2**	**679**	51.7	491	143.6	1,368
Amortisation of acquired intangibles	**31.8**	**303**	42.8	407	90.0	857
Administration of UK distributor	**-**	**-**	13.7	130	9.3	89
Fair value adjustment to contingent consideration	**12.5**	**119**	-	-	-	-
Net fair value and exchange gains on financial instruments	**(6.9)**	**(66)**	(1.2)	(11)	10.9	104
Post-employment benefits net financing cost	**0.1**	**1**	0.4	4	0.8	8
Restructuring costs	**4.4**	**42**	7.9	75	14.9	141
Taxation on unrecognised losses	**4.1**	**39**	2.5	24	8.0	76
Deferred tax impact of US tax reforms	**-**	**-**	(2.6)	(25)	(3.0)	(29)
Adjustments attributable to non-controlling interests	**(1.6)**	**(15)**	(0.9)	(9)	(2.3)	(22)
Adjusted	**115.6**	**1,102**	114.3	1,086	272.2	2,592
Adjusted diluted	**115.2**	**1,102**	114.1	1,086	271.3	2,592

9. INTANGIBLE ASSETS

Goodwill is allocated to groups of cash-generating units (CGUs) and is monitored at a Cash Generating Unit Grouping (CGUG) level. The groupings represent the lowest level at which goodwill is monitored for internal management purposes.

On 1 October 2018 we reorganised the Tobacco & NGP business to manage our footprint based on geographic proximity changing from the previous approach of grouping markets based on their growth and returns profiles. The managerial and internal reporting structures of the business have been revised to reflect the new structure. The key component markets of the new operating segments are described in note 3. Due to the changes in the reporting structure the Group undertook an exercise to reallocate goodwill and brand intangibles to new CGUGs aligned to the new operating segments, as required by IAS 36 (87).

The new CGUGs are comprised of individual markets within that geographic area. Each market is a separate CGU, the fair value of which has been assessed using a value in use calculation. This involves discounting future cashflows at an appropriate rate. Valuations have been assessed for reasonableness as part of this exercise. Central support function costs have been apportioned to CGUGs based on their relative fair value. Goodwill has been allocated to the new CGUGs based on their relative fair value. Where brand intangibles are held within individual markets no reapportionment has occurred. Certain brand intangibles were previously held at a CGUG level. These intangibles have been reapportioned amongst the new CGUGs based on their relative fair values.

The new Europe & Americas CGUGs are comprised of the same markets as their respective operating segments. The new Africa, Asia and Australasia operating segment has been split into two separate CGUGs which are Africa, Asia & Australasia and the Premium Cigar Division (PCD). The reason for this is because PCD has a separate strategic risk profile to the rest of the operating segments in which it sits. The Distribution operating segment has not been changed and therefore it continues as a separate CGUG with no changes to the assets held within it.

One of the requirements of IAS 36 is to undertake an impairment test based on the former CGU groupings prior to reapportioning intangible assets to new CGUs in the event of a group reorganisation. The impairment testing which was undertaken as at 30 September 2018 indicated no impairment. Therefore there was no requirement to impair any goodwill or brand intangible prior to the reallocation to new CGUs.

A summary of the carrying value of goodwill and intangible assets with indefinite lives for the new CGUs is set out below.

	At 31 March 2019	
£ million	**Goodwill**	**Intangible assets with indefinite lives**
Europe	**4,409**	**333**
Americas	**4,049**	**-**
Africa, Asia & Australasia	**1,743**	**131**
Premium Cigar Division	**256**	**126**
Tobacco & NGP	**10,457**	**590**
Distribution	**1,686**	**-**
	12,143	**590**

Goodwill has arisen principally on the acquisitions of Reemtsma in 2002, Commonwealth Brands in 2007, Altadis in 2008 and ITG Brands in 2015.

The Group tests goodwill and intangible assets with indefinite lives for impairment annually, or more frequently if there are any indications that impairment may have arisen. As noted above, the last impairment test was conducted as at 30 September 2018. We have reviewed the new CGUGs for indicators of impairment as required by IAS 36. We have not identified any indicators and therefore there is no requirement to undertake a full impairment test at this stage. At present there is a significant level of headroom for each CGUG. The next impairment review will take place on or before the 30 September 2019.

10. VON ERL CONTINGENT CONSIDERATION

On 14 June 2017 Imperial's subsidiary, Fontem Ventures B.V., completed the acquisition of 50 per cent plus one share of Von Erl Gmbh for an initial cash consideration of £17 million. There was also agreement to purchase a further 50 per cent of the share capital of the company, payable as contingent consideration, based on the level of future product sales.

The purchase of the additional share capital is via four 10% tranches being purchased in the years 2018 to 2021 and a final 10% via a put/call option in 2022. The total payment is capped at a maximum of €200 million. In August 2018 a payment of £3 million was made under this forward contract to purchase the first tranche of 10 per cent of the share capital, taking the total shareholding to 60 per cent.

Following the completion of the measurement period at 30 September 2018, the contingent consideration liability for payments due in the period 2019 to 2022 was valued at £12 million. At 31 March 2019 this liability was revised upwards to £131 million, a £119 million increase, reflecting improved future product sales expectations predicated on the performance in the 6 month period and updated business projections. The carrying value of this liability will continue to be reassessed at future reporting points.

The acquisition builds on Imperial's strategy of developing non-tobacco consumer experiences.

11. NET DEBT

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

					Unaudited
£ million	**Cash and cash equivalents**	**Current borrowings**	**Non-current borrowings**	**Derivative financial instruments**	**Total**
At 1 October 2018	**775**	**(2,397)**	**(9,598)**	**(679)**	**(11,899)**
Reallocation of current borrowings from non-current borrowings	**-**	**(693)**	**693**	**-**	**-**
Cash flow	**(195)**	**(312)**	**(1,315)**	**19**	**(1,803)**
Accretion of interest	**-**	**8**	**62**	**14**	**84**
Change in fair values	**-**	**-**	**-**	**(107)**	**(107)**
Exchange movements	**(41)**	**87**	**119**	**179**	**344**
As at 31 March 2019	**539**	**(3,307)**	**(10,039)**	**(574)**	**(13,381)**

ADJUSTED NET DEBT

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

	Unaudited	Unaudited	Audited
£ million	**6 months ended 31 March 2019**	6 months ended 31 March 2018	Year ended 30 September 2018
Reported net debt	**(13,381)**	(13,008)	(11,899)
Accrued interest	**99**	147	197
Fair value of derivatives providing commercial hedges	**324**	163	228
Adjusted net debt	**(12,958)**	(12,698)	(11,474)

The fair value of bonds is estimated to be £11,915 million (2018 6 months: £11,783 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £11,223 million (2018 6 months: £11,047 million). The fair value of all other borrowings is considered to be equal to their carrying amount.

12. DERIVATIVE FINANCIAL INSTRUMENTS

The Group's derivative financial instruments which are held at fair value, are as follows.

£ million	Unaudited 6 months ended 31 March 2019	Unaudited 6 months ended 31 March 2018	Audited Year ended 30 September 2018
Assets			
Interest rate swaps	**475**	533	490
Forward foreign currency contracts	**52**	4	6
Cross-currency swaps	**3**	2	3
Total carrying value of derivative financial assets	**530**	539	499
Liabilities			
Interest rate swaps	**(804)**	(697)	(724)
Forward foreign currency contracts	**(9)**	(4)	(7)
Cross-currency swaps	**(319)**	(480)	(529)
Carrying value of derivative financial liabilities before collateral	**(1,132)**	(1,181)	(1,260)
Collateral [1]	**28**	82	82
Total carrying value of derivative financial liabilities	**(1,104)**	(1,099)	(1,178)
Total carrying value of derivative financial instruments	**(574)**	(560)	(679)
Analysed as:			
Interest rate swaps	**(329)**	(164)	(234)
Forward foreign currency contracts	**43**	-	(1)
Cross-currency swaps	**(316)**	(478)	(526)
Collateral [1]	**28**	82	82
Total carrying value of derivative financial instruments	**(574)**	(560)	(679)

[1] Collateral deposited against derivative financial liabilities under the terms and conditions of an ISDA Credit Support Annex.

Fair values are determined based on observable market data such as yield curves and foreign exchange rates to calculate the present value of future cash flows associated with each derivative at the balance sheet date, and are consistent with those applied during the year ended 30 September 2018.

All financial assets and liabilities are carried on the balance sheet at amortised cost, other than derivative financial instruments which are carried at fair value. Derivative financial instruments are valued using techniques based significantly on observable market data such as yield curves and foreign exchange rates as at the balance sheet date (Level 2 classification hierarchy per IFRS 7). There were no changes to the valuation methods or transfers between hierarchies during the period. With the exception of capital market issuance, the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount.

13. PENSIONS GUARANTEED MINIMUM PAYMENTS EQUALISATION SPANISH COMPETITION RULING

Following the legal judgement in relation to Lloyds Banking Group on 26 October 2018, the Group has undertaken an exercise to estimate the impact of equalising guaranteed minimum payments (GMPs) in respect of the defined benefit pension scheme in the UK. Equalising GMPs has resulted in an increase in the defined benefit liabilities of £3 million.

14. SPANISH COMPETITION AUTHORITIES RULING

On 12 April 2019 the Spanish National Commission on Markets and Competition (CNMC) announced penalties against Philip Morris Spain, Altadis, JT International Iberia and Logista. Altadis and Logista received fines of €11.4 million and €20.9 million, respectively, from the CNMC. According to the decision, the companies are alleged to have infringed competition law by participating in an exchange of sales volume data between 2008 and February 2017. The CNMC considers that this conduct had the effect of restricting competition in the Spanish tobacco market. Both Altadis and Logista believe that the arguments made by CNMC that define this conduct as anti-competitive are flawed. Both Altadis and Logista intend to appeal the fines in the Spanish High Court, where they believe they will be successful, a decision supported by external legal counsel. Therefore a provision for these amounts is not considered appropriate.

15. BREXIT

The Group is monitoring the implications of the UK's decision to leave the European Union ('Brexit'). The Group has categorised the risks as those which will arise if the UK is no longer an EU Member State, and others that will arise dependent upon whether a transitional trade deal is agreed or not. Mitigation plans have been developed for specifically identified risks in both categories. The overall position is that the Group believes it is ready for whatever Brexit scenario occurs and does not foresee a material Brexit impact.