IMPERIAL BRANDS PLC
HALF YEAR RESULTS FOR THE SIX MONTHS ENDED 31 MARCH 2016

STRONG FIRST HALF PERFORMANCE AND ON TRACK FOR FULL YEAR

Performance Highlights

Delivering against strategy; including strong US contribution

- Tobacco net revenue up 16.8%
- Total adjusted operating profit up 19.5%
- Adjusted EPS up 20.4%
- Cash conversion 105%
- Interim dividend up 10%

Improving quality of growth

- Continued Growth Brand momentum
- Further success of brand migrations
- Tobacco net revenue from Growth/Specialist Brands up to 58.6%

Excellent results from ITG Brands

- Incremental tobacco net revenue of £468 million from acquired US brands
- Volume of 8.6 billion stick equivalents from acquired US brands
- Winston and Kool growing share; overall US share at 9.3%
- Integration largely complete

Alison Cooper, Chief Executive, commented

"This was a strong first half performance, as we continued to deliver against our strategic agenda. Our quality of growth continues to improve and we achieved excellent results from ITG Brands. We're focused on maintaining momentum in the second half and remain on track to meet full year expectations and create significant value for our shareholders."

Headline Financials

Overview – Adjusted Basis		**Half Year Result**		**Change**	
		2016	2015	Actual	Constant Currency[1]
Total tobacco volume	bn SE	**133.9**	138.2	-3.1%	
Growth Brand volume	bn SE	**70.7**	70.5	+0.2%	
Tobacco net revenue	£m	**3,399**	2,945	+15.4%	+16.8%
Tobacco adjusted operating profit	£m	**1,577**	1,295	+21.8%	+21.3%
Logistics adjusted operating profit	£m	**68**	73	-6.8%	-4.1%
Total adjusted operating profit	£m	**1,637**	1,367	+19.8%	+19.5%
Adjusted earnings per share	pence	**113.0**	93.3	+21.2%	+20.4%
Dividend per share	pence	**47.0**	42.8	+9.8%	
Adjusted net debt	£m	**(13,710)**	(9,056)	+51.4%	

Overview – Reported Basis		**Half Year Result**		**Change**
		2016	2015	Actual
Revenue	£m	**12,806**	12,129	+5.6%
Operating profit	£m	**1,002**	959	+4.5%
Basic earnings per share	pence	**30.4**	89.5	-66.0%

See page 22 for basis of preparation and page 4 for basis of presentation
[1] Change at constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations

Delivering Against our Strategy

Strengthening our Portfolio

- Continued Growth Brand momentum
- Further success of brand migrations: 35 complete to date and 20 underway
- Growth and Specialist Brands up to 58.6% of reported tobacco net revenue
- Growth Brand initiatives and campaigns supporting market share gains of 80 bps
- Excluding Iraq and Syria, Growth Brand volume up 4.7% and net revenue up 12.5%
- Specialist Brand revenue growth driven by premium cigar, snus and blu

Developing our Footprint

- Excellent progress in the US with market share gains from Winston and Kool; integration largely complete
- Good momentum in Growth Markets with net revenue up 2.1% (up 9.7% ex Iraq & Syria)
- Returns Markets net revenue down 0.5%; growth in Returns South offset by Returns North
- Overall Group market share up 40 bps, including our enhanced US business

Cost Optimisation

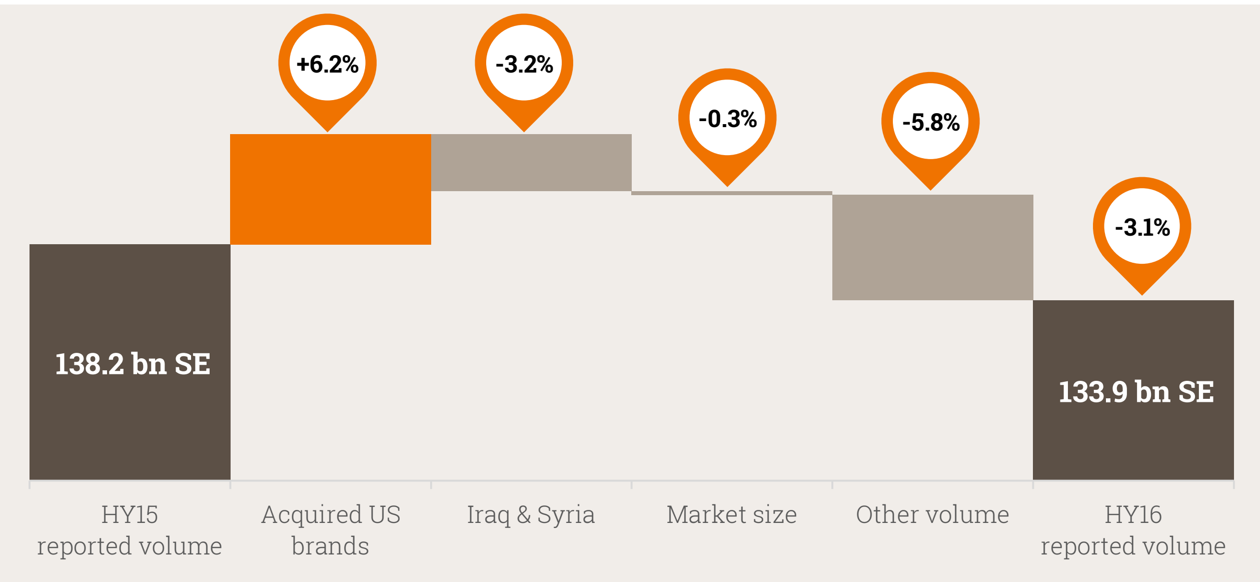
- Cost optimisation programme on track; incremental savings of £55m for full year
- Continued focus on reducing complexity and implementing new ways of working
- Adjusted operating margins up 240 bps to 46.4%

Capital Discipline

- Cash conversion of 105% benefiting from timing of MSA payments in US; full year expected range 90-95%
- Adjusted net debt of £13.7bn; a reduction of £1.2bn before US acquisition debt (£4.6bn) and FX (£1.2bn)
- Interim dividend of 47.0p; up 10%

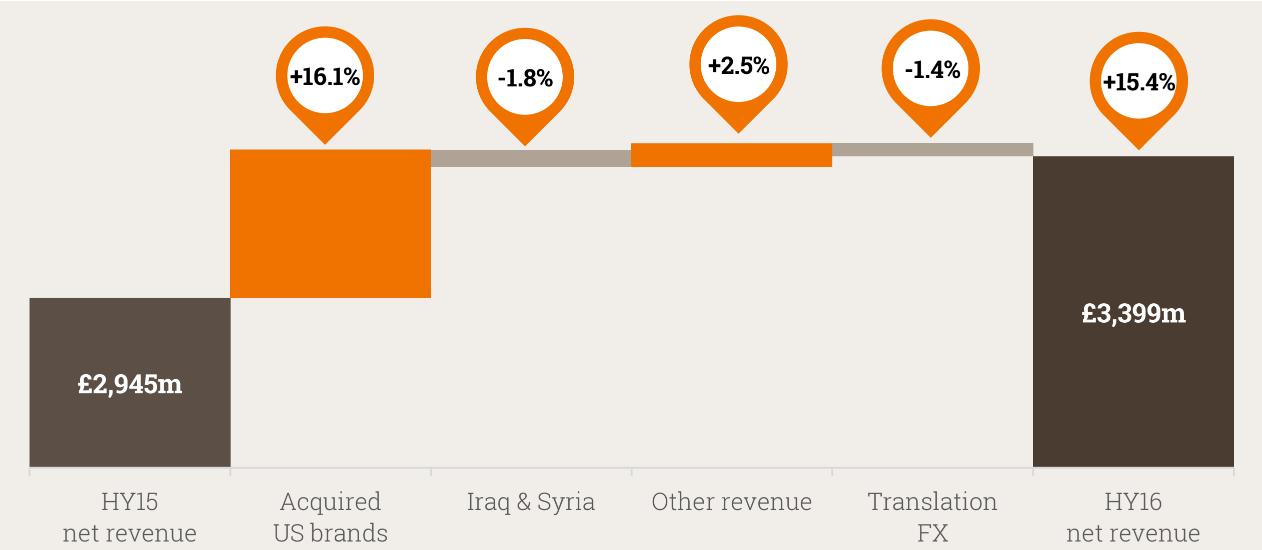
Volumes Benefiting from US Acquisition

- Reported volume 133.9bn SE; decline of 3.1%
- Acquired US cigarette brands contributed 8.6bn SE
- Iraq & Syria impact 4.4bn SE; Iraq & Syria now represent less than 3% of total Group volume (HY15: 6%)
- Decline in market footprint of -0.3% (12 month average); rate of decline slowing in some markets
- Volume from the rest of the business declined 5.8% due to:
  - Investment decisions to defocus low margin opportunities in geographies where economics and profitability has deteriorated, including Turkey and Ukraine (-2%)
  - Morocco, reflecting continued share loss (-1%)
  - Russia, where a temporary price disadvantage affected volumes (-1%)
  - Year-on-year share decrease in markets including the UK, which offset gains in markets including Italy, Japan and Saudi Arabia (-2%)
- Quality improving with continued Growth Brand momentum



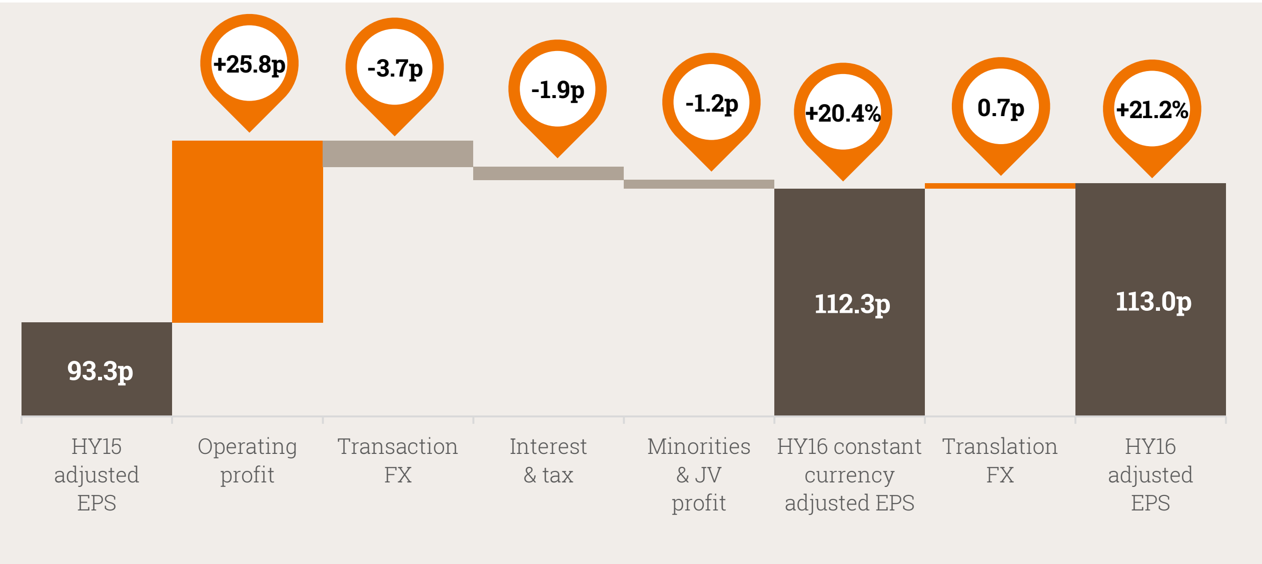
Net Revenue Growth Driven by US Acquisition and Strong Pricing

- Reported net revenue of £3.4bn; increase of 15.4%
- Contribution from acquired US cigarette brands of £468m
- Iraq & Syria impact of £52.3m; revenue contribution now 1% of total Group revenue (HY15: 3%)
- Net revenue from the rest of the business increased by 2.5% reflecting strong price/mix of 8.6%
- 1.4% impact from foreign exchange on translation; net revenue up 16.8% on a constant currency basis



Adjusted Earnings per Share up 20 per cent

- Constant currency adjusted EPS up 20.4%
- Adjusted EPS of 113.0p after foreign exchange impact of -0.8%
- Constant currency operating profit up 19.5%
- ITG Brands contributed 24.5p, benefiting from the acquisition while profit from rest of the business added 1.3p before adverse transaction FX of 3.7p (Ukraine and Russia)
- A lower tax charge was more than offset by a higher interest charge from the additional acquisition debt



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Webcast and Conference Call

Imperial Brands PLC will be hosting a live webcast for investors and investment analysts with senior management following the publication of our Half Year Results on 4 May 2016. The webcast will be hosted by Alison Cooper, Chief Executive, and available on www.imperialbrandsplc.com from 9.00am (BST). An archive of the webcast and the presentation script and slides will also be made available.

A media conference call will be hosted at 7.30am, at which there will be the opportunity for questions.
Dial in Number: +44(0)20 3427 1908
Participant code: 2190648
A replay of this call will be available for one week. To listen, please dial:
Replay Number: +44(0)20 3427 0598
Access Code: 2190648

Basis of Presentation

- To aid understanding of our results, we use 'adjusted' (non-GAAP) measures in accordance with our usual practice. The Group's principal accounting policies used in preparing this information are as stated in the financial statements for the year ended 30 September 2015 which are available on our website www.imperialbrandsplc.com.
- 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.
- Reported and constant currency include the contribution from the US asset acquisition which completed on 12 June 2015. Organic additionally removes the incremental contribution from the US acquisition.
- We previously presented a performance measure of Underlying change which removed the impact of our stock optimisation programme. The impact of the one-off fall in sales arising from the reduction in excess stock held in the distribution channels was in the year ended 30 September 2014 and therefore this measure is no longer relevant to explaining our results and performance.
- Market share is presented as a 12 month average (MAT). Aggregate market share is a weighted average across markets within our footprint. The number of markets used to compile the aggregate market share calculation has changed for FY16 reporting and prior periods have been restated for comparability.

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.

BUSINESS REVIEW

Overview

We delivered a strong set of results, reflecting our continued focus on optimising our brand portfolio and market footprint, implementing new ways of working and effectively managing cost and cash. Consistent delivery against these strategic priorities is strengthening our business, improving our quality of growth and generating sustainable shareholder returns.

We further improved the contribution from our Growth and Specialist Brands. Combined, these brands now account for 58.6 per cent of the Group's tobacco net revenue.

ITG Brands made an excellent contribution, delivering 20.9% of total reported Group tobacco net revenue in the period.

We maintained positive momentum in a number of our Growth Markets, where results also included revenue growth from Fontem Ventures. In Returns Markets, continued implementation of our strategy has improved momentum in Returns South whilst investment decisions to prioritise quality volume have impacted results in Returns North.

On a constant currency basis adjusted operating profit was up by 19.5 per cent and we grew adjusted earnings per share by 20.4 per cent.

We delivered cash conversion of 105 per cent and increased the interim dividend by 10 per cent to 47.0p per share.

Outlook

We are on track to meet full year expectations as we continue to strengthen the business and improve our quality of growth.

We are performing strongly in the US and the acquired brands are on an encouraging trend. We are on track to deliver our plans as we step up investment in the second half.

In Growth Markets, we continue to focus on profitable share opportunities to drive performance and Iraq and Syria should no longer have a significant impact on performance in the second half.

In Returns Markets, our priority continues to be on balancing share and profit. The second half will benefit from price increases, the majority of which are already embedded but will be offset by a combination of adverse mix, EUTPD investment and the conclusion of distribution for Philip Morris International in the UK and Morocco.

Overall, we are delivering against our strategic priorities and remain in a strong position to generate further returns for shareholders in 2016.

Strengthening our Portfolio

Our portfolio priorities are focused on driving the performance of our Growth and Specialist Brands and increasing the contribution these brands make to the business.

Our total Group tobacco volumes in the period were 133.9 billion stick equivalents, which includes 8.6 billion volume from the acquired US brands. On an organic basis volumes declined by 9.3 per cent, of which a third related to Iraq and Syria; excluding these markets volumes were down 6.1 per cent.

Our overall market share improved 40 basis points with the benefit of the US acquisition. We improved the market share of our Growth Brands which increased 80 basis points to 7.4 per cent. As part of our drive to prioritise Growth Brands, we ceded some share in our Portfolio Brands, resulting in a 50 basis points decline in Group share, excluding the benefit of the US acquisition.

Growth Brands continue to be supported by brand migrations, with an excellent success rate, retaining over 95 per cent of consumers. Thirty five migrations are now complete with multiple markets transitioning Portfolio Brands to JPS, West and Parker & Simpson. A further 20 migrations are in progress.

Combined, our Growth and Specialist Brands now contribute 58.6 per cent of the Group's tobacco net revenue.

Growth Brands

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Market share	%	**7.4**	6.6[R]	+80 bps	
Net revenue	£m	**1,502**	1,406	+6.9%	+10.1%
Percentage of Group volumes	%	**52.8**	51.0	+180 bps	
Percentage of tobacco net revenue	%	**44.2**	47.7	-350 bps	

[R] See basis of presentation on page 4 for details of restatements

As a result of the US acquisition our Growth and Specialist Brands were reclassified, effective 1 October 2015. USA Gold was replaced by Winston as a Growth Brand, and instead became a Portfolio Brand, and Kool and blu joined our Specialist Brands. With the exception of market share, prior year comparatives have not been adjusted for this reclassification.

Growth Brands contributed 52.8 per cent of total Group tobacco volumes, mainly due to migrations and the replacement of USA Gold by Winston as a Growth Brand. The contribution of these brands to reported tobacco net revenue was 44.2 per cent, diluted by the inclusion of the US acquisition revenue. Iraq and Syria affected the performance of Growth Brands, in particular Gauloises. Excluding Iraq and Syria, volumes were up 4.7 per cent and net revenue was up 12.5 per cent.

Brand Chassis	Highlights
JPF *(JPS, Parker & Simpson and Fine)*	Migration activities in a number of markets including Russia contributed significantly to the performance of Parker & Simpson. JPS continues to grow share in Australia, Belgium, and the Netherlands, whilst we are addressing some share softness in Germany and fine cut tobacco in Spain
West *(West, L&B, News and Bastos)*	West performed strongly in Germany and Saudi Arabia. Successful brand migration activities in France have benefited News, which also gained in Belgium. The launch of crushball is supporting the performance of L&B in the UK
Winston	Improving share performance following the promotional support from new retailer agreements in the US
Davidoff	Brand equity building and market share increased in Greece, plus positive results with the Fresh Box format which has been launched in a number of Middle Eastern markets. Davidoff Absolute is performing well in Taiwan
Gauloises	Positive momentum continues in Germany and also in Algeria with the launch of Gauloises L'Autre, helping the brand achieve the leading position in the market. However these positive results were more than offset by the impact of Iraq and Syria

Specialist Brands

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Net revenue	£m	**490**	347	+41.3%	+43.0%
Percentage of tobacco net revenue	%	**14.4**	11.8	+260 bps	

We continue to deliver strong performances from a number of our Specialist Brands, in particular Skruf in Scandinavia and our premium cigar brands in the US. Performance also benefited from the contribution of Kool and blu, with net revenue up 43.0 per cent. Overall, Specialist Brands accounted for 14.4 per cent of the total reported Group tobacco net revenue.

Developing our Footprint

We divide our footprint into Growth Markets, the US Market and Returns Markets. We manage these markets based on the strategic roles they play, with Growth Markets and the US Market prioritising long-term share and profit growth and the Returns Markets focusing on sustainable profit delivery and effective management of our share positions.

Growth Markets

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Market share	%	**6.7**	7.2[R]	-50 bps	
Net revenue	£m	**707**	710	-0.4%	+2.1%
Adjusted operating profit	£m	**192**	196	-2.0%	-6.6%
Growth Brand % of net revenue	%	**45.1**	50.3	-520 bps	
Growth Brand volume	bn SE	**21.3**	24.3	-12.3%	

[R] See basis of presentation on page 4 for details of restatements

We delivered a positive revenue performance in our Growth Markets including significant growth in Fontem Ventures, due to the acquired e-vapour brand blu and intellectual property royalties, more than offsetting declines caused by Iraq and Syria. Fontem Ventures is included in our Growth Markets due to its growth potential. Excluding Iraq and Syria, revenues increased 9.7 per cent.

The growth in revenues also reflects a strong price/mix benefit driven by an increase in the contribution from higher margin markets such as Italy and Norway, together with reduced volumes in the lower margin markets of Iraq and Syria. Price increases contributed to a double digit growth in Russian revenue although the phasing of price increases had a temporary impact on share, which is now showing signs of recovery. We are gaining share in Saudi Arabia and Japan with continued success from West.

Our premium cigar business also contributed favourably to revenue growth.

We are increasing the proportion of net revenue generated by our Growth Brands in the majority of markets but the overall percentage has been impacted by the dilutive effect of increased Fontem revenue and of lower volume in Iraq and Syria.

Adjusted operating profit improved in many of our markets but decreased overall largely due to transaction FX in Russia, the impact of Iraq and Syria and increased investment in blu.

Country	Performance
Russia	Price increases resulted in improved revenue and profit. Our share is stabilising due to the recovery of Maxim post a price disadvantage and the national roll-out of Parker & Simpson adding to our Growth Brand share
Saudi Arabia	Share continues to grow supported by performance of West and is expected to benefit in the second half from the launch of Davidoff Fresh Box
Italy	Share and revenue growth has been driven by JPS, supported by the successful migration from Fortuna and investment in improved distribution
Greece	Continuing to grow share and profit with Davidoff and Rizla performing well
Sweden and Norway	Strong performance with Skruf, now the market leader in Norway, and continued share growth in Sweden
Turkey	Share has been impacted by our decision to restructure operations and prioritise key cities as we continued to focus on quality growth opportunities
Japan	Continuing to grow the market share of West with investment in increased distribution
Taiwan	Profit growth driven by Davidoff including success with Davidoff Absolute; initiatives to support West share being progressed
Iraq and Syria	Ongoing instability continued to impact performance, particularly of Gauloises and Gitanes

US Market

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Market share	%	**9.3**			
Net revenue	£m	**711**	185	+284.3%	+265.9%
Adjusted operating profit	£m	**384**	70	+448.6%	+421.4%
Growth Brand % of net revenue	%	**20.9**	20.0	+90 bps	
Growth Brand volume	bn SE	**2.9**	1.4	+110.8%	

The integration of the US acquisition is largely complete and ITG Brands made a strong contribution to the Group results, delivering 20.9% of total reported Group tobacco net revenue. The net contribution of the acquisition to our US performance was tobacco net revenue of £468 million and volumes of 8.6 billion stick equivalents.

The new promotional arrangements are taking effect and we are already seeing steady improvements in the market shares of Winston and Kool, while maintaining stable overall market share. Growth Brand volume benefited from the replacement of USA Gold with Winston, as did the percentage of net revenue generated by Growth Brands.

We improved the performance of our mass market cigar business as we continued to successfully transition it to a retail focused business model, with net revenue and operating profit increasing. Organic revenue grew 25.3% benefiting from a prior year destock as we aligned inventories as part of the US acquisition.

Returns Markets

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Market share	%	**26.6**	27.4[R]	-80 bps	
Net revenue	£m	**1,981**	2,050	-3.4%	-0.5%
Net revenue per '000 SE	£	**23.03**	22.77	+1.1%	+4.1%
Adjusted operating profit	£m	**1,001**	1,029	-2.7%	-0.6%
Growth Brand % of net revenue	%	**52.2**	49.4	+280 bps	

[R] See basis of presentation on page 4 for details of restatements

We continued to focus on quality growth opportunities in our Returns Markets and made investment choices to underpin long-term sustainable profit growth. Net revenue per thousand stick equivalent increased and over half of our net revenue was generated by Growth Brands.

We delivered good results in Australia, Algeria, Poland and Portugal. We also saw an improved stability in markets such as Spain and France as market size trends ameliorated, coupled with the benefit of our actions to improve performance. This helped to offset weaker trading in Morocco. In Ukraine and Azerbaijan we restructured our investment approach to reflect the difficult economies and reduced profit opportunity of these markets. The UK remained challenging and we continued to invest in maintaining our fair share of the sub economy segment where we were significantly underrepresented in the first half of last year. In Germany, we grew profit and took steps to address share pressure on JPS in cigarette and fine cut tobacco; the timing of a price increase in April has impacted year-on-year sales phasing.

Overall, these market dynamics resulted in a small decline in net revenue, while operating profit benefited from gains in several markets, which was offset by adverse transaction FX, largely in Ukraine. Excluding the impact of transaction FX, operating profit for Returns Markets grew 2.4%.

Returns Markets North

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Market share	%	**25.1**	25.8 R	-70 bps	
Net revenue	£m	**1,246**	1,320	-5.6%	-2.5%
Net revenue per '000 SE	£	**27.33**	26.81	+1.9%	+5.3%
Adjusted operating profit	£m	**676**	719	-6.0%	-3.8%
Growth Brand % of net revenue	%	**55.1**	52.2	+290 bps	

R See basis of presentation on page 4 for details of restatements

Country	**Performance**
UK	Continuing to invest in share in sub economy impacting revenue and profit; good momentum behind L&B Blue supported by the launch of crushball. Competitive pressures persist
Germany	Growth Brands benefiting from share gains in Gauloises while initiatives are being implemented to further support JPS. Profit increased but the timing of our price increase affected the phasing of results
Benelux	Price/mix was held back by investment behind market share. JPS performed strongly, supported by migrations
Australia	Share, revenue and profit growth continued following another excellent performance from JPS with improved portfolio mix
Ukraine	Share decreased as investment was moderated given significant competitor discounting in a market where profitability had already been eroded due to currency devaluation

Returns Markets South

		Half Year Result		Change	
		2016	2015	Actual	Constant Currency
Market share	%	**28.8**	29.7 R	-90 bps	
Net revenue	£m	**735**	730	+0.7%	+3.0%
Net revenue per '000 SE	£	**18.18**	17.89	+1.6%	+3.9%
Adjusted operating profit	£m	**325**	310	+4.8%	+6.8%
Growth Brand % of net revenue	%	**47.4**	44.3	+310 bps	

R See basis of presentation on page 4 for details of restatements

Country	**Performance**
Spain	Strong West performance and improved price/mix delivering increased profitability
France	Successful migration of Fortuna to News and fine cut initiatives are strengthening the portfolio and ameliorating performance pressures
Portugal	Share, revenue and profit grew with the continued success of JPS
Algeria	Strong financial performance with share growth due to Gauloises, which is now the leading brand in the market
Morocco	Continued investment in portfolio initiatives to strengthen our position and address continued competitor discounting

Fontem Ventures

Fontem Ventures has successfully integrated the blu e-cigarette business. blu holds the number two position in the US and UK and a growing presence in Italy and France. We are investing to support growth, including the roll-out of the latest generation product, blu PLUS+ and a new marketing campaign.

Fontem also continues to develop a range of patented technologies while successfully licensing its first generation technology to a number of major e-vapour businesses.

Logista

On a constant currency basis distribution fees from the Logista logistics business of £371 million were up 0.8 per cent, with improved trends, particularly in the transport and pharmaceutical businesses offsetting the impact of limited price increases in the tobacco business. Despite a lower cost base, adjusted operating profit of £68 million decreased by 4.1 per cent, as one-off items that benefited the first half last year were not repeated. Excluding these items, adjusted operating profit grew 4.5 per cent.

FINANCIAL REVIEW

We continue to embed stronger capital discipline in the business, with a focus on cash generation and working capital. We are more effectively managing our costs and cash to support our strategy, helping to generate the substantial cash flows which are reinvested to support growth, used to pay down debt, and drive returns for shareholders.

When managing the performance of our business we focus on non-GAAP measures, which we refer to as adjusted measures. We believe they provide a useful 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. 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.

Having completed the acquisition of assets in the US on 12 June 2015, our first half results benefited from the incremental volume and revenue generated by our enlarged US business, ITG Brands. The net benefit to US results was an additional volume of 8.6 billion stick equivalents and £468 million of net revenue.

Group Results – Constant Currency Analysis

£ million (unless otherwise indicated)	6 months ended 31 March 2015	Foreign Exchange	Constant currency movement	**6 months ended 31 March 2016**	**Change**	**Constant currency change**
Tobacco Net Revenue						
Growth Markets	710	(18)	15	**707**	**-0.4%**	**+2.1%**
US Market	185	34	492	**711**	**+284.3%**	**+265.9%**
Returns Markets North	1,320	(41)	(33)	**1,246**	**-5.6%**	**-2.5%**
Returns Markets South	730	(17)	22	**735**	**+0.7%**	**+3.0%**
Total Group	2,945	(42)	496	**3,399**	**+15.4%**	**+16.8%**
Tobacco Operating Profit						
Growth Markets	196	9	(13)	**192**	**-2.0%**	**-6.6%**
US Market	70	19	295	**384**	**+448.6%**	**+421.4%**
Returns Markets North	719	(16)	(27)	**676**	**-6.0%**	**-3.8%**
Returns Markets South	310	(6)	21	**325**	**+4.8%**	**+6.8%**
Total Group	1,295	6	276	**1,577**	**+21.8%**	**+21.3%**
Logistics						
Logistics distribution fees	378	(10)	3	**371**	**-1.8%**	**+0.8%**
Logistics adjusted operating profit	73	(2)	(3)	**68**	**-6.8%**	**-4.1%**
Group Adjusted Results						
Adjusted operating profit	1,367	4	266	**1,637**	**+19.8%**	**+19.5%**
Adjusted net finance costs	(231)	3	(38)	**(266)**	**+15.2%**	**+16.5%**
Adjusted EPS (pence)	93.3	0.7	19.0	**113.0**	**+21.2%**	**+20.4%**

Group tobacco net revenue was up by 16.8 per cent. The proportion of Group net revenue from our Growth Brands continues on an improving trend as we focus on the quality of our revenue and strengthening our portfolio. Total adjusted operating profit increased 19.5 per cent.

Adjusted net finance costs were £266 million (2015: £231 million), as our average level of debt increased with the US acquisition debt. Reported net finance costs were £562 million (2015: income of £72 million), reflecting net fair value and exchange losses on financial instruments of £287 million (2015: gains of £314 million) and post-employment benefits net financing costs of £9 million (2015: costs of £11 million).

After tax at an effective adjusted rate of 20.0 per cent (2015: 20.9 per cent), adjusted earnings per share grew by 20.4 per cent to 113.0 pence.

Reported earnings per share were 30.4 pence (2015: 89.5 pence) reflecting non-cash amortisation of £387 million (2015: £243 million) and restructuring costs of £119 million (2015: £57 million), mainly in respect of our continuing cost optimisation programme and integration activities following the US acquisition.

Foreign Exchange

Foreign exchange translation was broadly neutral on reported revenue and profit in the first half of the year, impacting adjusted earnings per share by 0.8 per cent. On a constant currency basis, adjusted earnings per share grew 20.4 per cent.

The strengthening of the euro and the US Dollar against sterling would result in a 2-3% benefit to our full year earnings, based on rates at the end of April. However, we expect further foreign exchange volatility from the uncertainty caused by the EU referendum in the UK.

The devaluation of various Eastern European currencies has resulted in a transactional currency impact of 4% on first half earnings with a 3% headwind estimated for our full year earnings, in line with previous guidance.

Cost Optimisation

As part of our cost optimisation programme, we expect to deliver incremental savings of £55m in FY16 and remain on track to save £300 million per annum from September 2018. The expected cash cost remains £600 million.

We continue to focus on reducing complexity and implementing new ways of working through the on-going refinement of our operating model improving efficiency, effectiveness and agility.

Capital Discipline

We continue to use our substantial cash flows to create returns for shareholders, pay down debt and reinvest in the business. Dividend growth of 10 per cent was delivered with an interim dividend of 47.0 pence per share.

Cash conversion was 105 per cent in the year to 31 March, up 280 basis points. This was largely due to the build-up of the Master Settlement Agreement creditor in the USA, relating to the acquired brands. This accounted for 9 per cent of the 105 per cent. Cash generation continued to benefit from better working capital management, lower capital expenditure and management of restructuring spend. We still expect full year cash conversion to be 90-95 per cent, in line with previous guidance.

Adjusted net debt was £13.7 billion, which represents a £1.2 billion debt reduction in the last 12 months, before taking into account the £4.6 billion cost of the US acquisition and £1.2 billion impact from foreign exchange. Profit growth contributed a reduction of £3.5 billion and £0.5 billion came from effectively managing our working capital. This was offset by £0.2 billion in net capex and £2.6 billion from the combination of tax, interest, restructuring and dividends.

The denomination of our closing adjusted net debt was split approximately 59 per cent euro and 41 per cent US dollar. As at 31 March 2016, the Group had committed financing in place of around £17.6 billion. Some 26 per cent was bank facilities, 11 per cent was commercial paper and 63 per cent was raised through capital markets.

We remain fully compliant with all our banking covenants and remain committed to retaining our investment grade ratings.

Dividends

We have declared an interim dividend of 47.0 pence per share. This dividend will be paid as two payments of 23.5 pence per share on 30 June 2016 and 30 September 2016, with an ex-dividend date of 19 May and 18 August respectively.

The final dividend will be announced with our full year results in November 2016 and paid in December and, subject to AGM approval, in March 2017. We expect to deliver another year of 10 per cent growth in our dividend, demonstrating our commitment to growing shareholder returns.

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 reassessed the principal risks, the Board is of the opinion that the Group as a whole and Imperial Brands PLC have adequate resources to meet their operational needs for a period of twelve months from the date of this announcement 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 26 to 29 of our 2015 Annual Report and Accounts and cover the following areas:

- reduction in the size of the legitimate tobacco market;
- market place;
- financing;
- legal and regulatory compliance; and
- material strategic initiatives.

The Group's Risk Management approach enables ongoing identification and assessment of risks and development of related mitigations. For example, in the period we have considered emerging risks relating to foreign exchange and the wider potential impacts arising from the result of the United Kingdom European Union membership referendum. 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 2015 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

Alison Cooper Chief Executive	**Oliver Tant** Chief Financial Officer

SUMMARY OF KEY FOOTPRINT FINANCIALS & METRICS

FOOTPRINT		Half Year Result		Change		
		2016	2015	Actual	Constant Currency	Constant Currency excl. Iraq & Syria
Volume						
Growth Markets	bn SE	**35.6**	44.6	-20.0%		-10.1%
US Market	bn SE	**12.3**	3.6	+241.7%*		
Returns Markets North	bn SE	**45.6**	49.2	-7.4%		
Returns Markets South	bn SE	**40.4**	40.8	-0.9%		
Returns Markets Total	bn SE	**86.0**	90.0	-4.5%		
Total Group	bn SE	**133.9**	138.2	-3.1%		+0.1%
Tobacco Net Revenue						
Growth Markets	£m	**707**	710	-0.4%	+2.1%	+9.7%
US Market	£m	**711**	185	+284.3%	+265.9%*	
Returns Markets North	£m	**1,246**	1,320	-5.6%	-2.5%	
Returns Markets South	£m	**735**	730	+0.7%	+3.0%	
Returns Markets Total	£m	**1,981**	2,050	-3.4%	-0.5%	
Total Group	£m	**3,399**	2,945	+15.4%	+16.8%	+18.7%
Net Revenue per ‘000 SE						
Growth Markets	£	**19.84**	15.93	+24.5%	+27.7%	
US Market	£	**57.89**	51.47	+12.5%	+7.1%	
Returns Markets North	£	**27.33**	26.81	+1.9%	+5.3%	
Returns Markets South	£	**18.18**	17.89	+1.6%	+3.9%	
Returns Markets Total	£	**23.03**	22.77	+1.1%	+4.1%	
Total Group	£	**25.38**	21.31	+19.1%	+20.6%	
Price/Mix						
Growth Markets	%			+19.6%	+22.1%	+19.8%
US Market	%			+42.6%*	+24.2%	
Returns Markets North	%			+1.8%	+4.9%	
Returns Markets South	%			+1.6%	+3.9%	
Returns Markets Total	%			+1.1%	+4.0%	
Total Group	%			+18.5%	+19.9%	+18.6%
Adjusted Tobacco Operating Profit						
Growth Markets	£m	**192**	196	-2.0%	-6.6%	
US Market	£m	**384**	70	+448.6%	+421.4%	
Returns Markets North	£m	**676**	719	-6.0%	-3.8%	
Returns Markets South	£m	**325**	310	+4.8%	+6.8%	
Returns Markets Total	£m	**1,001**	1,029	-2.7%	-0.6%	
Total Group	£m	**1,577**	1,295	+21.8%	+21.3%	
Logistics						
Logistics Distribution Fees	£m	**371**	378	-1.8%	+0.8%	
Logistics Operating Profit	£m	**68**	73	-6.8%	-4.1%	
Logistics Operating Margin	%	**18.3**	19.3	-100 bps	-90 bps	

***Organic movement excluding acquisition**		
US Market Volume	*(+8.6bn SE)*	**+3.4%**
US Market Net Revenue	*(+£468m)*	**+25.3%**
US Market Price Mix		**+21.9%**

SUMMARY OF KEY PORTFOLIO FINANCIALS & METRICS

PORTFOLIO		Half Year Result 2016	Half Year Result 2015	Change Actual	Change Constant Currency	Change Constant Currency excl. Iraq & Syria
Growth Brand Volume						
Growth Markets	bn SE	**21.3**	24.2	-12.3%		+0.6%
US Market	bn SE	**2.9**	1.4	+110.8%		
Returns Markets North	bn SE	**25.5**	25.5	+0.1%		
Returns Markets South	bn SE	**21.0**	19.4	+8.2%		
Returns Markets Total	bn SE	**46.5**	44.9	+3.6%		
Total Group	bn SE	**70.7**	70.5	+0.2%		+4.7%
Growth Brands as % of Volume						
Growth Markets	%	**59.7**	54.5	+520 bps		+740 bps
US Market	%	**23.9**	38.7	-1,480 bps		
Returns Markets North	%	**56.0**	51.8	+420 bps		
Returns Markets South	%	**51.8**	47.5	+430 bps		
Returns Markets Total	%	**54.0**	49.8	+420 bps		
Total Group	%	**52.8**	51.0	+180 bps		+250 bps
Growth Brand Tobacco Net Revenue						
Growth Markets	£m	**319**	357	-10.6%	-6.3%	+3.1%
US Market	£m	**149**	37	+300.8%	+300.1%	
Returns Markets North	£m	**686**	689	-0.3%	+2.7%	
Returns Markets South	£m	**348**	323	+7.7%	+10.6%	
Returns Markets Total	£m	**1,034**	1,012	+2.2%	+5.2%	
Total Group	£m	**1,502**	1,406	+6.9%	+10.1%	+12.5%
Growth Brands as % of Tobacco Net Revenue						
Growth Markets	%	**45.1**	50.3	-520 bps		
US Market	%	**20.9**	20.0	+90 bps		
Returns Markets North	%	**55.1**	52.2	+290 bps		
Returns Markets South	%	**47.4**	44.3	+310 bps		
Returns Markets Total	%	**52.2**	49.4	+280 bps		
Total Group	%	**44.2**	47.7	-350 bps		
Specialist Brand Net Revenue						
Total Group	£m	**490**	347	+41.3%	+43.0%	+48.5%
Specialist Brands as % of Tobacco Net Revenue						
Total Group	%	**14.4**	11.8	+260 bps		
Growth & Specialist Brands as a percentage of Group net revenue		**58.6**	59.5	-90 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 half year results of Imperial Brands PLC for the 6 month period ended 31 March 2016. 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 Rules and Transparency Rules 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 2016;
- the Consolidated Income Statement and Consolidated Statement of Comprehensive Income for the period then ended;
- the Consolidated Cash Flow 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 half year results have been prepared in accordance with International Accounting Standard 34, 'Interim Financial Reporting', as adopted by the European Union and the Disclosure Rules and Transparency Rules 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 half year results, including the interim financial statements, are the responsibility of, and have been approved by, the Directors. The Directors are responsible for preparing the half year results in accordance with the Disclosure Rules and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Our responsibility is to express a conclusion on the interim financial statements in the half year 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 Rules and Transparency Rules 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 Ireland) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the half year 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

May 2016

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.

CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

The figures and financial information for 6 months ended 31 March 2016 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 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Revenue	3	**12,806**	12,129	25,289
Duty and similar items		**(6,244)**	(6,091)	(12,585)
Other cost of sales		**(3,730)**	(3,626)	(7,533)
Cost of sales		**(9,974)**	(9,717)	(20,118)
Gross profit		**2,832**	2,412	5,171
Distribution, advertising and selling costs		**(1,007)**	(897)	(1,857)
Acquisition costs		**-**	(20)	(40)
Amortisation of acquired intangibles		**(473)**	(312)	(697)
Restructuring costs	4	**(162)**	(76)	(328)
Other expenses		**(188)**	(148)	(261)
Administrative and other expenses		**(823)**	(556)	(1,326)
Operating profit	3	**1,002**	959	1,988
Investment income		**290**	945	948
Finance costs		**(852)**	(873)	(1,209)
Net finance (costs)/income	5	**(562)**	72	(261)
Share of profit of investments accounted for using the equity method		**12**	17	29
Profit before taxation		**452**	1,048	1,756
Taxation	6	**(142)**	(180)	(33)
Profit for the period		**310**	868	1,723
Attributable to:				
Owners of the parent		**290**	853	1,691
Non-controlling interests		**20**	15	32
Earnings per ordinary share (pence)				
- Basic	8	**30.4**	89.5	177.4
- Diluted	8	**30.4**	89.3	176.9

Consolidated Statement of Comprehensive Income

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Profit for the period	**310**	868	1,723
Other comprehensive income			
Exchange movements	**282**	(156)	(198)
Current taxation on exchange movements	**-**	(5)	-
Items that may be reclassified to profit and loss	**282**	(161)	(198)
Net actuarial losses on retirement benefits	**(79)**	(13)	(28)
Deferred taxation relating to net actuarial losses on retirement benefits	**25**	2	5
Items that will not be reclassified to profit and loss	**(54)**	(11)	(23)
Other comprehensive income/(expense) for the period, net of taxation	**228**	(172)	(221)
Total comprehensive income for the period	**538**	696	1,502
Attributable to:			
Owners of the parent	**490**	705	1,489
Non-controlling interests	**48**	(9)	13
Total comprehensive income for the period	**538**	696	1,502

Reconciliation from Operating Profit to Adjusted Operating Profit

£ million	Notes	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Operating profit		**1,002**	959	1,988
Acquisition costs		**-**	20	40
Amortisation of acquired intangibles		**473**	312	697
Restructuring costs	4	**162**	76	328
Adjusted operating profit		**1,637**	1,367	3,053

Reconciliation from Net Finance (Costs)/Income to Adjusted Net Finance Costs

£ million	Notes	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Net finance (costs)/income		**(562)**	72	(261)
Net fair value and exchange losses/(gains) on financial instruments	5	**287**	(314)	(226)
Post-employment benefits net financing cost	5	**9**	11	20
Adjusted net finance costs	5	**(266)**	(231)	(467)

Consolidated Balance Sheet

£ million	Notes	Unaudited 31 March 2016	Unaudited 31 March 2015	Audited 30 September 2015
Non-current assets				
Intangible assets	9	**19,415**	14,515	18,690
Property, plant and equipment		**1,794**	1,718	1,768
Investments accounted for using the equity method		**651**	590	598
Retirement benefit assets		**59**	134	92
Trade and other receivables		**93**	72	84
Derivative financial instruments	11	**905**	1,059	901
Deferred tax assets		**566**	233	533
		23,483	18,321	22,666
Current assets				
Inventories		**3,951**	3,442	2,842
Trade and other receivables		**2,524**	2,838	2,454
Current tax assets		**123**	34	56
Cash and cash equivalents	10	**561**	633	2,042
Derivative financial instruments	11	**40**	91	74
		7,199	7,038	7,468
Total assets		**30,682**	25,359	30,134
Current liabilities				
Borrowings	10	**(2,591)**	(2,469)	(1,957)
Derivative financial instruments	11	**(103)**	(52)	(25)
Trade and other payables		**(7,003)**	(6,366)	(6,795)
Current tax liabilities		**(247)**	(105)	(167)
Provisions	4	**(185)**	(188)	(197)
		(10,129)	(9,180)	(9,141)
Non-current liabilities				
Borrowings	10	**(11,717)**	(7,751)	(12,250)
Derivative financial instruments	11	**(1,124)**	(774)	(735)
Trade and other payables		**(13)**	(15)	(13)
Deferred tax liabilities		**(1,123)**	(1,250)	(1,170)
Retirement benefit liabilities		**(1,040)**	(868)	(909)
Provisions	4	**(264)**	(232)	(220)
		(15,281)	(10,890)	(15,297)
Total liabilities		**(25,410)**	(20,070)	(24,438)
Net assets		**5,272**	5,289	5,696
Equity				
Share capital		**104**	104	104
Share premium and capital redemption		**5,836**	5,836	5,836
Retained earnings		**(1,014)**	(752)	(315)
Exchange translation reserve		**(44)**	(256)	(298)
Equity attributable to owners of the parent		**4,882**	4,932	5,327
Non-controlling interests		**390**	357	369
Total equity		**5,272**	5,289	5,696

Consolidated Statement of Changes in Equity

Unaudited

£ 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
At 1 October 2015	**104**	**5,836**	**(315)**	**(298)**	**5,327**	**369**	**5,696**
Profit for the period	**-**	**-**	**290**	**-**	**290**	**20**	**310**
Other comprehensive income	**-**	**-**	**(54)**	**254**	**200**	**28**	**228**
Total comprehensive income	**-**	**-**	**236**	**254**	**490**	**48**	**538**
Transactions with owners							
Cash from employees on maturity/exercise of share schemes	**-**	**-**	**1**	**-**	**1**	**-**	**1**
Purchase of shares by Employee Share Ownership Trusts	**-**	**-**	**(12)**	**-**	**(12)**	**-**	**(12)**
Costs of employees' services compensated by share schemes	**-**	**-**	**12**	**-**	**12**	**-**	**12**
Dividends paid	**-**	**-**	**(936)**	**-**	**(936)**	**(27)**	**(963)**
At 31 March 2016	**104**	**5,836**	**(1,014)**	**(44)**	**4,882**	**390**	**5,272**
At 1 October 2014	104	5,836	(756)	(119)	5,065	398	5,463
Profit for the period	-	-	853	-	853	15	868
Other comprehensive income	-	-	(11)	(137)	(148)	(24)	(172)
Total comprehensive income	-	-	842	(137)	705	(9)	696
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
Dividends paid	-	-	(851)	-	(851)	(32)	(883)
At 31 March 2015	104	5,836	(752)	(256)	4,932	357	5,289

Consolidated Cash Flow Statement

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Cash flows from operating activities			
Operating profit	**1,002**	959	1,988
Dividends received from investments accounted for under the equity method	**13**	-	24
Depreciation, amortisation and impairment	**612**	407	940
Loss/(profit) on disposal of property, plant and equipment	**1**	-	(2)
Profit on disposal of intellectual property	**-**	-	(31)
Loss on disposal of businesses	**1**	-	-
Post-employment benefits	**(55)**	(54)	(50)
Costs of employees' services compensated by share schemes	**14**	11	25
Movement in provisions	**(5)**	(43)	(67)
Operating cash flows before movement in working capital	**1,583**	1,280	2,827
(Increase)/decrease in inventories	**(889)**	(754)	21
Decrease/(increase) in trade and other receivables	**76**	(162)	218
(Decrease)/increase in trade and other payables	**(209)**	(287)	89
Movement in working capital	**(1,022)**	(1,203)	328
Taxation paid	**(251)**	(235)	(408)
Net cash flows generated from/(used in) operating activities	**310**	(158)	2,747
Cash flows from investing activities			
Interest received	**4**	5	10
Purchase of property, plant and equipment	**(62)**	(77)	(194)
Proceeds from sale of property, plant and equipment	**20**	11	39
Proceeds from the sale of intellectual property	**-**	-	31
Purchase of intangible assets - software	**(18)**	(17)	(44)
Purchase of intellectual property rights	**(7)**	-	-
Internally generated intellectual property rights	**(7)**	(4)	(16)
Purchase of brands and operations	**-**	-	(4,613)
Net cash used in investing activities	**(70)**	(82)	(4,787)
Cash flows from financing activities			
Interest paid	**(368)**	(343)	(459)
Cash from employees on maturity/exercise of share schemes	**1**	1	7
Purchase of shares by Employee Share Ownership Trusts	**(6)**	-	-
Increase in borrowings	**1,815**	914	4,720
Repayment of borrowings	**(2,212)**	(322)	(380)
Cash flows relating to derivative financial instruments	**(56)**	98	139
Dividends paid to non-controlling interests	**(27)**	(32)	(42)
Dividends paid to owners of the parent	**(936)**	(851)	(1,259)
Net cash (used in)/generated from financing activities	**(1,789)**	(535)	2,726
Net (decrease)/increase in cash and cash equivalents	**(1,549)**	(775)	686
Cash and cash equivalents at the start of period	**2,042**	1,413	1,413
Effect of foreign exchange rates on cash and cash equivalents	**68**	(5)	(57)
Cash and cash equivalents at the end of period	**561**	633	2,042

NOTES TO THE FINANCIAL STATEMENTS

1. Accounting Policies

Basis of Preparation

The financial information comprises the unaudited results for the six months ended 31 March 2016 and 31 March 2015, together with the audited results for the year ended 30 September 2015.

The information shown for the year ended 30 September 2015 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 2015 were approved by the Board of Directors on 3 November 2015 and filed with the Registrar of Companies.

This condensed set of financial statements for the six months ended 31 March 2016 has been prepared in accordance with the Disclosure 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 2016 should be read in conjunction with the annual financial statements for the year ended 30 September 2015 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 2015 which are available on our website www.imperialbrandsplc.com.

New Accounting Standards and Interpretations

Certain changes to IFRS will be applicable to the consolidated financial statements in future years. Management has yet to fully assess the impact of IFRS 9 Financial Instruments and IFRS 15 Revenue from Contracts with Customers which are both effective for the Group for its 2019 financial statements. Our initial assessment of IFRS 16 Leases, effective for the Group for its 2020 financial statements, is that it will not have a material effect on the Group’s net assets or results. There are no other standards or interpretations 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 the financial statements for the year ended 30 September 2015.

3. Segment Information

Tobacco

£ million unless otherwise indicated	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Revenue	**9,762**	9,095	19,011
Net revenue	**3,399**	2,945	6,251
Operating profit	**979**	925	1,910
Adjusted operating profit	**1,577**	1,295	2,895
Adjusted operating margin %	**46.4**	44.0	46.3

Logistics

£ million unless otherwise indicated	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Revenue	**3,408**	3,430	7,025
Distribution fees	**371**	378	749
Operating profit	**31**	35	74
Adjusted operating profit	**68**	73	154
Adjusted operating margin %	**18.3**	19.3	20.6

Revenue

	Unaudited 6 months ended 31 March 2016		Unaudited 6 months ended 31 March 2015		Audited Year ended 30 September 2015	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue	Total Revenue	External revenue
Tobacco						
Growth Markets	**1,382**	**1,361**	1,454	1,433	3,019	2,970
USA	**1,424**	**1,424**	350	350	1,415	1,415
Returns Markets North	**5,851**	**5,837**	6,162	6,162	12,332	12,303
Returns Markets South	**1,105**	**776**	1,129	754	2,245	1,576
Total Tobacco	**9,762**	**9,398**	9,095	8,699	19,011	18,264
Logistics	**3,408**	**3,408**	3,430	3,430	7,025	7,025
Eliminations	**(364)**	**-**	(396)	-	(747)	-
Total Group	**12,806**	**12,806**	12,129	12,129	25,289	25,289

Tobacco Net Revenue

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Growth Markets	**707**	710	1,449
USA	**711**	185	707
Returns Markets North	**1,246**	1,320	2,649
Returns Markets South	**735**	730	1,446
Total Tobacco	**3,399**	2,945	6,251

Tobacco net revenue excludes revenue from the sale of peripheral and non-tobacco related products of £119 million (6 months 2015: £59 million).

Adjusted Operating Profit and Reconciliation to Profit before Taxation

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Tobacco			
Growth Markets	**192**	196	409
USA	**384**	70	375
Returns Markets North	**676**	719	1,475
Returns Markets South	**325**	310	636
Total Tobacco	**1,577**	1,295	2,895
Logistics	**68**	73	154
Eliminations	**(8)**	(1)	4
Adjusted operating profit	**1,637**	1,367	3,053
Acquisition costs - Tobacco	**-**	(20)	(40)
Amortisation of acquired intangibles - Tobacco	**(436)**	(274)	(617)
Amortisation of acquired intangibles - Logistics	**(37)**	(38)	(80)
Restructuring costs - Tobacco	**(162)**	(76)	(328)
Operating profit	**1,002**	959	1,988
Net finance (costs)/income	**(562)**	72	(261)
Share of profit of investments accounted for using the equity method	**12**	17	29
Profit before taxation	**452**	1,048	1,756

4. Restructuring Costs and Provisions

Restructuring Costs

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Employment related	**80**	32	100
Asset impairments	**49**	20	113
Other charges	**33**	24	115
	162	76	328

The charge for the period of £162 million (2015: £76 million) relates to our cost optimisation programme announced in 2013 (£136 million), which includes the closure of the Logroño factory announced in January 2016, and integration costs relating to the businesses acquired in 2015 (£21 million). The balance of £5 million covers all other restructuring activities across the Group.

The cost optimisation programme is expected to have a cash implementation cost in the region of £600 million and generate annual savings of £300 million by 2018. In 2016 the cash cost of the programme was £30 million, bringing the cumulative net cash cost of the programme to £370 million.

Provisions

	Unaudited 6 months ended 31 March 2016		
£ million	**Restructuring**	**Other**	**Total**
At 1 October 2015	**278**	**139**	**417**
Additional provisions charged to the consolidated income statement	**66**	**22**	**88**
Amounts used	**(69)**	**(8)**	**(77)**
Unused amounts reversed	**(3)**	**(2)**	**(5)**
Exchange movements	**16**	**10**	**26**
At 30 March 2016	**288**	**161**	**449**

Analysed as:

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Current	**185**	188	197
Non-current	**264**	232	220
	449	420	417

5. Net Finance Costs/(Income) and Reconciliation to Adjusted Net Finance Costs

Reconciliation from Reported Net Finance Costs/(Income) to Adjusted Net Finance Costs

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Reported net finance costs/(income)	**562**	(72)	261
Fair value gains on derivative financial instruments	**216**	699	691
Fair value losses on derivative financial instruments	**(429)**	(561)	(578)
Exchange (losses)/gains on financing activities	**(74)**	176	113
Net fair value and exchange (losses)/gains on financial instruments	**(287)**	314	226
Interest income on net defined benefit assets	**71**	67	138
Interest cost on net defined benefit liabilities	**(80)**	(77)	(157)
Unwind of discount on redundancy and other long-term provisions	**-**	(1)	(1)
Post-employment benefits net financing cost	**(9)**	(11)	(20)
Adjusted net finance costs	**266**	231	467
Comprising			
Interest on bank deposits	**(3)**	(3)	(6)
Interest on bank loans and other loans	**269**	234	473
Adjusted net finance costs	**266**	231	467

6. Taxation and Reconciliation to Adjusted Taxation Charge

Reconciliation from Reported Taxation to Adjusted Taxation

The table below shows the taxation impact of the adjustments made to reported profit before taxation in order to arrive at the adjusted measure of earnings disclosed in note 8.

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Reported taxation charge	**142**	180	33
Taxation on acquisition costs	**-**	4	-
Deferred taxation on amortisation of acquired intangibles	**86**	69	149
Taxation on net fair value and exchange losses on financial instruments	**42**	(21)	(11)
Taxation on post-employment benefits net financing cost	**3**	3	6
Taxation on restructuring costs	**43**	19	91
Taxation on unrecognised losses	**(39)**	(13)	273
Adjusted taxation charge	**277**	241	541

In November 2015 we received a challenge from the French tax authorities that could lead to additional tax liabilities of up to £230 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 the shares in October 2012 and the tax consequences flowing from a potentially higher value that is argued for by the tax authorities. There are strong grounds on which to defend the Group against this challenge, and we are supported in this view by the opinions of our professional advisers. As such we have not made any provision against this risk in the period.

7. Dividends

Distributions to Ordinary Equity Holders

£ million	**Unaudited 2016**	Unaudited 2015	Audited 2014
Paid interim of nil pence per share (2015: 91.9p, 2014: 38.8p)			
- Paid August 2014	**-**	-	370
- Paid June 2015	**-**	204	-
- Paid September 2015	**-**	204	-
- Paid December 2015	**-**	468	-
Interim dividend paid	**-**	876	370
Proposed interim dividends of 47.0 pence per share (2015: nil, 2014: nil)			
- To be paid June 2016 (23.5 pence per share)	**224**	-	-
- To be paid September 2016 (23.5 pence per share)	**224**	-	-
Interim dividend proposed	**448**	-	-
Paid final of nil pence per share (2015: 49.1p, 2014: 89.3p)			
- Paid February 2015	**-**	-	851
- Paid March 2016	**-**	468	-
Final dividend	**-**	468	851
Total ordinary share dividends of 47.0 pence per share (2015: 141.0p, 2014: 128.1p)	**448**	1,344	1,221

The declared interim dividend for 2016 amounts to a total dividend of £448 million based on the number of shares ranking for dividend at 31 March 2016. This will be paid in two stages, one in June 2016 and one in September 2016.

The dividend paid during the half year to 31 March 2016 is £936 million (2015: £851 million).

8. Earnings per Share

£ million unless otherwise indicated	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Earnings: basic and diluted – attributable to owners of the Parent Company	**290**	853	1,691
Millions of shares			
Weighted average number of shares:			
Shares for basic earnings per share	**953.7**	953.1	953.4
Potentially dilutive share options	**1.8**	2.0	2.5
Shares for diluted earnings per share	**955.5**	955.1	955.9
Pence			
Basic earnings per share	**30.4**	89.5	177.4
Diluted earnings per share	**30.4**	89.3	176.9

Reconciliation from Reported to Adjusted Earnings and Earnings per Share

	Unaudited 6 months ended 31 March 2016		Unaudited 6 months ended 31 March 2015		Audited Year ended 30 September 2015	
£ million unless otherwise indicated	**Earnings per share (pence)**	**Earnings**	Earnings per share (pence)	Earnings	Earnings per share (pence)	Earnings
Reported basic	**30.4**	**290**	89.5	853	177.4	1,691
Acquisition costs	**-**	**-**	1.7	16	4.2	40
Amortisation of acquired intangibles	**40.5**	**387**	25.5	243	57.5	548
Net fair value and exchange gains on financial instruments	**25.7**	**245**	(30.7)	(293)	(22.7)	(215)
Post-employment benefits net financing cost	**0.6**	**6**	0.8	8	1.5	14
Restructuring costs	**12.5**	**119**	6.0	57	24.9	237
Taxation on unrecognised losses	**4.1**	**39**	1.3	13	(28.6)	(273)
Adjustments attributable to non-controlling interests	**(0.8)**	**(8)**	(0.8)	(8)	(1.7)	(16)
Adjusted	**113.0**	**1,078**	93.3	889	212.5	2,026
Adjusted diluted	**112.8**	**1,078**	93.1	889	211.9	2,026

9. Intangible Assets

At the 2015 year end the impairment test for the Drive Growth CGU grouping that includes our markets in Russia, Italy and Japan indicated headroom of £69 million and that an impairment would result in the event of relatively small changes in an individual assumption or assumptions. In view of this sensitivity, we have tested the appropriateness of the carrying value of the Drive Growth CGU grouping's intangible assets at 31 March 2016, which indicated minimal headroom. In doing so, we have revisited our cash flow forecasts and other factors such as growth rates, discount rates and other appropriate assumptions. Taking account of all of these factors, we have concluded that the carrying value for the Drive Growth CGU grouping included in our 31 March 2016 balance sheet is appropriate, but remains highly sensitive to adverse movements in any individual assumption or assumptions. We will conduct a further test in the second half of the year in line with our normal impairment review cycle.

10. 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 2015	**2,042**	**(1,957)**	**(12,250)**	**215**	**(11,950)**
Reallocation of current borrowings from non-current borrowings	**-**	**(471)**	**471**	**-**	**-**
Cash flow	**(1,549)**	**(96)**	**493**	**56**	**(1,096)**
Accretion of interest	**-**	**107**	**42**	**(21)**	**128**
Change in fair values	**-**	**-**	**-**	**(532)**	**(532)**
Exchange movements	**68**	**(174)**	**(473)**	**-**	**(579)**
As at 31 March 2016	**561**	**(2,591)**	**(11,717)**	**(282)**	**(14,029)**

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.

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Reported net debt	**(14,029)**	(9,263)	(11,950)
Accrued interest	**151**	162	279
Fair value of derivatives providing commercial hedges	**168**	45	25
Adjusted net debt	**(13,710)**	(9,056)	(11,646)

The fair value of bonds is estimated to be £12,338 million (2015 6 months: £10,521 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £11,134 million (2015 6 months: £9,216 million). The fair value of all other borrowings is considered to be equal to their carrying amount.

11. Derivative Financial Instruments

£ million	**Unaudited 6 months ended 31 March 2016**	Unaudited 6 months ended 31 March 2015	Audited Year ended 30 September 2015
Assets			
Interest rate swaps	**885**	794	721
Forward foreign currency contracts	**6**	18	13
Cross currency swaps	**54**	338	241
Total carrying value of derivative financial assets	**945**	1,150	975
Liabilities			
Interest rate swaps	**(1,088)**	(890)	(773)
Forward foreign currency contracts	**(11)**	(13)	(5)
Cross-currency swaps	**(174)**	(7)	(23)
Carrying value of derivative financial liabilities before collateral	**(1,273)**	(910)	(801)
Collateral	**46**	84	41
Total carrying value of derivative financial liabilities	**(1,227)**	(826)	(760)
Total carrying value of derivative financial instruments	**(282)**	324	215
Analysed as:			
Interest rate swaps	**(203)**	(96)	(52)
Forward foreign currency contracts	**(5)**	5	8
Cross currency swaps	**(120)**	331	218
Collateral	**46**	84	41
Total carrying value of derivative financial instruments	**(282)**	324	215

The Groups' derivative financial instruments are held at fair value. Fair values are determined based on observable market data (Level 2 classification hierarchy) and are consistent with those applied during the year ended 30 September 2015.

12. Retirement Benefit Schemes

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.