16 MAY 2023

STRATEGY ON TRACK TO DELIVER ACCELERATING RETURNS

Report for the six months ended 31 March 2023

Business Highlights

- Robust pricing and aggregate market share up 20 basis points across top-five combustible market portfolio
- Next generation product (NGP) net revenue up 19.8% - acceleration driven by product launches across categories
- Volumes affected by COVID unwind and Russian exit last year; profitability impacted by higher NGP investment
- Strong contribution from Logista following recent M&A
- Dividend up 1.5% and on track to complete £1bn share buyback this year
- On course to meet our full-year guidance, with improving returns in line with five-year strategy

Financial Summary

Six months ended 31 March 2023		Reported			Adjusted[2]				
		2023	2022	Change	**2023**	2022	Actual	Constant currency[3]	CC ex Russia[4]
Revenue/Net revenue[1]	£m	**15,411**	15,362	0.3%	**3,663**	3,495	+4.8%	-1.0%	+0.6%
Operating profit	£m	**1,534**	1,201	27.7%	**1,716**	1,600	+7.3%	+0.8%	+1.2%
Earnings per share	p	**117.0**	105.2	11.2%	**118.5**	113.0	+4.9%	-1.7%	-1.2%
Net debt	£m	**(10,239)**	(9,757)		**(9,799)**	(9,157)	-	-	-
Dividend per share	p	**43.18**	42.54	1.5%	**43.18**	42.54	1.5%	1.5%	-

[1] Reported revenue includes duty, similar items, Distribution (Logista) and sale of peripheral products, which are excluded from net revenue; net revenue comprises reported revenue less duty and similar items, excluding sale of peripheral products and Distribution (Logista) gross profit.
[2] See page 3 for the basis of presentation and the supplementary section at the end of the financial statements for the reconciliation between reported and adjusted measures.
[3] Constant currency removes effect of exchange rate movements on the translation of the results of our overseas operations.
[4] Constant currency movement excluding the prior year financial contribution from Russia, following our exit in April 2022.

Stefan Bomhard Chief Executive

"We are now in the third year of our five-year strategy, and this means we are moving from the initial foundation-building phase to a period of improving financial delivery. We remain strongly committed to an ongoing programme of shareholder returns and will complete our initial £1 billion buyback during the second half.

"Business performance for the first half of fiscal year 2023 was resilient, despite temporarily increased volume declines against a strong comparator. As expected, this reflects a return to pre-COVID buying patterns as well as our decision to exit Russia last year. In tobacco, we have delivered further share gains in aggregate across our portfolio of top five markets, while also achieving strong pricing to help mitigate the volume declines. We have now recorded stable or growing aggregate market share in these markets in each of the last four six-month periods after many years of sharp declines. In NGP, we have delivered a step-up in innovation with new product and market launches in all three categories: vapour, heated tobacco and modern oral.

"This performance is underpinned by targeted investments in capabilities and people. Earlier this month we opened a new innovation facility in Liverpool, which brings together consumers, product developers and third-party partners in a single collaborative space. We are making good progress in our programmes to modernise legacy systems, and we continue to invest in upskilling our leaders to drive forward our performance culture.

"We remain on track to deliver the acceleration in adjusted operating profit growth in the second half in line with our guidance and expectations. I am confident the actions we have taken are creating a stronger, more resilient business capable of driving shareholder returns through a growing dividend and an ongoing share buyback."

Delivering Against our Strategic Priorities

Delivering strong pricing across our portfolio of five priority combustible markets

- **20 bps aggregate market share gain** in top five combustible markets
- Share positions supported by continued investment in brand equity building and sales force initiatives
- **Three out of five markets in share growth**: gains in US, Australia and Spain offset declines in Germany and UK

Accelerating our NGP performance with disciplined execution

- **Step-up in innovation across all NGP categories** driving NGP net revenue growth in Europe by 35.1%
- Our heated tobacco offering, Pulze and iD, is now available in seven European markets
- All-new blu 2.0 now available nationally in eight markets, disposable blu bar launched in seven markets including UK, France and Spain
- In modern oral, Zone X, and Skruf Super White have grown well in Norway

Driving value from our broader market portfolio

- **Strong pricing in our wider footprint markets** more than offset volume declines
- Leveraging our capabilities in driving growth from portfolios of smaller markets with transfer of Central and Eastern Europe cluster from Europe region to Africa, Asia and Australasia (AAA) region

Transforming our ways of working

- **On track to deliver annual savings target of £150m by end FY23**
- Centralised global business services model beginning to enable efficient ways of working in key functions
- Initial design stage of five-year digital transformation well advanced to replace 60 legacy systems with single ERP system

Results Overview*

Tobacco & NGP net revenue growth driven by resilient tobacco pricing

- **Strong tobacco pricing across all key markets mitigating volume declines**
- **Excluding Russia, tobacco price mix of 6.8%**: pricing +9.3% with adverse mix of -2.5%, driven primarily by adverse product mix in the USA (mass market cigars and cigarettes)
- Tobacco volumes down 12.7% driven by our exit from Russia and the unwind of COVID restrictions on buying patterns
- **Excluding Russia, tobacco volumes declined 6.8%**
- **NGP revenue up 19.8%** as strong growth in Europe more than offset declines in USA caused by MDO uncertainty
- **Reported revenue increased 0.3%**; the decline in tobacco and NGP revenue was offset by growth in Distribution revenue as a result of acquisitions at Logista

Delivering improved profitability and increased investment

- **Group adjusted operating profit grew +0.8%,** driven by growth in tobacco and at Logista and tobacco; excluding Russia, Group adjusted operating profit grew +1.2%
- **Reported operating profit grew 27.7%** because charges relating to our Russia exit last year were not repeated
- **Tobacco adjusted operating profit grew +0.2%,** reflecting strong pricing and cost control; excluding Russia +0.7%
- **Tobacco adjusted operating margins increased +80bps** despite cost inflation and investment; ex. Russia +30bps
- **NGP adjusted losses increased +33.3% to £56m** as expected, with higher investment in new product and market launches
- **Distribution adjusted operating profit up 19.3%** reflecting good underlying growth and the contribution from acquisitions, as we continue to support Logista's strategic delivery
- **Adjusted EPS fell -1.7%** driven by higher finance costs, increased minority interests caused by growth at Logista and a slightly higher tax rate partially offset by reduced share count; excluding Russia adjusted EPS fell -1.2%
- **Reported EPS grew 11.2%** reflecting the higher reported operating profit

Free cash flow supporting investment and shareholder returns

- Adjusted operating cash conversion of 77% on a 12-month basis, reflects temporary working capital outflow driven by increased stock associated with price increases and higher capex, as guided
- Adjusted net debt £9.8bn; adjusted net debt to EBITDA on a 12-month basis flat at 2.4x
- **On track to deliver adjusted net debt to EBITDA of around 2.0 times at the year end**
- Reported net debt £10.2bn
- **Interim dividend per share up 1.5%** to 43.18p, in line with our progressive dividend policy
- **£500m buyback completed in period**; on track to complete £1bn by end September 2023

** All measures at constant currency unless otherwise stated*

Outlook

We remain firmly on track with our five-year strategic plan to transform Imperial and are on course to deliver against the guidance and expectations for the current year.

We continue to expect low single-digit constant currency tobacco and NGP net revenue growth with constant currency adjusted operating profit growth accelerating to deliver mid-single digit CAGR over the next three years.

As previously guided, for the current year – inclusive of the impact of our Russian exit – we expect to grow our adjusted Group operating profit at the lower end of our mid-single digit range at constant currency. This improvement in adjusted operating profit growth in the second half will be driven by the strong embedded pricing as a result of actions taken in the first half, the improving geographic mix driven by our priority market focus, operational gearing, cost savings and growth at Logista. These tailwinds will be partially offset by continued cost inflation and increased NGP investment. We expect the year-on-year effect of consumer buying patterns to normalise in the second half as we annualise the prior year COVID-related impact.

We expect our year end gearing to be around the lower end of our adjusted net debt to EBITDA range of 2.0-2.5 times.

Our full year adjusted effective tax rate is expected to be around 22-23%. At current rates, foreign exchange translation is expected to be a 3-4% tailwind to full year net revenue, adjusted operating profit and earnings per share.

We remain confident in our ability to navigate current macro-economic challenges and we are well placed to generate long-term value for shareholders and all our stakeholders.

Basis of Presentation

- To aid understanding of our results, we use 'adjusted' (non-GAAP) measures to provide a consistent comparison of performance from one period to the next. Reconciliations between adjusted and reported (GAAP) measures and further definitions of adjusted measures are provided in the supplementary information section. 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.
- Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes but exclude any NGP volume such as heated tobacco, modern oral nicotine and vapour.
- Market share is presented as a 6-month average to the end of March (MHT – moving half-year trend), unless otherwise stated. Aggregate market share is a weighted average across markets within our footprint.

Other Information

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Analyst Presentation Webcast

Imperial Brands PLC will be hosting a live webcast at 09:00 (BST) on 16 May 2023 for investors and investment analysts following the publication of our interim results at 07:00 (BST). The webcast will be hosted by Stefan Bomhard, Chief Executive, and Lukas Paravicini, Chief Financial Officer. The presentation will be followed by a question and answer session. The presentation slides will be available on www.imperialbrandsplc.com from 07.00 (BST). A webcast recording and the presentation script will also be available after the live webcast has concluded.

The webcast will be available on https://edge.media-server.com/mmc/p/rxnd8mfk. To participate in the Q&A session, please register in advance via this link: https://register.vevent.com/register/BI53c7330e1ae244c2b1cfb9260ec0017c. You will then receive the dial-in details and your own PIN to access the live Q&A session.

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.

CHIEF EXECUTIVE'S STATEMENT

Delivering on our strategy

During the first six months of the 2023 fiscal year, we continued to make good progress implementing our strategy to build a more sustainable business able to grow profitably and consistently.

We are now in the third year of our five-year strategy, and this means we are moving from the initial foundation-building phase to the period when we promised to deliver improving returns. In line with our guidance, I can confirm that we are on track to deliver at the full year with an acceleration in constant currency adjusted operating profit growth.

During the first half, tobacco volumes were temporarily weaker against a comparator, which had benefited from COVID-related changes in consumer buying patterns, and included sales from our Russia business which we exited in April 2022. Excluding Russia, our volumes declined 6.8%. However, we offset these declines with strong pricing action across our footprint.

We continued to make good progress in our top-five priority combustible markets with our renewed focus on the consumer enabling more targeted investment. This portfolio of markets accounts for around 70% of our operating profit, and we were able to grow our aggregate market share by 20 basis points while achieving strong pricing gains. This is the fourth consecutive half-year period when we have achieved our objective to hold stable our weighted aggregate share. This achievement is despite the highly competitive nature of these markets and follows several years of continuous aggregate share declines.

Our next generation products (NGP) business recorded strong growth, driven by demand for existing products and the roll out of new propositions in new markets across all categories. Our investment focus in Europe delivered NGP revenue growth of 35.1% at constant currency, which more than offset declines in the United States caused by the uncertainty of the marketing denial order. Overall NGP net revenue grew 19.8% at constant currency.

We are now more rigorous in how we manage our broader portfolio of small and medium-sized markets, some of which have the potential to become engines of future growth for the Group. As part of this, we have created a new regional centre of expertise focusing on Africa, Asia, Australasia and Central & Eastern Europe (AAACE). We have achieved price increases across our wider market portfolio, which has driven strong net revenue growth.

We continue to work hard to support and safeguard our 600 Ukrainian colleagues, who, despite the many challenges of war, delivered a resilient business performance, even launching a new brand into the market – Imperial Classic.

Leveraging local jewels

In our combustible portfolio, we have embraced our challenger mindset as the industry's smallest of the four global players to turn around our smaller local jewel brands. These are often much-loved national champions, which have been overlooked in recent years. For example, in Spain having refreshed Nobel during 2022, the team have now added a super slim format to the Nobel portfolio with a high-quality pack and product, which is resonating well with consumers in an underdeveloped category and performing well.

In the UK and Germany, smokers have strong regional preferences and we are developing geographically targeted approaches to brand building. In the UK, for example, we reported previously how we had relaunched Embassy to appeal to smokers in London and the south of England. Now we have relaunched the Regal brand, to build on our already strong position in the distinctive Scottish market.

In the US, our brand building initiatives around more carefully targeted brand platforms for our two biggest US cigarette brands, Winston and Kool, have supported our share performance in the premium value price segment.

A distinctive approach to next generation products

In NGP, being a challenger is about being an effective and differentiated fast follower, providing distinctive and responsibly marketed choices in categories which are already clearly established in markets where we have distribution strength. Our blu vaping brand is differentiated in the way it is targeted at "next steppers", more mature consumers who are making a broader lifestyle shift. Pulze 2.0, our newest heated tobacco device, with its compact all-in-one design and 25 or more sessions from a single charge, is appealing to consumers who appreciate the simplicity and convenience of not having to recharge as often. The footprint of ZoneX is focused on Nordic markets with their long history of oral nicotine, and here too we are building a distinctive proposition with innovative flavours designed to attract and retain consumers migrating from traditional snus tobacco.

The past six months has seen a step change in the pace of our NGP product and market launches. Our heated tobacco proposition, Pulze and iD, is now available in seven European markets, which together account for more than 60% of the total category footprint within the region. In vapour, we have successfully launched our blu 2.0 product in the UK, Spain, France, Czech Republic, the Canary Islands, Portugal, Greece and Germany. Zone X, our modern oral product, continues to perform well, supported by new flavour launches and marketing initiatives.

Building stronger capabilities

Being a strong challenger is not just about the right mindset, it is about equipping our people with the capabilities, skills and data to innovate at pace and move confidently to capture new opportunities. In innovation, we have opened a new consumer centre in Liverpool, with similar facilities planned for Hamburg and Greensboro, North Carolina. These facilities will further accelerate product development by bringing together under the same roof the entire innovation chain: insights, design, third-party partners and, of course, the consumers themselves. We have continued to attract new talent with other crucial consumer skills, including brand marketing, revenue growth management and sales excellence.

Our performance-based culture is becoming increasingly embedded. Building on the ambitious programmes initiated in FY22, during the first half of this year, 300 of our senior leaders began an intensive coaching course, which included two three-day residential programmes, designed to help them deliver stronger performances from their teams. Meanwhile we are on track to complete the design phase by the end of this fiscal year of our five-year programme to bring together 60 legacy systems into a single enterprise resource planning platform. This will drive agility and effectiveness in our decision making and more efficient ways of working.

We continue to develop capabilities in our environmental, social and governance (ESG) priority areas. Internally this year we launched a new "Triple Zero" campaign to galvanise colleague commitment around three of our key objectives: net zero carbon emissions across our value chain by 2040, zero waste to landfill and our aspiration of zero injuries among our workforce.

Driving value through disciplined capital allocation

Our business is highly cash generative and therefore it is important that we are structured and transparent in how we prioritise the allocation of surplus capital.

Our first priority is to invest in our business to support long-term sustainable growth. Our investment needs are primarily organic through investment in our brands, sales force and our ways of working. We will also consider small bolt-on acquisitions, particularly if they accelerate our NGP delivery.

Our second priority is to maintain a strong and efficient balance sheet with an investment grade credit rating and leverage around the lower end of our net debt to EBITDA range of 2-2.5 times.

Our third is our progressive dividend policy where the dividend will grow annually taking into account underlying business performance. We have announced a 1.5% increase in our interim dividend.

Our final priority is to return surplus capital to shareholders and I am pleased that we have already completed £500 million of our initial £1 billon share buyback announced for this year. At our current valuation, the £1 billion represents more than 5% of the issued share capital and is a demonstration of our commitment to an ongoing and sustainable buyback.

STEFAN BOMHARD
CHIEF EXECUTIVE OFFICER

OPERATING REVIEW

To provide a greater focus on 'driving value from our broader market portfolio', which is one of our strategic pillars, we have transferred the management of our Central and Eastern Europe cluster from our Europe region to the Africa, Asia and Australasia (AAA) region. Under the leadership of Paola Pocci, we have been enhancing our capabilities and expertise in managing our smaller markets, many of which have attractive margins and the potential to become platforms for future growth in combustible tobacco and NGP. The AAA region will now be known as AAACE. The affected markets are Poland, Czech Republic, Ukraine, Slovakia, Hungary, Azerbaijan, Armenia, Georgia, Moldova, Croatia and Slovenia. The Americas region is unaffected by this change.

EUROPE REGION

		Half year result		Change	
		2023	*2022	Actual	Constant currency
Tobacco volume	bn SE	**42.2**	46.2	-8.7%	
Total tobacco & NGP net revenue	£m	**1,428**	1,370	+4.2%	+1.2%
Tobacco net revenue	£m	**1,326**	1,296	+2.3%	-0.8%
NGP net revenue	£m	**102**	74	+37.8%	+35.1%
Adjusted operating profit	£m	**611**	621	-1.6%	-5.3%

*2022 figures restated for the transfer of the Central & Eastern Europe cluster from Europe to AAACE

Headlines

- Strong and early pricing action helped to mitigate temporarily higher volume declines
- Volumes affected by return to pre-COVID buying patterns, particularly in the UK and Germany
- Strong NGP net revenue performance with growth across all categories driven by product innovation and market launches
- New and improved Pulze 2.0 launched in Greece, Italy, Portugal and Bulgaria
- Successful launch of all-new vapour device blu 2.0 and disposable blu bar
- Adjusted operating profit decline reflects increased investment behind NGP product launches and innovation

Our results in Europe are driven by strong combustible pricing offset by tobacco volumes which were temporarily weaker against a comparator that had benefited from COVID-related changes in consumer buying patterns. Net revenue growth benefited from an acceleration in NGP revenue growth as our innovation pipeline supported new product and market launches alongside growth in existing markets.

Strategic initiatives in our priority markets supported our combustible tobacco performance. For example, in the UK, after two years of market share growth, we raised prices early in the period, which has temporarily caused our market share to decline as we balanced pricing with share delivery. We remain confident that our strategic initiatives in the UK, such as our local jewel brands, Embassy and Regal, have continued to gain traction. We continue to work on arresting the long-term share declines in Germany as we refine our investment in brand equity building initiatives, which inevitably take time. In Spain, we achieved strong price increases, while also gaining market share as our local jewel brands benefited from new format launches and we refined our focus on the key sales channels.

Tobacco volumes declined 8.7% with consumer buying patterns increasingly reverting to pre-COVID channels as expected. This has resulted in increased volume declines in higher margin Northern European markets such as UK, Germany and Scandinavia.

Tobacco net revenue was down 0.8% at constant currency, reflecting strong price mix of 7.9%, which helped to mitigate the volume declines. Price mix was affected by the timing of price increases and the adverse geographic mix effects as COVID-19 restrictions were lifted. Price increases taken across the region in the first half of the year, will support a stronger second half, together with an anticipated improvement in volume decline rates.

Our NGP portfolio has performed well with net revenue up 35.1% at constant currency and growth across all three categories. We delivered a step-up in new product launches as our new consumer-led partnership approach to NGP product innovation delivered a range of new products in all three categories. Our new Pulze 2.0 heated tobacco device, has been successfully launched in Greece, Italy, Portugal, Hungary and Bulgaria, with a positive initial consumer response. In vapour, our new pod-based vapour proposition, blu 2.0, has now been launched nationally in the UK, France and Spain, following a successful trial last year in four French cities, with more recent roll-outs to Germany, Portugal, Greece and the Canary Islands. We have also had early success in targeting adult smokers and vapers with blu bar, a disposable vaping product to expand our blu brand franchise which we have launched in seven markets. In modern oral nicotine, we are continuing to meet evolving consumer preferences with flavour launches in Zone X and the launch of Skruf Modern in Norway.

Tobacco and NGP adjusted operating profit for the year declined 5.3% at constant currency, mainly reflecting the increased investment in our NGP product and market launches; and the impact of temporarily increased volume declines in our higher margin Northern European markets.

Priority Market	**Performance**
Tobacco share	
Germany • 18.3% (-80bps) • 13% of Group net revenue	Market size declined 2.3% in the year against a prior-year comparator, which benefited from COVID-19 travel restrictions. Our market share declined and we have acknowledged it will take time to turn around the share performance after more than a decade of share losses. However, we remain confident we can stabilise our share through investment in our strategic initiatives to build brand equity and enhance our sales force effectiveness. Our brand portfolio remains well positioned across the key price segments to appeal to a range of consumer needs. Underpinning this is an ongoing refocus of our salesforce coverage. We expanded our vapour offer with the launch of blu 2.0 in April this year and more recently with blu bar.
UK • 41.1% (-75 bps) • 7% of Group net revenue	We increased prices early in our financial year, as we sought to optimise the balance between value creation and managing our market share. As expected, our share has declined temporarily against a strong comparator (HY22: +105bps), where peers experienced supply chain shortages. Our strategic investments are continuing to gain traction with jewel brands, such as Embassy and Regal continuing to perform well. Tobacco market size declined 17.9% year on year, against a strong comparator period which benefited from COVID-19-related travel restrictions. Additionally, we expanded our NGP offering in vaping through innovation, with the launch of blu 2.0 and blu bar in the period.
Spain • 28.3% (+15 bps) • 4% of Group net revenue	We raised prices in Spain as we maintained a disciplined approach to pricing while growing share in the period as we continued to implement our strategic initiatives. For example, our focus on local jewel brands with the launch of new formats such as a new super slim format for Nobel. We also benefited from refocusing our salesforce on key channels. Tobacco market size reduced 0.9% year on year. The launches of blu 2.0 and blu bar have been well received by consumers and the trade.

AMERICAS REGION

		Half year result		Change	
		2023	2022	Actual	Constant currency
Tobacco volume	bn SE	**9.4**	9.7	-2.8%	
Total tobacco & NGP net revenue	£m	**1,223**	1,160	+5.4%	-6.4%
Tobacco net revenue	£m	**1,203**	1,136	+5.9%	-6.0%
NGP net revenue	£m	**20**	24	-16.7%	-25.0%
Adjusted operating profit	£m	**512**	453	+13.0%	-1.1%

Headlines

- Cigarette share growth up 95 basis points to 10.8% with gains across all three of our focus price segments
- Investment in strategic initiatives continue to drive operational improvements
- Revenue decline reflects strong cigarette pricing offset by adverse product mix in cigarettes and mass market cigars
- Mass market cigar performance affected by wholesaler destock and market share pressure
- NGP net revenue declined due to the uncertainty caused by the FDA's Marketing Denial Orders for *my*blu
- Adjusted operating profit decline reflects a strong cigarette performance driven by share gains and robust pricing offset by weaker performance in mass market cigars

We delivered a strong combustible market share performance in the US whilst achieving strong pricing across our cigarette portfolio. However, our mass market cigar volumes declined due to a temporary wholesaler destock after they increased inventories ahead of Hurricane Ian last September as well as pressure on our market share performance as peers resolved their supply shortages. This contributed to adverse product mix which has weighed on our net revenue performance.

Tobacco volumes declined by 2.8% against an industry volume decline of 9.1% in cigarettes and a 3.5% fall in industry mass market cigar volumes. The cigarette outperformance reflects the improvement in our cigarette market share of 95 basis points to 10.8%, which now follows four consecutive years of market share growth. Our cigarette volumes also reflect a slight reduction in wholesaler inventories in the period, which reduced our shipment volumes by c. 0.2%

Our market share performance was driven by three factors: the continued benefit from our investment in sales execution and brand building, our brand portfolio positioning to meet consumer needs, particularly as they continue to trade down, and the annualisation of the benefit from our agile response to capture share arising from KT&G's exit in December 2021.

On a constant currency basis, tobacco net revenue declined by 6.0%, as strong pricing of +9% was more than offset by volumes down -3% and adverse mix of -12%. The adverse mix was driven primarily by the reduction in mass market cigar volumes, which accounted for 7% of decline. This reflects the relatively high value, low volume nature of the category - the revenue per stick for cigars is around 2.6 times that for cigarettes. Adverse cigarette mix accounted for the remaining 5% adverse mix driven by our market share performance in the deep discount segment and the successful capture of the KT&G share following their exit from the market in December 2021.

Our cigarette share performance partly reflects our progress in building brand equity and strengthening our salesforce capabilities. For example, our brand investment behind KOOL continues to support share growth in the premium value segment. We continue to improve our sales execution with our increased sales force, setting our "perfect store" concept as the standard to achieve across all stores and working with our key account customers on joint business planning.

Our mass market cigar portfolio came under pressure driven by a wholesaler destock, market share losses and overall market size declines. The destock was following a wholesaler inventory build last September ahead of Hurricane Ian, which affected Southwest Florida where our cigar warehouse is located in Tampa. The overall category decreased in the period as sales did not benefit from the same elevated level of consumption opportunities as in the prior year. At the same time, lower consumer disposable income drove some downtrading, leading to market share losses in our premium Backwoods offering, which was accentuated by the benefit of competitor supply issues in the prior period, which have now been resolved. However, we continue to be consumer focused, keeping the brand refreshed and believe we are well positioned with our portfolio of iconic heritage brands.

Our NGP revenue declined 25.0% on a constant currency basis, reflecting the continued uncertainty caused by the FDA's Marketing Denial Orders (MDOs) issued in April 2022 for our *my*blu products. We were disappointed with the FDA's decision to issue the MDOs and have filed a challenge to this decision in the US Circuit Court of Appeals. The case has been argued and we are awaiting the court's decision. Our products remain in the market during the appeals process.

Adjusted operating profit declined 1.1% at constant currency as a stronger cigarette performance and reduced NGP losses were offset by weaker performance in mass market cigars.

AFRICA, ASIA, AUSTRALASIA AND CENTRAL & EASTERN EUROPE REGION

		Half year result		Change		Change
		2023	2022	Actual	Constant currency	Excluding Russia
Tobacco volume	bn SE	**44.4**	54.0	-17.8%		-5.8%
Total tobacco & NGP net revenue	£m	**1,012**	965	+4.9%	+2.5%	+8.6%
Tobacco net revenue	£m	**1,009**	962	+4.9%	+2.5%	+8.6%
NGP net revenue	£m	**3**	3	0%	0%	0%
Adjusted operating profit	£m	**445**	407	+9.3%	+6.6%	8.5%

*2022 figures restated for the transfer of the Central & Eastern Europe cluster from Europe to AAA (now known as AAACE). The change excluding Russia removes the HY22 contribution from Russia of 6.9bn SE volumes, £54million of net revenue and £7m of adjusted operating profit. There was £0m of NGP net revenue in Russia.

Headlines

- Results are affected by our exit from Russia in April 2022
- Region now includes our Central & Eastern Europe cluster; comparator figures have been restated
- Strong regional financial delivery driven primarily by Australia, CCE and Middle East
- Pricing discipline supports strong price mix gains and financial performance
- NGP net revenue flat with investment to fund new product and market launches in Central and Eastern Europe
- Adjusted operating profit delivery driven by strong tobacco performance and increased NGP investment

The region delivered a strong operational and financial performance although the results were affected by our decision to exit the Russian market in April 2022. The contribution from Russia in the prior period is outlined above. In addition, as we look to drive value from our wider market portfolio, we have transferred the management of our Central & Eastern European markets from Europe to this region. Given their similar characteristics, we believe these markets will benefit from being under the new regional leadership team where we have been enhancing our capabilities and expertise to manage our portfolio of smaller markets to unlock value and become platforms for future growth.

Our results benefited from a strong focus on pricing discipline across the region while optimising our market share. We continued to optimise our brand portfolio management by leveraging our local jewel brands alongside our international brands, while maintaining a disciplined and targeted approach to our investment in sales execution and marketing in line with our strategy to drive value from our broader market portfolio.

In Australia, we raised prices early in the period while also delivering a modest improvement in market share against a highly competitive market backdrop with record levels of illicit trade. We refined our approach to revenue growth management to optimise value creation from across our portfolio with a clear brand offering at each of the key price points. This has supported our decisions on pricing and product innovation, for example we launched JPS Evolve in the mid-price tier in both cigarette and fine cut formats. These actions have driven an improvement in financial performance.

In our African markets, strong pricing more than offset weaker volumes as consumer spending was affected by the rising cost of living and there was an increase in illicit trade in some countries. We remain focused on increasing consumer engagement through careful management of selective local jewel and key international brands, and we have diverse brand portfolios for each country to meet the differing adult consumer demands.

In the Middle East, markets such as Kuwait benefited from borders reopening and we exercised strong pricing discipline while managing our share position. Davidoff performed well in Kuwait. In Asia, the resumption of travel impacted volumes in Taiwan and the competitive dynamic made pricing gains tougher.

Pricing was stronger across the majority of our Central & Eastern European markets, which more than offset volume declines to support financial delivery.

Tobacco volumes declined 17.8% driven by our exit from Russia. Excluding Russia, volumes declined 5.8%. However, strong price mix (+14.4% ex Russia) more than offset volume declines to grow tobacco net revenue by 8.6% ex Russia on a constant currency basis.

NGP net revenue was flat reflecting the build-out of distribution in the Czech Republic last year, where we continued to grow our share. Our successful trial in the Czech Republic, validated our consumer proposition and we launched Pulze and iD into two additional markets of Hungary and Poland, although this occurred later in the period and we are continuing to build our distribution. We now also launched our upgraded Pulze 2.0 device, across all four markets, while expanding our iD stick offering with new flavour and limited edition crushball launches.

Adjusted operating profit grew 6.6% at constant currency driven by a strong tobacco performance in Australia, Africa and the Middle East, which more than offset increased NGP investment to fund new product and market launches. Excluding Russia, adjusted operating profit grew 8.5% at constant currency.

Priority Market	Performance
Tobacco share	
Australia • 31.6% (+1 bps) • 4% of Group net revenue	We achieved pricing gains early in the period through applying revenue growth management techniques to optimise the value creation across our brand portfolio while managing our overall market share delivery. Our performance also benefited from innovation in our offerings, for example with the launch of JPS Evolve in October 2022 for both cigarettes and fine cut. Market size declines increased to 12.9% with the pressure on consumer affordability as well as record levels of illicit trade.

DISTRIBUTION

		Half year result		Change	
		2023	2022	Actual	Constant currency
Distribution gross profit*	£m	**731**	502	+45.6%	+39.9%
Adjusted operating profit	£m	**150**	121	+24.0%	+19.0%
Adjusted operating profit margin	%	**20.5**	24.1	-358bps	-359bps
Eliminations	£m	**(2)**	(2)	+0%	+0%
Adjusted operating profit (inc. eliminations)	£m	**148**	119	+24.4%	+19.3%

*Distribution gross profit is Distribution revenue less the cost of distributing products. This was previously referred to as Distribution net revenue.

Headlines

- Gross profit includes contributions from recent acquisitions
- Performance of underlying business in line with expectations
- Better than expected adjusted operating profit includes strong contribution from profit on inventory

Distribution consists of our 50.01% stake in Logista. The results include the incremental financial contribution from the acquisitions of Transportes El Mosca (60%) and Carbó Collbatallé S.L. (100%), which were not in the prior year period, and Speedlink Worldwide Express B.V. (70%), which was included from February 2022. The acquisitions are in line with Logista's strategy to accelerate growth in European non-tobacco distribution. Following the 60% acquisition of Transportes El Mosca (a Spanish-based international transportation company) in October 2022, Logista is now the second largest temperature-controlled transportation company in Spain, and brings both maritime and road transportation assets to the Group. Carbó Collbatallé, acquired in September 2022, brings specialisation in frozen and refridgerated transportation in the food sector in Spain and Speedlink, acquired in February 2022, a Dutch express, courier company expands the B2B parcel business.

Gross profit – Gross profit at £731 million was 39.9% higher on a constant currency basis with strong underlying performance across the three key regions (Iberia, France and Italy), further enhanced by the contribution from acquisitions.

In Iberia, growth in gross profit was driven in part by tobacco and related products, with the former benefitting from manufacturer price increases in Spain. The transport services recorded a strong growth year-on-year, partly as a result of the integration of the new acquisitions. In the long-distance segment, Logista Freight recorded double digit growth including the integration of Transportes El Mosca (60%). In the industrial parcel segment, Logista Parcel continued to benefit from improving demand for its services and has started to integrate with the Carbó Collbatallé network. Growth in parcel delivery business benefited from the acquisition of Speedlink (70%) and from single digit growth in Nacex business. Pharmaceutical distribution continues to expand both its customer base and product offering.

In Italy, gross profit was supported by good performance in tobacco and NGP volumes together with strong growth in convenience products, driven by disposable vaping products.

In France, gross profit was impacted by tobacco volume declines, which continued into the period end following the excise tax increase and subsequent price increases by the tobacco manufacturers. This was offset by the positive performance in convenience product distribution, driven by the growth in disposable vaping products.

Operating profit – Adjusted operating profit margin reduced by 359 basis points at constant currency as the acquired businesses diluted Logista's strong pre-acquisition margins. After eliminations, the adjusted operating profit contribution to the Group increased 19.3% on a constant currency basis, driven by the acquired businesses and a strong contribution from profit on inventory in Spain following manufacturers price increases in the period. Restructuring charges of £6 million were included in adjusted operating profit. This is in line with our policy on adjusting items where restructuring charges are now not recognised as an adjusting item after FY22.

Cash – In line with other Imperial-owned entities, we continue to benefit from an inter-company cash pooling arrangement with Logista, which further enhances the Group's liquidity. On a 12-month basis, the daily average cash balance loaned to the Group by Logista was £1.8 billion, with movements in the cash position during the 12-month period varying from a high of £2.3 billion to a low of £1.0 billion, primarily due to the timing of excise duty payments. At 31 March 2023, the loan position was £1.7 billion compared to £1.8 billion at 31 March 2022.

Strengthening our performance

These results reflect the resilient performance of the business as we move into the next phase of our strategy to deliver improving returns. In the period, we have consolidated the strong market share gains achieved last year, achieved robust tobacco pricing gains and undertaken targeted investments to support our five-year strategy.

On a constant currency basis, Group net revenue declined 1.0%, reflecting our exit from Russia in April 2022. Group adjusted operating profit rose 0.8%, on a constant currency basis. Excluding Russia, group net revenue grew 0.6%. and Group adjusted operating profit rose 1.2%, on a constant currency basis.

Reported revenue increased +0.3% as the decline in tobacco and NGP revenue, reflecting of our exit from Russia, was offset by growth in Distribution revenue. Reported operating profit increased 27.7%, mainly due to the non-recurrence of exit charges related to the Russian asset disposal (£201 million) taken in the prior period.

Cash generation remains a key focus. The free cash outflow of £0.4 billion reported in the period reflects temporary working capital outflows and we remain on track to deliver material inflows at full year. Reported net debt increased by £0.5 billion to £10,239 million and adjusted net debt/EBITDA was flat year-on-year at 2.4x.

As previously announced, having reached our target leverage in FY23, we began an ongoing, multi-year share buyback programme. In the period, we repurchased £500 million of shares of the £1.0 billion of shares during FY23.

SUMMARY INCOME STATEMENT

	Half Year Results			
	Reported		Adjusted	
£ million (unless otherwise indicated)	2023	2022	2023	2022
Revenue/net revenue/gross profit*				
Tobacco & NGP revenue/net revenue	**10,209**	10,723	**3,663**	3,495
Distribution revenue/gross profit	**5,202**	4,639	**731**	502
Operating profit				
Total Tobacco & NGP	**1,386**	1,124	**1,568**	1,481
Distribution	**150**	79	**150**	121
Eliminations	**(2)**	(2)	**(2)**	(2)
Group operating profit	**1,534**	1,201	**1,716**	1,600
Net finance (cost)/income	**(94)**	75	**(199)**	(165)
Share of profit/(losses) of investments accounted for using the equity method	**3**	(20)	**3**	4
Profit before tax	**1,443**	1,256	**1,520**	1,439
Tax	**(277)**	(221)	**(340)**	(316)
Profit for the year	**1,166**	1,035	**1,180**	1,123
Minority Interests	**(72)**	(40)	**(72)**	(54)
Earnings per ordinary share (pence)	**117.0**	105.2	**118.5**	113.0
Dividend per share (pence)	**43.18**	42.54	**43.18**	42.54

* Reported revenue includes duty, similar items, distribution and sale of peripheral products, which are excluded from net revenue; net revenue comprises reported revenue less duty and similar items, excluding sale of peripheral products and distribution revenue. Distribution gross profit is Distribution revenue less the cost of distributing products. This was previously referred to as Distribution net revenue.

Impact of Russia Exit

On 20 April 2022, we announced the transfer of our Russian business to local investors. This has affected the year-on-year performance comparison in these results. We provide below the contribution from our Russian business in HY22 for key metrics in order to facilitate comparison between the two periods; we have also provided year-on-year comparisons including and excluding Russia.

HY22 Russia contribution		Russia
Tobacco volume	bn SE	6.9
Total tobacco & NGP net revenue	£m	54
Tobacco net revenue	£m	54
NGP net revenue	£m	-
Adjusted operating profit	£m	7

SUMMARY CASH FLOW STATEMENT

£ million (unless otherwise indicated)	Half Year Results			
	Reported		Adjusted	
	2023	2022	**2023**	2022
Group operating profit	**1,534**	1,201	**1,716**	1,600
Depreciation, amortisation and impairment	**315**	356	**141**	125
EBITDA	**1,849**	1,557	**1,857**	1,725
Loss/(profit) on disposal of subsidiary	**1**	16	**-**	–
Other non-cash movements	**(53)**	52	**1**	(45)
Operating cash flows before movement in working capital	**1,797**	1,625	**1,858**	1,680
Working capital	**(1,626)**	(652)	**(1,626)**	(665)
Tax cash flow	**(175)**	(273)	**(175)**	(273)
Cash flows from operating activities	**(4)**	700	**57**	742
Net capex	**(119)**	(64)	**(119)**	(64)
Restructuring	**-**	–	**(61)**	(42)
Cash interest	**(237)**	(242)	**(237)**	(242)
Minority interest dividends	**(72)**	(58)	**(72)**	(58)
Free cash flow	**(432)**	336	**(432)**	336
Acquisitions/disposals	**(119)**	44	**(119)**	44
Shareholder dividends	**(921)**	(917)	**(921)**	(917)
Purchase of ESOT shares	**-**	(1)	**-**	(1)
Repurchase of shares	**(500)**	-	**(500)**	-
Net cash flow	**(1,972)**	(538)	**(1,972)**	(538)

Alternative performance measures (APM)

When managing the performance of our business we focus on non-GAAP measures, which we refer to as alternative measures. We believe they provide a useful comparison of underlying performance from one period to the next, as GAAP measures can include one-off, non-recurring items and recurring items that relate to earlier acquisitions. These APMs 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 APMs is explained in the accounting policies accompanying our financial statements and the APM section within the supplementary information.

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.

While we believe that APMs can provide helpful information which supplements reported measures, we are also aware of the need to ensure that an appropriate balance is maintained between the two sets of reporting metrics, with adjusted disclosures not being given greater prominence than GAAP measures. In line with this, we have reduced the number of APMs used this year.

GROUP RESULTS – ADJUSTED CONSTANT CURRENCY ANALYSIS

£ million (unless otherwise indicated)	Half year ended 31 March 2022	Foreign exchange	Constant currency movement	Half year ended 31 March 2023	Change	Constant currency change
Tobacco & NGP net revenue						
Europe	1,370	42	16	1,428	4.2%	1.2%
Americas	1,160	137	(74)	1,223	5.4%	(6.4%)
Africa, Asia, Australasia and Central & Eastern Europe	965	23	24	1,012	4.9%	2.5%*
Total tobacco & NGP net revenue	3,495	**202**	**(34)**	**3,663**	**4.8%**	**(1.0%)****
Tobacco & NGP adjusted operating profit						
Europe	621	23	(33)	611	(1.6%)	(5.3%)
Americas	453	64	(5)	512	13.0%	(1.1)%
Africa, Asia, Australasia and Central & Eastern Europe	407	11	27	445	9.3%	6.6%*
Total tobacco & NGP adjusted operating profit	1,481	**98**	**(11)**	**1,568**	**5.9%**	**(0.7%)****
Distribution						
Gross profit	502	29	200	731	45.6%	39.9%
Adjusted operating profit including eliminations	119	**6**	**23**	**148**	**24.4%**	**19.3%**
Group adjusted results						
Adjusted operating profit	1,600	104	12	1,716	7.3%	0.8%**
Adjusted net finance costs	(165)	(11)	(23)	(199)	(20.6%)	(13.9%)
Adjusted eps (pence)	113.0	7.4	(1.9)	118.5	4.9%	(1.7%)**

* Africa, Asia, Australasia and Central & Eastern Europe performance has been impacted by our exit from Russia; at constant currency excluding Russia tobacco & NGP net revenue grew 8.6% at constant currency and tobacco and NGP adjusted operating profit grew 8.5%

** Group performance has been impacted by our exit from Russia; at constant currency excluding Russia tobacco & NGP net revenue grew 0.6%, tobacco and NGP adjusted operating profit declined 0.3%, Group adjusted operating profit grew 1.2% and Group adjusted eps declined 1.2%

SALES PERFORMANCE

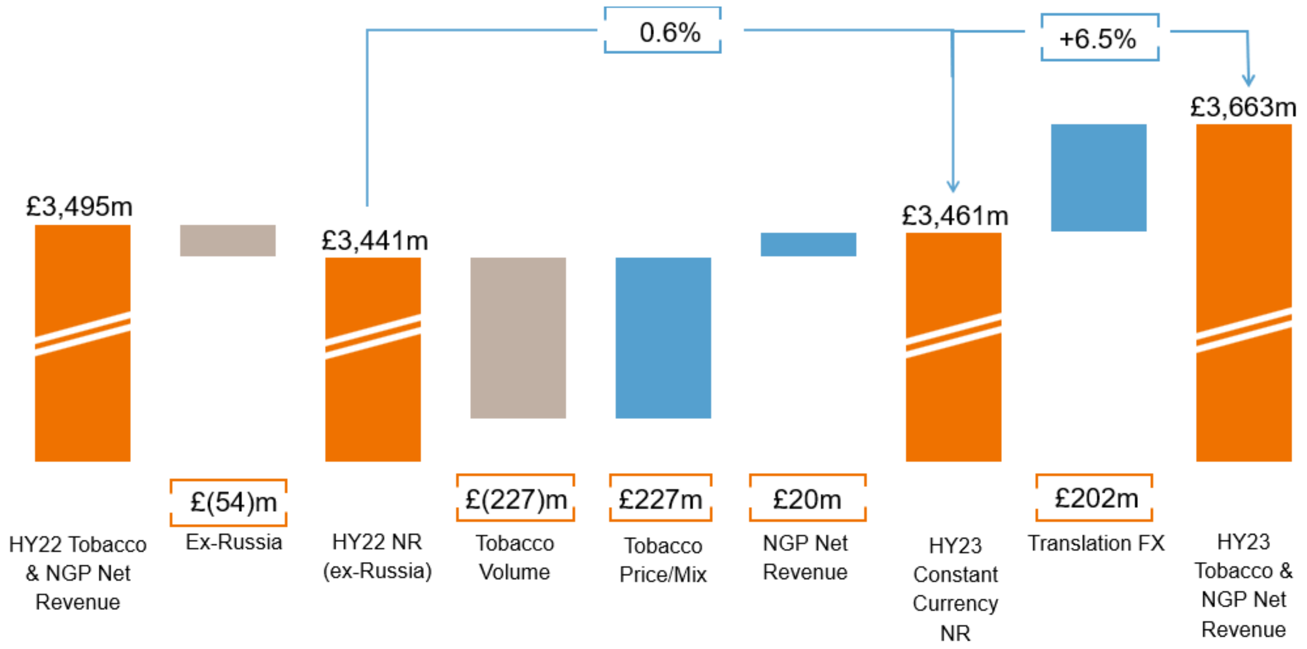
Reported revenue

+0.3%

Tobacco & NGP net revenue

-1.0%

- Reported revenue increased +0.3% as the decline in tobacco and NGP revenue was offset by growth in Distribution revenue as a result of acquisitions at Logista.
- Tobacco & NGP net revenue declined -1.0% at constant currency with tobacco -1.6% and NGP +19.8%; excluding Russia, net revenue grew by +0.6%.
- Tobacco volume was down -12.7%, reflecting volume declines in Europe and Americas as a result of price and excise increases, continued COVID-19 restrictions unwind and the exit from Russia in the prior year; excluding Russia tobacco volumes were down 6.8%.
- Aggregate market share growth in our top-five priority markets of +20 bps (HY22: +25bps).
- Tobacco price mix was strong at +11.1% due to positive pricing and market mix from our Russian market exit. Excluding Russia, price mix was up +6.8%.
- NGP net revenue increased +19.8% at constant currency, led by product and market launches in Europe and AAACE, offsetting continued declines in the USA.
- Translation FX was favourable due to sterling weakening against the dollar but partially offset by strengthening against the euro.



OPERATING PROFIT

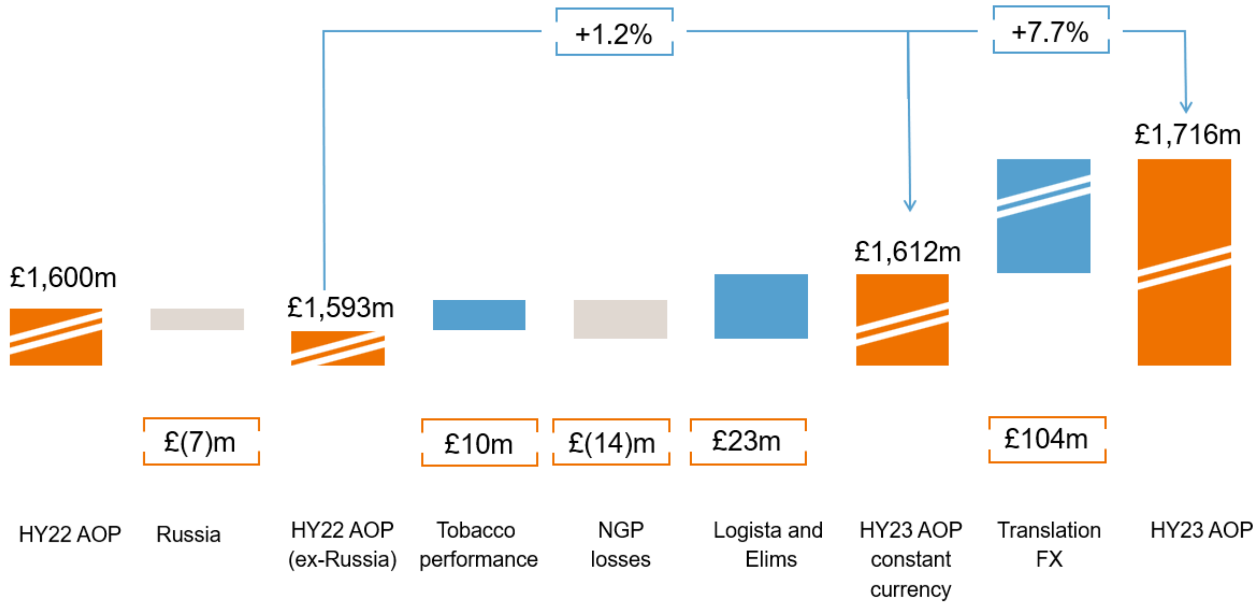
Reported operating profit

+27.7%

Adjusted operating profit

+0.8%

- Reported Group operating profit of £1,534m increased +27.7%, primarily driven by the non-recurrence of exit charges related to the Russian asset disposal (£201m) taken in the prior period.
- Adjusted Group operating profit increased 0.8% at constant currency driven by Logista performance and strong tobacco pricing offsetting increased NGP losses. Excluding Russia, Group adjusted operating profit increased 1.2%.
- Tobacco adjusted operating profit increased by 0.2% at constant currency reflecting strong pricing offsetting volume declines and our exit from Russia in the prior period; excluding Russia tobacco adjusted operating profit rose +0.7% at constant currency.
- NGP losses increased +33.3% as we increased the pace of product and market launches.
- Translation FX reflects sterling weakening against the dollar, partially offset by strengthening against the euro.



EARNINGS PER SHARE

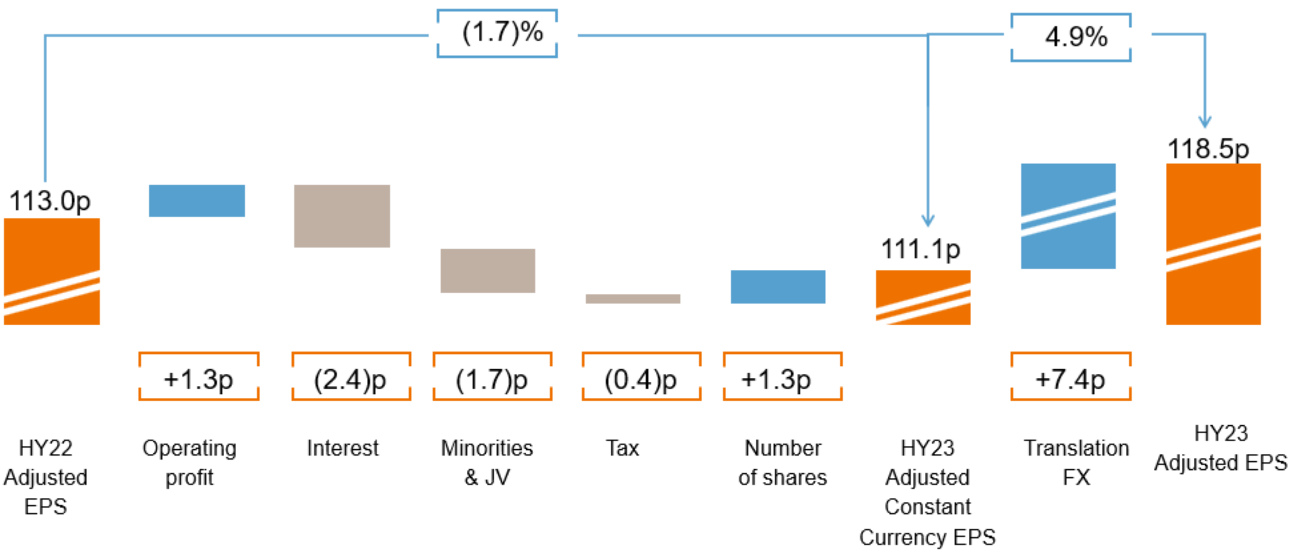
Reported EPS

+11.2%

Adjusted EPS

-1.7%

- Reported EPS increased 11.2% to 117.0 pence driven by the higher operating profit and a reduction in share count
- Adjusted EPS was 118.5 pence, down 1.7% at constant currency due to increased minority interests, reflecting growth at Logista, and higher interest and tax costs. Excluding Russia, Group EPS declined 1.2%.



CASH FLOW

Cash outflows from operating activities were £4 million (2022: £700 million inflow), driven by a higher working capital outflow relative to the prior year. This was driven by an investment in temporarily increased pre-production stock levels ahead of price increases and an increase in receivables net of payables, including the payment of €250 million of deferred consideration for the PCD disposal in the prior year.

As anticipated, capital expenditure of £119 million was higher than the prior year (2022: £64 million). For the full year, we anticipate capital expenditure will be between £300 million and £350 million, as previously guided. The increased capital expenditure will support projects to drive simplified and efficient operations in line with our strategic plan.

Adjusted operating cash conversion was 77% (2022: 102%) on a 12-month basis.

	Half Year Result	
£ million (unless otherwise indicated)	**2023**	2022
Cash flow from operating activities	**(4)**	700
Free cash flow	**(432)**	336
Net cash flow	**(1,972)**	(538)
12-month adjusted operating profit	**3,810**	3,584
12-month cash flow post capital expenditure pre interest and tax	**2,943**	3,643
12-month adjusted operating cash conversion	**77%**	102%

Restructuring cash costs were £61 million (2022: £42 million). We have cash spend from our three previous restructuring programmes: Cost Optimisation Programme I of £22 million (2022: £6 million), Cost Optimisation Programme II of £5 million (2022: £12 million) and the 2021 Strategic Review Programme of £34 million (2022: £24 million). Together the total cash spend for all three restructuring programmes is anticipated to be £1,558 million, of which £1,309 million has been spent to date. The remainder is expected to continue throughout FY23 and beyond.

	Half Year Result	
£ million	**2023**	2022
Restructuring cash cost	**61**	42
Cumulative to date	**1,309**	1,209
Anticipated total	**1,558**	1,558

The year-on-year reduction in free cash flow to £432 million outflow (2022: £336 million inflow) was driven by increased stock and lower payables due to the timing of price increases and building stock to realise profits in the second half of the year.

The net cash flow of £(1,972) million (2022: £(538) million) reduced year-on-year, reflecting higher acquisition costs compared to the prior year and share buyback programme. Acquisition costs were £(119) million (2022: £44 million) and relate to Logista's acquisition of Transportes El Mosca (60%) and Carbó Collbatallé S.L. (100%), both of which completed in the period. The share buyback programme commenced in October 2022 and we repurchased £500 million of shares of the £1.0 billion of shares during the period.

ADJUSTED NET DEBT/EBITDA

Adjusted net debt increased by £642 million (2022 reduced: £1,171 million) year on year, driven by an outflow of cash driven by working capital. On a 12-month basis, adjusted net debt/EBITDA remained flat at 2.4x.

Reported net debt increased by £482 million to £10,239 million (2022: £9,757 million). Excluding accrued interest, lease liabilities and the fair value of derivative financial instruments providing commercial hedges of interest risk, Group adjusted net debt was £9,799 million (2022: £9,157 million).

	Half Year Result	
£ million	**2023**	2022
Reported net debt	**(10,239)**	(9,757)
Accrued interest	**76**	68
Lease liabilities	**355**	241
Fair value of interest rate derivatives	**9**	291
Adjusted net debt	**(9,799)**	(9,157)
12-month EBITDA	**4,073**	3,817
Adjusted net debt/EBITDA	**2.4x**	2.4x

RECONCILIATION BETWEEN REPORTED AND ADJUSTED PERFORMANCE MEASURES

	Half Year Result					
	Operating profit		Net finance (costs)/income		Earnings per share (pence)	
£ million unless otherwise indicated	**2023**	2022	**2023**	2022	**2023**	2022
Reported	**1,534**	1,201	**(94)**	75	**117.0**	105.2
Russian and associated markets exit	-	201	–	–	-	21.3
Acquisition and disposal costs	-	5	–	–	-	0.5
Amortisation & impairment of acquired intangibles	**174**	182	–	–	**18.7**	18.4
Excise tax provision	-	(10)	–	–	-	(1.1)
Fair value adjustment of financial assets	**7**	(2)	–	–	**0.7**	(0.2)
Loss on disposal of subsidiaries	**1**	16	–	–	**0.1**	1.0
Restructuring costs	-	7	–	–	-	0.4
Fair value and exchange movements on financial instruments	–	–	**(108)**	(236)	**(18.7)**	(25.2)
Post-employment benefits net financing costs	–	–	**(7)**	(4)	**(0.7)**	(0.4)
Taxation settlements interest cost	–	–	**10**	–	**1.1**	–
Brand impairment in equity accounted joint venture	–	–	–	–	–	2.5
Uncertain tax positions	–	–	–	–	**0.3**	(6.0)
Deferred tax on unremitted earnings	–	–	–	–	-	(2.7)
Tax on unrecognised losses	–	–	–	–	-	0.8
Adjustments above attributable to non-controlling interests	–	–	–	–	-	(1.5)
Adjusted	**1,716**	1,600	**(199)**	(165)	**118.5**	113.0

Adjusting items

The main reconciling terms of the Group's adjusted to reported operating profit are shown above.

In the period to 31 March 2023 adjusting items mainly relate to amortisation of acquired intangibles of £174 million (2022: £182 million) across Tobacco & NGP and Distribution.

Adjusting items in the prior period included net charges associated with our exit and sale of our Russian business and associated markets as well as restructuring costs which have not been repeated in the current period. We have not treated restructuring costs as adjusting items in these results although there has been ongoing cash spend from past restructuring programmes.

Finance costs

Adjusted net finance costs were higher at £199 million (2022: £165 million), primarily reflecting the increase in EUR, USD and GBP interest rates, which have impacted the rates achieved on bonds issued within the last year, as well as those paid in relation to derivatives and the factoring programme. Reported net finance cost was £94 million (2022: income of £75 million), incorporating the impact of net fair value and foreign exchange gains on financial instruments of £108 million (2022: £236 million), post-employment benefits net financing income of £7 million (2022: £4 million) and including a £10 million taxation settlements interest cost. The gains on financial instruments are primarily due to fair value gains of £92 million, resulting from positive valuation movements of the Group's interest rate derivatives, with increasing market interest rate expectations in the short-term offsetting lower longer-term expectations.

Our all-in cost of debt increased to 4.1% (2022: 3.5%) due to interest rate rises resulting in a need to refinance at a higher cost of debt.

Our interest cover reduced to 9.3x (2022: 10.8x) reflecting the higher adjusted net finance costs.

Given the rising interest environment, we expect upward pressure on finance cost going forward, although we have hedging in place for 87% of our expected debt for the remainder of FY23.

Taxation

Our adjusted effective tax rate is 22.4% (2022: 21.9%) and the reported effective tax rate is 19.2% (2022: 17.6%). The increase in the adjusted effective tax rate primarily reflects the expected impact of the increase in the UK tax rate. The adjusted tax rate is higher than the reported rate due to limited tax arising on fair value and foreign exchange gains that arise on consolidation.

We expect our adjusted effective tax rate for the year ended 30 September 2023 to be around 22.0% to 23.0%.

The effective tax rate is sensitive to the geographic mix of profits, reflecting a combination of higher rates in certain markets such as the USA and lower rates in other markets such as the UK.

The rate is also sensitive to future legislative changes affecting international businesses such as changes arising from the OECD's (Organisation for Economic Co-operation and Development) Base Erosion and Profits Shifting (BEPS) work. Whilst we seek to mitigate the impact of these changes, we anticipate there will be further upward pressure on the adjusted and reported tax rate in the medium term.

Our Group tax strategy is publicly available and can be found in the Governance section of our corporate website.

Exchange rates

Foreign exchange had a positive impact on Group adjusted operating profit and earnings per share at average exchange rates (6.5% and 6.6%, respectively). Sterling weakened against the US dollar (11.3%) and weakened against the euro (3.9%). Other major currencies remained broadly flat compared to the prior year.

Dividend payments

The Group has paid two dividends in this financial year, the first being 49.31 pence per share in December 2022 and the second being 49.32 pence per share in March 2023.

The Board has approved an interim dividend of 43.18 pence (HY22: 42.54 pence) per share which represents an increase of 1.5 % over the prior year and is in line with the Group's progressive dividend policy. The interim dividend will be paid in two instalments of 21.59 pence (HY22: 21.27 pence) per share with the first payment being paid on 30 June 2023 to shareholders registered on 26 May 2023. The second interim dividend payment will be paid on 29 September 2023 to shareholders registered on 18 August 2023.

Funding/Liquidity

During the half year we repaid the US$ 0.35 billion (£292 million) remaining of our February 2023 US$ 1 billion bond. We issued a €0.6 billion (£533 million) bond in the half year with a coupon of 5.25%, maturing in February 2031. The denomination of our closing adjusted net debt was split approximately 90% euro and 10% US dollar. As at 31 March 2023, the Group had committed financing in place of around £12.7 billion, which comprised 24% bank facilities and 76% raised from capital markets. During the half year the maturity date of €3,191 million of the Group's existing syndicated multicurrency facility was extended to 31 March 2026; two tranches totalling €309 million were not extended and therefore remain at the 30 September 2025 maturity date.

The Group remains fully compliant with all our banking covenants and remains committed to retaining our investment grade ratings.

Principal Risks and Uncertainties

Risk Management is the responsibility of everyone across the Group. Whilst the Board remain ultimately accountable for Risk Management, our approach is designed to enable our people to proactively identify and assess risks on an ongoing basis and to ensure the effectiveness and appropriateness of related mitigating actions. The business is supported by subject matter experts in our second line of defence to ensure the Group's control frameworks align to achieving our strategic objectives whilst operating within the Board's defined risk appetite. To further strengthen the risk management framework within the Group, a continuous improvement programme is underway to further standardise the application of risk management and controls across the Group.

The Group is exposed to geopolitical and economic conditions of the countries and regions in which it operates, which could impact its largest markets and may affect continuity of supply. Any adverse geopolitical or economic developments in, or affecting, the Group's key countries and regions, including, but not limited to, the outbreak of war or conflict, pandemics, inflation, rising interest rates and recessionary conditions could impact the Group and its operations.

The wider socio-economic effects of the conflict in Ukraine have continued to impact businesses and consumers through the impact on energy prices and energy supply in Europe, which is largely dependent on Russian natural gas and crude oil, with further impacts on the cost of raw materials and commodity prices. The impact of inflation is being considered as part of a number of risks. Inflationary pressures increase input costs and commodity prices, with further pressure placed upon consumer disposable income from increases in fuel and food prices potentially creating affordability concerns. This, in turn, could result in reduced consumption, consumer downtrading or increased consumption of illicit products. These pressures could adversely impact the size of the legitimate nicotine market with additional impacts from regulatory change, excise tax or increases in other product taxes. Compared to other consumer goods companies, however, the Group has a high gross margin with the low cost of goods sold. The long stockholding for tobacco leaf gives the Group visibility of upcoming inflationary pressures and this, combined with the Group's resilient business model, enables the Group to pass on cost inflation through product pricing, which mitigates the Group's inflationary risk.

Whilst some pressures on the supply chain have eased due to relaxation of COVID-19 lockdown restrictions in China, the risk of further supply chain disruptions continues to be actively considered across all regions. The Group is exposed to the geopolitical and economic conditions of the countries and regions in which it operates, which could impact the supply chain as a result of energy or labour shortages, sanctions or physical disruption to infrastructure and supply routes. Additionally, the impacts on global supply chains, financial markets, and businesses in commercial distress are being actively considered and mitigating actions taken across the business.

Regulatory change aimed at further de-normalising the consumption of tobacco and nicotine products adversely impacts the Group. As well as changing regulation for combustible tobacco, increasing regulatory maturity and complexity is being seen within NGP categories as the market for alternatives to smoking grows.

We are impacted by excise and regulatory risks across other regions and appropriate mitigations continue to be applied to manage the impact of both current and future regulatory change.

The Group continuously evaluates the risk posed by cyber criminals combined with current geopolitical tensions and will continue to monitor the effectiveness of our security controls.

The Board continues to monitor the principal risks and uncertainties to which the Group is exposed. The risks and the approach to managing the risks remains consistent with that identified on pages 82-93 of our 2022 Annual Report and Accounts, and covers the following areas:

- Pricing, excise, or other product tax outcomes not in line with business plan assumptions or expectations
- Failure to influence the direction of material regulatory change and/or manage the impacts of regulatory change in relation to products/markets operated in
- Product supply fails to meet market demands (stock issues in market) or increasing cost
- Major incident resulting from cyber or similar technology risk
- Failure to identify or respond to changes in consumer behaviour and/or market environment
- Product portfolio and/or interaction approach not aligned to consumer preferences
- Delivery of ESG strategy not aligned to stakeholder expectations
- Failure to develop a sustainable Harm Reduction category
- Adverse judgement or impact in litigation case
- Failure to manage direct/indirect tax positions/reporting
- People and organisation

Climate risks are specifically considered across the business in relation to their impact on existing risks, rather than as a risk in itself. This ensures that all risk owners consider the impacts of climate change, notably within our supply chain, on both a current and forward-looking basis. Expert second line assistance is provided by our ESG Team along with independent external advice to best understand impacts on our global footprint.

We assess geopolitical risks on the same basis as climate above. As a multinational we are exposed to a wide variety of operating environments and cultures, and so local assessment of risks and impacts form a key input to our ongoing management of geopolitical risks, with support available from second line centres of expertise. This approach ensures responsibility for identification, assessment, and mitigation of risks is consistently understood and applied across the business.

The Group continues to successfully progress with its organisational change initiatives. Failure to manage both the potential short and long-term adverse impacts of organisational change could result in material adverse effects on the Group, from both the crystallisation of risks and the failure to seize opportunities in an increasingly dynamic marketplace. Appropriate frameworks and governance continue to be applied to our change programmes to best ensure achievement of intended positive commercial and strategic outcomes.

Liquidity and going concern statement

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.

The Group recognises the uncertainty of the external environment. During the period of the Covid-19 pandemic as well as during the ongoing period of political uncertainty with regard to Ukraine and Russia, the Group effectively managed operations across the world, and has proved it has an established mechanism to operate efficiently despite uncertainty. The Directors consider that a one-off discrete event with immediate cash outflow is of greatest concern to the short-term liquidity of the Group.

The Directors have assessed the principal risks of the business, including stress testing a range of different scenarios that may affect the business. These included scenarios which examined the implications of:

- A one-off discrete event resulting in immediate cash outflow such as unexpected duty and tax payments; and/or other legal and regulatory risks materialising; of c£1,000m.
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 15 per cent from 1 April 2023.
- The additional impact of potential bad debt risks arising from a recession of c£220m.
- The withdrawal of facilities that provide receivables factoring of c£660m.

The scenario planning also considered mitigation actions including reductions to capital expenditure, dividend payments and share buyback programme. There are additional actions that were not modelled but could be taken including other cost mitigations such as staff redundancies, retrenchment of leases, and discussions with lenders about capital structure.

Under the worst-case scenario, where the largest envisaged downside scenarios all take place at the same time the Group would have sufficient headroom until April 2024. The Group believes this worst-case scenario to be highly unlikely given the relatively small impact on our trading performance and bad debt levels during the Covid-19 pandemic, as well as form current situation in Ukraine. In this scenario Group would implement a number of mitigating actions including revoking the uncommitted dividend, pausing share buyback and reducing discretionary spend such as capex.

Based on its review of future cashflows covering the period through to September 2024, 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 their operational needs from the date of this Report through to 30 September 2024 and concludes that it is appropriate to prepare the financial statements on a going concern basis.

Statement of Directors' Responsibilities

The Directors confirm that this condensed consolidated interim financial information has been prepared in accordance with UK-adopted IAS 34 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.

LUKAS PARAVICINI
CHIEF FINANCIAL OFFICER

INDEPENDENT REVIEW REPORT TO IMPERIAL BRANDS PLC

Conclusion

We have been engaged by the Company to review the condensed consolidated interim financial statements in the Half Year Results Statement of Imperial Brands PLC for the six months ended 31 March 2023 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statements and the notes to the financial statements, including the supplementary information. We have read the other information contained in the Half Year Results Statement and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed consolidated interim financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed consolidated interim financial statements in the Half Year Results Statement for the six months ended 31 March 2023 is not prepared, in all material respects, in accordance with UK adopted International Accounting Standard 34 and the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

Basis for Conclusion

We conducted our review in accordance with International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" (ISRE) issued by the Financial Reporting Council. 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.

As disclosed in note 1, the annual financial statements of the group are prepared in accordance with UK adopted international accounting standards. The condensed consolidated interim financial statements included in this Half Year Results Statement has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

Conclusions Relating to Going Concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis of Conclusion section of this report, nothing has come to our attention to suggest that management have inappropriately adopted the going concern basis of accounting or that management have identified material uncertainties relating to going concern that are not appropriately disclosed.

This conclusion is based on the review procedures performed in accordance with this ISRE, however future events or conditions may cause the entity to cease to continue as a going concern.

Responsibilities of the directors

The directors are responsible for preparing the Half Year Results Statement in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

In preparing the Half Year Results Statement, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the review of the financial information

In reviewing the Half Year Results Statement, we are responsible for expressing to the Company a conclusion on the condensed consolidated interim financial statements in the half-yearly financial report. Our conclusion, including our Conclusions Relating to Going Concern, are based on procedures that are less extensive than audit procedures, as described in the Basis for Conclusion paragraph of this report.

Use of our report

This report is made solely to the company in accordance with guidance contained in International Standard on Review Engagements 2410 (UK) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our work, for this report, or for the conclusions we have formed.

Ernst & Young LLP
London
16 May 2023

CONSOLIDATED INCOME STATEMENT

£ million unless otherwise indicated	Notes	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Revenue	3	**15,411**	15,362	32,551
Duty and similar items		**(6,899)**	(7,539)	(15,644)
Other cost of sales		**(5,427)**	(5,087)	(10,869)
Cost of sales		**(12,326)**	(12,626)	(26,513)
Gross profit		**3,085**	2,736	6,038
Distribution, advertising and selling costs		**(1,216)**	(968)	(2,021)
Administrative and other expenses		**(335)**	(567)	(1,334)
Operating profit	3	**1,534**	1,201	2,683
Investment income		**473**	908	1,600
Finance costs		**(567)**	(833)	(1,717)
Net finance (costs) / income		**(94)**	75	(117)
Share of profit / (loss) of investments accounted for using the equity method		**3**	(20)	(15)
Profit before tax		**1,443**	1,256	2,551
Tax		**(277)**	(221)	(886)
Profit for the period		**1,166**	1,035	1,665
Attributable to:				
Owners of the parent		**1,094**	995	1,570
Non-controlling interests		**72**	40	95
Earnings per ordinary share (pence)				
- Basic	10	**117.0**	105.2	165.9
- Diluted	10	**116.1**	104.8	164.7

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Profit for the period	**1,166**	1,035	1,665
Other comprehensive income			
Exchange movements	**(536)**	(96)	841
Exchange movements recycled to profit and loss upon disposal of subsidiaries	**-**	-	190
Hyperinflation adjustment in the period	**4**	-	11
Current tax on hedge of net investments and quasi-equity loans	**(82)**	(9)	148
Items that may be reclassified to profit and loss	**(614)**	(105)	1,190
Net actuarial (losses) / gains on retirement benefits	**(376)**	(12)	76
Current tax relating to net actuarial (losses) / gains on retirement benefits	**5**	10	10
Deferred tax relating to net actuarial losses / gains on retirement benefits / (gains)	**94**	(14)	(52)
Items that will not be reclassified to profit and loss	**(277)**	(16)	34
Other comprehensive (loss) / income for the period, net of tax	**(891)**	(121)	1,224
Total comprehensive income for the period	**275**	914	2,889
Attributable to:			
Owners of the parent	**206**	885	2,778
Non-controlling interests	**69**	29	111
Total comprehensive income for the period	**275**	914	2,889

CONSOLIDATED BALANCE SHEET

£ million	Notes	Unaudited 31 March 2023	Unaudited 31 March 2022	Audited 30 September 2022
Non-current assets				
Intangible assets		**17,006**	16,431	17,777
Property, plant and equipment		**1,622**	1,609	1,659
Right of use assets		**330**	232	228
Investments accounted for using the equity method		**62**	67	56
Retirement benefit assets	6	**474**	1,048	826
Trade and other receivables		**63**	74	67
Derivative financial instruments	12/13	**694**	179	985
Deferred tax assets		**420**	503	439
State aid tax recoverable		**-**	101	-
		20,671	20,244	22,037
Current assets				
Inventories		**5,025**	4,445	4,140
Trade and other receivables		**2,669**	2,284	2,543
Current tax assets		**179**	261	334
Cash and cash equivalents	13	**596**	588	1,850
Derivative financial instruments	12/13	**72**	58	54
Current assets held for disposal		**-**	231	-
		8,541	7,867	8,921
Total assets		**29,212**	28,111	30,958
Current liabilities				
Borrowings	12	**(1,873)**	(1,721)	(1,011)
Derivative financial instruments	12/13	**(166)**	(49)	(54)
Lease liabilities	13	**(82)**	(55)	(58)
Trade and other payables		**(8,924)**	(8,746)	(9,506)
Current tax liabilities		**(313)**	(213)	(307)
Provisions	5	**(165)**	(159)	(203)
Current liabilities held for disposal		**-**	(215)	-
		(11,523)	(11,158)	(11,139)
Non-current liabilities				
Borrowings	12	**(8,376)**	(7,979)	(8,996)
Derivative financial instruments	12/13	**(831)**	(592)	(1,072)
Lease liabilities	13	**(273)**	(186)	(190)
Trade and other payables		**(68)**	(8)	(10)
Deferred tax liabilities		**(844)**	(961)	(961)
Retirement benefit liabilities	6	**(886)**	(1,139)	(894)
Provisions	5	**(189)**	(195)	(223)
		(11,467)	(11,060)	(12,346)
Total liabilities		**(22,990)**	(22,218)	(23,485)
Net assets		**6,222**	5,893	7,473
Equity				
Share capital	7	**100**	103	103
Share premium and capital redemption		**5,840**	5,837	5,837
Retained earnings		**(1,076)**	(712)	(443)
Exchange translation reserve		**748**	106	1,363
Equity attributable to owners of the parent		**5,612**	5,334	6,860
Non-controlling interests		**610**	559	613
Total equity		**6,222**	5,893	7,473

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 2022	**103**	**5,837**	**(443)**	**1,363**	**6,860**	**613**	**7,473**
Profit for the period	**-**	**-**	**1,094**	**-**	**1,094**	**72**	**1,166**
Exchange movements on retranslation of assets	**-**	**-**	**-**	**(892)**	**(892)**	**(3)**	**(895)**
Exchange movements on net investment hedges	**-**	**-**	**-**	**356**	**356**	**-**	**356**
Exchange movements on quasi-equity loans	**-**	**-**	**-**	**3**	**3**	**-**	**3**
Hyperinflation adjustment in the period	**-**	**-**	**4**	**-**	**4**	**-**	**4**
Current tax on hedge of net investments and quasi-equity loans	**-**	**-**	**-**	**(82)**	**(82)**	**-**	**(82)**
Net actuarial losses on retirement benefits	**-**	**-**	**(376)**	**-**	**(376)**	**-**	**(376)**
Current tax relating to net actuarial loss on retirement benefits	**-**	**-**	**5**	**-**	**5**	**-**	**5**
Deferred tax relating to net actuarial loss on retirement benefits	**-**	**-**	**94**	**-**	**94**	**-**	**94**
Other comprehensive expense	**-**	**-**	**(273)**	**(615)**	**(888)**	**(3)**	**(891)**
Total comprehensive income/(expense)	**-**	**-**	**821**	**(615)**	**206**	**69**	**275**
Transactions with owners							
Costs of employees' services compensated by share schemes	**-**	**-**	**11**	**-**	**11**	**-**	**11**
Registration of put / call option	**-**	**-**	**(41)**	**-**	**(41)**	**-**	**(41)**
Repurchase of shares	**(3)**	**3**	**(503)**	**-**	**(503)**	**-**	**(503)**
Dividends paid	**-**	**-**	**(921)**	**-**	**(921)**	**(72)**	**(993)**
At 31 March 2023	**100**	**5,840**	**(1,076)**	**748**	**5,612**	**610**	**6,222**
At 1 October 2021	103	5,837	(788)	200	5352	588	5,940
Profit for the period	-	-	995	-	995	40	1,035
Exchange movements on assets	-	-	-	(77)	(77)	(11)	(88)
Exchange movements on net investment hedges	-	-	-	28	28	-	28
Exchange movements on quasi- equity loans	-	-	-	(36)	(36)	-	(36)
Current tax on hedge of net investments and quasi-equity loans	-	-	-	(9)	(9)	-	(9)
Net actuarial losses on retirement benefits	-	-	(12)	-	(12)	-	(12)
Current tax relating to net actuarial losses on retirement benefits	-	-	10	-	10	-	10
Deferred tax relating to net actuarial losses on retirement benefits	-	-	(14)	-	(14)	-	(14)
Other comprehensive expense	-	-	(16)	(94)	(110)	(11)	(121)
Total comprehensive income/(expense)	-	-	979	(94)	885	29	914
Transactions with owners							
Costs of employees' services compensated by share schemes	-	-	14	-	14	-	14
Dividends paid	-	-	(917)	-	(917)	(58)	(975)
At 31 March 2022	103	5,837	(712)	106	5,334	559	5,893

CONSOLIDATED CASHFLOW STATEMENT

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Cash flows from operating activities			
Operating profit	**1,534**	1,201	2,683
Dividends received from investments accounted for under the equity method	**-**	-	7
Depreciation, amortisation and impairment	**315**	356	660
(Profit) / loss on disposal of non-current assets	**(1)**	2	-
Loss on disposal of subsidiary	**1**	16	428
Post-employment benefits	**(16)**	(24)	(56)
Costs of employees' services compensated by share schemes	**14**	14	29
Fair value adjustment of financial assets	**7**	(2)	37
Movement in provisions	**(57)**	62	39
Operating cash flows before movement in working capital	**1,797**	1,625	3,827
Increase in inventories	**(1,009)**	(689)	(195)
(Increase) / decrease increase in trade and other receivables	**(113)**	240	89
(Decrease) / increase in trade and other payables	**(504)**	(203)	146
Movement in working capital	**(1,626)**	(652)	40
Tax paid	**(175)**	(273)	(681)
Net cash flows (used in) / generated from operating activities	**(4)**	700	3,186
Cash flows from investing activities			
Interest received	**5**	2	8
Proceeds from the sale of non-current assets	**7**	23	53
Proceeds from sale of subsidiaries, net of cash disposed of	**-**	57	27
Purchase of non-current assets	**(126)**	(87)	(230)
Purchase of brands and operations	**(119)**	(13)	(13)
Net cash (used in)/generated from investing activities	**(233)**	(18)	(155)
Cash flows from financing activities			
Interest paid	**(242)**	(244)	(366)
Purchase of shares by Employee Share Ownership Trusts	**-**	(1)	(1)
Lease liabilities paid	**(43)**	(34)	(68)
Increase in borrowings	**1,119**	891	1,710
Repayment of borrowings	**(295)**	(1,004)	(2,476)
Cash flows relating to derivative financial instruments	**(56)**	40	94
Repurchase of shares	**(500)**	-	-
Dividends paid to non-controlling interests	**(72)**	(58)	(89)
Dividends paid to owners of the parent	**(921)**	(917)	(1,320)
Net cash used in financing activities	**(1,010)**	(1,327)	(2,516)
Net (decrease) / increase in cash and cash equivalents	**(1,247)**	(645)	515
Cash and cash equivalents at the start of period	**1,850**	1,287	1,287
Effect of foreign exchange rates on cash and cash equivalents	**(7)**	(12)	48
Transferred to held for disposal	**-**	(42)	-
Cash and cash equivalents at the end of period	**596**	588	1,850

NOTES TO THE FINANCIAL STATEMENTS

1. ACCOUNTING POLICIES

BASIS OF PREPARATION

The consolidated financial statements comprise the results of the Company, a public company limited by shares, incorporated in England and Wales, and its subsidiary undertakings, together with the Group's share of the results of its associates and joint arrangements. The Company's registered number is 3236483 and its registered address is 121 Winterstoke Road, Bristol, BS3 2LL. The financial information comprises the unaudited results for the six months ended 31 March 2023 and 31 March 2022, together with the audited results for the year ended 30 September 2022.

The comparative information shown for the year ended 30 September 2022 does not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, and does not reflect all of the information contained in the Group's published financial statements for that year. The Auditors' Report on those statements was unqualified with no reference to matters to which the auditor drew attention by way of emphasis and did not contain any statements under section 498 of the Companies Act 2006. The financial statements for the year ended 30 September 2022 were approved by the Board of Directors on 15 November 2022 and have been filed with the Registrar of Companies.

This condensed set of financial statements for the six months ended 31 March 2023 has been prepared in accordance with the Disclosure Guidance and Transparency Rules of the Financial Conduct Authority and with UK-adopted IAS 34 Interim Financial Reporting. The condensed set of financial statements for the six months ended 31 March 2023 should be read in conjunction with the annual financial statements for the year ended 30 September 2022 which have been prepared in accordance with UK-adopted International Accounting Standards ("UK-adopted IAS").

Except for the adoption of the new standards and interpretations effective as of 1 October 2022, the Group's principal accounting policies and methods of computation used in preparing this information are the same as those applied in the financial statements for the year ended 30 September 2022, which are available on our website www.imperialbrandsplc.com.

The financial statements have been prepared under the historical cost convention except where fair value measurement is required under IFRS as described below in the accounting policies on financial instruments, and on a going concern basis. The consolidated financial statements are presented in pounds sterling, the presentation currency of the Group, and the functional currency of the Company. All values are rounded to the nearest one million (£1 million) except where otherwise indicated.

ALTERNATIVE PERFORMANCE MEASURES

In 2022 the Group conducted a review of Alternative Performance Measure (APM) metrics within the Annual Report and Accounts and decided to present information on APMs within a Supplementary Information section of the annual accounts. A similar approach has been applied in this document. As part of the changes, key adjusting items within administration costs which were previously shown on the face of the Consolidated Income Statement are now set out within the APM disclosures section.

BASIS FOR GOING CONCERN

The financial statements have been prepared under the historical cost convention except where fair value measurement is required under IFRS as described below in the accounting policies on financial instruments, and on a going concern basis. 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.

The Group recognises that the current political situation in Ukraine and Russia brings uncertainty. During the period of the Covid-19 pandemic, the Group effectively managed operations across the world, and has proved it has an established mechanism to operate efficiently despite uncertainty. The Directors consider that a one-off discrete event with immediate cash outflow is of greatest concern to short term liquidity of the Group.

The Directors have assessed the principal risks of the business, including stress testing a range of different scenarios that may affect the business. These included scenarios which examined the implications of:

- A one-off discrete event resulting in immediate cash outflow such as unexpected duty and tax payments; and/or other legal and regulatory risks materialising; of c. £1,000 million.
- A rapid and lasting deterioration to the Group's profitability because markets become closed to tobacco products or there are sustained failures to our tobacco manufacturing and supply chains. These assumed a permanent reduction in profitability of 15% from 1 April 2023.
- The additional impact of potential bad debt risks arising from a recession of c. £220 million.
- The withdrawal of facilities that provide receivables factoring of c. £660 million.

The scenario planning also considered mitigation actions including reductions to capital expenditure, dividend payments and share buyback programme. There are additional actions that were not modelled but could be taken including other cost mitigations such as staff redundancies, retrenchment of leases, and discussions with lenders about capital structure.

Under the worst-case scenario, where the largest envisaged downside scenarios all take place at the same time the Group would have sufficient headroom until April 2024. The Group believes this worst-case scenario to be highly unlikely given the relatively small impact on our trading performance and bad debt levels during the Covid-19 pandemic, as well as from the current situation in Ukraine. In this scenario Group would implement a number of mitigating actions including revoking the uncommitted dividend, pausing share buyback and reducing discretionary spend such as capex.

Based on its review of future cashflows covering the period through to September 2024, 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 their operational needs from the date of this Report through to 30 September 2024 and concludes that it is appropriate to prepare the financial statements on a going concern basis.

The preparation of the consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the period and of assets, liabilities and contingent liabilities at the balance sheet date. The key estimates and assumptions are set out in note 2 Critical Accounting Estimates and Judgements. Such estimates and assumptions are based on historical experience and various other factors that are believed to be reasonable in the circumstances and constitute management's best judgement at the date of the financial statements. In the future, actual experience may deviate from these estimates and judgements. This could affect future financial statements as the original estimates and judgements are modified, as appropriate, in the year in which the circumstances change.

NEW ACCOUNTING STANDARDS ADOPTED IN THE PERIOD

There have been no other amendments or clarifications to IFRS which have significantly impacted the Group's consolidated results or financial position.

2. CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Group makes estimates and judgements associated with accounting entries which will be affected by future events. Estimates and judgements are continually evaluated based on historical experience, and other factors, including current information that helps form a forward-looking view of expected future outcomes.

Estimates involve the determination of the quantum of accounting balances to be recognised. Judgements typically involve decisions such as whether to recognise an asset or liability.

The actual amounts recognised in the future may deviate from these estimates and judgements.

ESTIMATES

SIGNIFICANT ESTIMATES

Companies are required to state whether estimates have a significant risk of a material adjustment to the carrying amounts of assets and liabilities within the next financial year. We have reviewed the items below where estimation uncertainty exists. While a number of these areas do involve estimation of the carrying value of assets or liabilities that are potentially significant within the context of the financial statements the Group considers the probability of a significant risk of material adjustment to be low. None of these estimates are expected to present a material adjustment to the carrying amount of assets and liabilities in the next financial year. Therefore, no significant estimates are required to be disclosed.

OTHER ESTIMATES

Other estimates involve other uncertainties, such as those carrying lower risk, which have a smaller potential impact or would be expected to crystallise over a longer timeframe than a significant estimate.

The other estimates relevant to the period and the remaining 6 months of the year include:
• Determination of the useful life of intangible assets
• Amortisation and impairment of intangible assets
• Current and deferred taxes
• Legal proceedings and disputes
• Provisions

JUDGEMENTS

Paragraph 122 of IAS 1 requires disclosure of judgements made by management in applying an entity's accounting policies, other than those relating to estimation uncertainty. Paragraph 125 of IAS 1 requires more wide-ranging disclosures of judgements that depend on management assumptions about the future, and other major sources of estimation uncertainty ('Significant Judgements'). The following significant judgement is disclosed in relation to these interim financial statements;

CONTROL OF LOGISTA

A key judgement relates to whether the Group has effective control of Logista sufficient that the Group can consolidate this entity within its Group accounts in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group holds 50.01% of the voting shares. The Group has reviewed its control of Logista and that it is appropriate to consolidate this entity in line with the requirements of IFRS 10 Consolidated Financial Statements. The Group continues to have Director presence on the Board of Logista, representing 5 out of 12 Directors. The Group has powers to control as set out in the Relationship Framework Agreement which specifies certain areas of operation reserved for shareholder approval and through these measures the Group is able to exercise control of Logista. The Group has therefore concluded that it continues to be appropriate to recognise Logista as a fully consolidated subsidiary.

The other judgements relevant to the period and the remaining 6 months of the year include:
• Corporate income taxes
• Deferred taxes
• Legal proceedings and disputes
• Climate change

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 2022 the group reorganised the structure of the Europe and AAA divisions. The Central and Eastern Europe cluster which includes operations in Poland, Czech Republic, Ukraine, Slovakia, Hungary and Slovenia, moved from the Europe division to the AAA division. The AAA division has been re-named AAACE. The managerial and internal reporting structures of the divisions 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 comparative figures below have been restated accordingly.

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, AAACE and Distribution. Operating segments are comprised of geographical groupings of business markets. The main Tobacco & NGP business markets within the Europe, Americas and AAACE reportable segments are:

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

Americas – United States.

AAACE – Australia, Saudi Arabia, Taiwan, Poland, Czech Republic, Ukraine, Slovakia, Hungary, Slovenia and our African markets including Algeria and Morocco.

TOBACCO & NGP

£ million unless otherwise indicated	**Tobacco**	**NGP**	**Unaudited 6 months ended 31 March 2023 Tobacco & NGP**	Tobacco	NGP	Unaudited 6 months ended 31 March 2022 Tobacco & NGP
Revenue	**10,424**	**139**	**10,563**	10,937	107	11,044
Net revenue	**3,538**	**125**	**3,663**	3,394	101	3,495
Operating profit			**1,386**			1,124
Adjusted operating profit			**1,568**			1,481
Adjusted operating margin %			**42.8**			42.4

£ million unless otherwise indicated	Tobacco	NGP	Audited Year ended 30 September 2022 Tobacco & NGP
Revenue	23,232	224	23,456
Net revenue	7,585	208	7,793
Operating profit			2,472
Adjusted operating profit			3,441
Adjusted operating margin %			44.2

DISTRIBUTION

£ million unless otherwise indicated	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Revenue	**5,202**	4,639	9,756
Distribution gross profit	**731**	502	1,046
Operating profit	**150**	79	212
Adjusted operating profit	**150**	121	254
Adjusted distribution margin %	**20.5**	24.1	24.3

REVENUE

	Unaudited		Unaudited		Unaudited	
	6 months ended 31 March 2023		Restated 6 months ended 31 March 2022		Restated Year ended 30 September 2022	
£ million	**Total revenue**	**External revenue**	Total revenue	External revenue	Total Revenue	External revenue
Tobacco & NGP						
Europe	**5,330**	**4,976**	5,591	5,270	12,052	11,391
Americas	**1,657**	**1,657**	1,550	1,550	3,756	3,756
AAACE	**3,576**	**3,576**	3,903	3,903	7,648	7,648
Total Tobacco & NGP	**10,563**	**10,209**	11,044	10,723	23,456	22,795
Distribution	**5,202**	**5,202**	4,639	4,639	9,756	9,756
Eliminations	**(354)**	**-**	(321)	-	(661)	-
Total Group	**15,411**	**15,411**	15,362	15,362	32,551	32,551

TOBACCO & NGP NET REVENUE

	Unaudited			Unaudited		
	6 months ended 31 March 2023			Restated 6 months ended 31 March 2021		
£ million	**Tobacco**	**NGP**	**Total**	Tobacco	NGP	Total
Europe	**1,326**	**102**	**1,428**	1,296	74	1,370
Americas	**1,203**	**20**	**1,223**	1,136	24	1,160
AAACE	**1,009**	**3**	**1,012**	962	3	965
Total Tobacco & NGP	**3,538**	**125**	**3,663**	3,394	101	3,495

	Unaudited		
	Restated Year ended 30 September 2022		
£ million	Tobacco	NGP	Total
Europe	2,883	156	3,039
Americas	2,784	42	2,826
AAACE	1,918	10	1,928
Total Tobacco & NGP	7,585	208	7,793

ADJUSTED OPERATING PROFIT AND RECONCILIATION TO PROFIT BEFORE TAX

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Unaudited Year ended 30 September 2022
Tobacco & NGP			
Europe	**611**	621	1,447
Americas	**512**	453	1,179
AAACE	**445**	407	815
Total Tobacco & NGP	**1,568**	1,481	3,441
Distribution	**150**	121	254
Eliminations	**(2)**	(2)	(1)
Adjusted operating profit	**1,716**	1,600	3,694
Russian and associated markets exit - Tobacco & NGP	**-**	(201)	(399)
Amortisation and impairment of acquired intangibles - Tobacco & NGP	**(174)**	(156)	(323)
Amortisation of acquired intangibles - Distribution	**-**	(26)	(26)
Restructuring costs - Tobacco & NGP	**-**	(7)	(197)
Fair value adjustment to financial assets - Tobacco & NGP	**(7)**	2	(37)
Buy-out of liabilities on Irish pension scheme – Tobacco & NGP	**-**	-	(4)
Loss on disposal of subsidiaries - Tobacco & NGP	**(1)**	-	(13)
Loss on disposal of subsidiaries – Distribution	**-**	(16)	(16)
Acquisition and disposal costs - Tobacco & NGP	**-**	(5)	(5)
Excise tax provision - Tobacco & NGP	**-**	10	9
Operating profit	**1,534**	1,201	2,683
Net finance (costs) / income	**(94)**	75	(117)
Share of profit of investments accounted for using the equity method	**3**	(20)	(15)
Profit before tax	**1,443**	1,256	2,551

4. ACQUISITIONS

ACQUISITION OF SPEEDLINK WORLDWIDE EXPRESS B.V.

On 16 February 2022, the Group's subsidiary Logista acquired 70% of the share capital of Speedlink Worldwide Express B.V. for a purchase consideration of €17 million (£15 million) comprised of €15 million (£13 million) which has been paid in cash and €2 million (£2 million) of contingent consideration which is payable upon achievement of certain business objectives, the maximum contingent consideration payable is €3 million (£3 million). There is an intention to purchase the remaining 30% of share capital over the next 3 years. As effective control has been achieved through this acquisition, Speedlink Worldwide Express B.V. has been consolidated as a subsidiary within the Group with a 65% minority interest. Goodwill of €11 million (£10 million), intangible assets of €15 million (£13 million) and deferred tax liability of €4 million (£3 million) were recognised on acquisition.

ACQUISITION OF HERINVEMOL, S.L. (TRANSPORTES EL MOSCA)

On 17 June 2022, the Group's subsidiary Logista announced the acquisition of 60% of the shares of Herinvemol S.L. (Transportes El Mosca), a transport and logistics company. Herinvemol S.L. is the parent company of a group of companies over which it holds control, trading as 'Transportes El Mosca'. This acquisition completed on 28 October 2022.

Transportes El Mosca offers national and international intermodal transport services by road, sea and air, as well as refrigerated, frozen or refrigerated transport. The main destination markets for the international road transport activity are the United Kingdom, Germany, Portugal, France, the Netherlands, and Italy, and its clients are mainly producers and large distribution chains in the food sector.

The total purchase consideration for the 60% initial shareholdings is €98 million (£85 million) which could vary subject to subsequent adjustments depending on the fulfilment of certain objectives, although these adjustments are not expected to be significant. At 31 March 2023 provisional goodwill of €70 million (£62 million) has been recognised relating to this acquisition.

Logista also has a purchase option for the remaining 40%, which is recorded at fair value as a liability for an amount of €65 million (£57 million), with a corresponding adjustment taken to equity reserves. The equity movement is €47 million (£41 million) being the difference between the option value and the minority interest that arises from this transaction of €18 million (£15 million).

The revenue and net profit that were contributed to the consolidated income statement for the six-month period ended 31 March 2023 totalled €126 million (£110 million) and €3 million (£3 million), respectively.

The ordinary income and net profit that would have contributed to the consolidated income statement if Transportes El Mosca had been acquired on 1 October 2022 is not significantly different from the figures indicated in the previous paragraph.

The provisional amounts of the assets and liabilities arising from the acquisition are as follows:

£ million	Fair value (provisional)
Property, plant and equipment	67
Other intangible assets	1
Trade receivables and other accounts receivable	78
Cash and other equivalent liquid assets	11
Other current assets	3
Trade payables and other accounts payable	(56)
Other current financial liabilities	(20)
Other non-current financial liabilities	(45)
Deferred tax charge	(1)
Total net assets	**38**
Less minority interests	(15)
Net assets acquired by the group	**23**
Consideration for the acquisition	85
Provisional goodwill	**62**

ACQUISITION OF CARBÓ COLLBATALLÉ S.L.

In April 2022, the Group reached an agreement for the acquisition of 100% of the shares of Carbó Collbatallé S.L., a company that offers transport and logistics services for refrigerated and frozen foods, which carries out its commercial activity mainly in the Spanish market. This acquisition was completed in October 2022. The total consideration for the shares acquired was €51 million (£45 million) which was paid in cash at the time of the purchase. At 31 March 2023 provisional goodwill of €45 million (£40 million) has been recognised relating to this acquisition.

The revenue and net profit that were contributed to the consolidated income statement for the six-month period ended 31 March 2023 totalled €30 million (£26 million) and €2 million (£2 million) respectively.

The provisional amounts of the assets and liabilities arising from the acquisition are as follows:

£ million	Fair value (provisional)
Property, plant and equipment	28
Trade receivables and other accounts receivable	10
Cash and other equivalent liquid assets	3
Other current assets	3
Trade payables and other accounts payable	(11)
Other current financial liabilities	(4)
Other non-current financial liabilities	(24)
Net assets acquired by the group	**5**
Consideration for the acquisition	45
Provisional goodwill	**40**

Calculations related to business combinations are provisional and subject to adjustment up to one year after the acquisition date. The Group, considering the dates of the transaction, is currently performing the price allocation analysis for the acquired assets and liabilities, which is expected to be completed before the end of the current year.

5. RESTRUCTURING COSTS AND PROVISIONS

RESTRUCTURING COSTS

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Employment related	-	3	103
Asset impairments	-	-	70
Other charges	-	4	24
	-	7	197

2021 STRATEGIC REVIEW PROGRAMME

2021 Strategic Review Programme cash spend for the period was £34 million (6 months to 2022: £24 million).

PROVISIONS

			Unaudited
			31 March 2023
£ million	**Restructuring**	**Other**	**Total**
At 1 October 2022	**286**	**140**	**426**
Additional provisions charged to the consolidated income statement	**-**	**16**	**16**
Amounts used	**(56)**	**(11)**	**(67)**
Unused amounts reversed	**(3)**	**(11)**	**(14)**
Exchange movements	**(3)**	**(4)**	**(7)**
At 31 March 2023	**224**	**130**	**354**
Current	**86**	**79**	**165**
Non-current	**138**	**51**	**189**
	224	**130**	**354**

Analysed as:

£ million	**Unaudited** **31 March 2023**	Unaudited 31 March 2022	Audited 30 September 2022
Current	**165**	159	203
Non-current	**189**	195	223
	354	354	426

Restructuring provisions relate mainly to our 2021 Strategic Review Programme and Cost optimisation programmes.

The restructuring provision is split between 2021 Strategic review programme of £122 million, Cost Optimisation Programmes of £92 million and other programmes of £10 million.

Other provisions include £36 million relating to local employment requirements including holiday pay, £37 million to various local tax or duty requirements, £27 million of distribution requirements relating to employment and duty, and £18 million market exit provisions. The provisions are spread throughout the Group and payment will be dependent on local statutory requirements.

6. RETIREMENT BENEFIT SCHEMES

The Group operates a number of retirement benefit schemes for its employees, including both defined benefit and defined contribution schemes. The Group's three principal schemes are defined benefit schemes and are operated by Imperial Tobacco Limited (ITL) in the UK, Reemtsma Cigarettenfabriken GmbH in Germany and ITG Brands in the USA.

The Imperial Tobacco Pension Fund (ITPF) hold a pensioner bulk annuity buy-in covering around 60% of the pensioner obligations. The Company and Trustee of the ITPF are in the process of concluding the 31 March 2022 triennial valuation with regulatory submissions to be completed before 30 June 2023.

Imperial Brands Finance PLC provided a temporary loan facility of £320 million to the Imperial Tobacco Pension Fund which £200 million had been drawn down during the first half of October 2022 to support ongoing liquidity requirements within the Fund's Liability Driven Investment holdings during a period of volatility in the UK Government Bond market. The £200 million drawn down has been repaid by 31 March 2023.

DEFINED BENEFIT PLAN ASSETS AND LIABILITIES RECOGNISED IN THE CONSOLIDATED BALANCE SHEET

	Unaudited	Unaudited	Audited
	31 March 2023	31 March 2022	30 September 2022
Retirement benefit assets	**474**	1,048	826
Retirement benefit liabilities	**(886)**	(1,139)	(894)
Net retirement benefit liabilities	**(412)**	(91)	(68)

The movement in the net retirement benefit is mainly from actuarial gains and losses on the Group's pension assets and liabilities. The actuarial gains and losses were from the changes in principal actuarial assumptions on the Group schemes and asset losses in the ITPF over the period.

KEY FIGURES AND ASSUMPTIONS USED FOR MAJOR PLANS

			Unaudited			Unaudited
			6 months ended 31 March 2023			6 months ended 31 March 2022
£ million unless otherwise stated	**ITPF**	**RCPP**	**ITGBH**	ITPF	RCPP	ITGBH
Defined benefit obligation (DBO)	**2,322**	**554**	**338**	3,122	723	364
Fair value of scheme assets	**(2,714)**	**-**	**(363)**	(4,080)	-	(391)
Net defined benefit (asset) / liability	**(392)**	**554**	**(25)**	(958)	723	(27)
Principal actuarial assumptions used (% per annum)						
Discount rate	**4.9**	**3.6**	**4.9**	2.8	1.8	3.7
Future salary increases	**3.3**	**3.7**	**n/a**	3.6	3.8	n/a
Future pension increases	**3.4**	**2.6**	**n/a**	3.6	2.7	n/a
Inflation	**3.3**	**2.6**	**2.3**	3.6	2.7	2.3

			Audited
			Year ended 30 September 2022
£ million unless otherwise stated	ITPF	RCPP	ITGBH
Defined benefit obligation (DBO)	2,229	538	365
Fair value of scheme assets	(2,958)	-	(405)
Net defined benefit (asset) / liability	(729)	538	(40)
Principal actuarial assumptions used (% per annum)			
Discount rate	5.3	3.7	5.4
Future salary increases	3.7	3.7	n/a
Future pension increases	3.7	2.5	n/a
Inflation	3.7	2.5	2.3

7. SHARE CAPITAL

£ million	Unaudited 31 March 2023	Unaudited 31 March 2022	Audited 30 September 2022
Authorised, issued and fully paid 996,323,140 ordinary shares of 10p each (31 March 2022: 1,020,697,238, 30 September 2022: 1,020,697,238)	**100**	103	103

During the period a share buy back scheme was initiated and 24,374,098 10p shares were repurchased for a cost of £500 million. The fees charged for the share repurchase was £3 million.

8. TAX

UNCERTAIN TAX POSITIONS

As an international business the Group is exposed to uncertain tax positions and changes in legislation in the jurisdictions in which it operates. The Group's uncertain tax positions principally include cross border transfer pricing, interpretation of new or complex tax legislation and tax arising on the valuation of assets. 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. Until matters are finally concluded it is possible that amounts ultimately paid will be different from the amounts provided. Management have assessed the Group's provision for uncertain tax positions and have concluded that apart from the matters referred to below, the provisions in place are not material individually or in aggregate, and that a reasonably possible change in the next financial year would not have a material impact to the results of the Group.

FRENCH TAX LITIGATION

In November 2015 the Group received a challenge from the French tax authorities that could lead to additional tax liabilities of up to £239 million. The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intragroup 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 October 2018 the Commission Nationale, an independent adjudication body, whose decision is advisory only, issued a report supportive of the Group's arguments for no adjustment. In December 2018 the French tax authorities issued their final assessments seeking the full amount of additional tax assessed of £239 million (2022: £240 million). In January 2019 the Group appealed against the assessment. In August 2020, the French tax authorities rejected the Group's appeal and the matter will now proceed to litigation. All submissions have been made to the court and we await the outcome of the court process. The Group believes it is appropriate to maintain a £42 million (2022: £42 million) provision for uncertain tax positions in respect of this matter.

STATE AID UK CFC

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 appealed to the European Court seeking annulment of the EU Commission's decision. The Group, along with a number of UK corporates, has made a similar application to the European Court. The UK Government is obliged to collect any State Aid granted pending the outcome of the European Court process.

Based on the Commission's decision and despite the appeals, the UK government was obliged to recover State Aid received. Whilst the Group's position remains no State Aid has been received, in February 2021 a recovery charging notice for £101 million was issued to the Group by HMRC, and has since been paid.

In June 2022 the European General Court rejected the appeals. Whilst this decision has been appealed to the Court of Justice of the European Union (CJEU) and the appeal may possibly be successful. During 2022, in the light of the European General Court's decision we reassessed recoverability of the £101 million which was previously recorded as a receivable and determined it was appropriate to provide in full.

TRANSFER PRICING

The Group has tax audits relating to transfer pricing matters in a number of jurisdictions, principally UK, France and Germany. The Group estimates the potential gross level of exposure relating to transfer pricing issues is approximately £200 million (2022: £200 million). The Group holds a provision of £5 million (2022: £54 million) in respect of these items.

In December 2021 the Group concluded a transfer pricing audit with the French tax authorities. In September 2022 the Group concluded transfer pricing audits with the UK and German tax authorities. Settlements of the French and UK audits were made during 2022. Settlement of the German audit is expected to be made during 2023.

The Group believe the transfer pricing provision held above appropriately provides for this and other transfer pricing issues.

FRENCH BRANCH TAX

In December 2021 the Group received assessments from the French tax authorities which could lead to additional liabilities of £169 million. The challenge concerns the intragroup financing of the French branch of Imperial Tobacco Limited. In February 2022 the Group appealed against the assessment. In September 2022 the French tax authorities opened a further tax audit into this matter. Following discussions with the French tax authorities a settlement proposal covering all years has been made for £48 million including interest. The Group holds a provision of £48 million (2022: £48 million) in respect of this matter.

8. DIVIDENDS

DISTRIBUTIONS TO ORDINARY EQUITY HOLDERS

	Unaudited	Audited	Audited
£ million	**2023**	2022	2021
Paid interim of nil pence per share (2022: 85.08 pence, 2021: 90.60 pence)			
- Paid June 2021	**-**	-	199
- Paid September 2021	**-**	-	199
- Paid December 2021	**-**	-	458
- Paid June 2022	**-**	202	-
- Paid September 2022	**-**	202	-
- Paid December 2022	**-**	464	-
Interim dividend paid	**-**	868	856
Proposed interim of 43.18 pence per share (2022: nil, 2021: nil)			
- To be paid June 2023	**199**	-	-
- To be paid September 2023	**199**	-	-
Interim dividend proposed	**398**	-	-
Paid final of nil pence per share (2022: 49.32 pence, 2021: 48.49 pence)			
- Paid March 2021	**-**	-	458
- Paid March 2022	**-**	457	-
Final dividend	**-**	457	458
Total ordinary share dividends of 143.29 pence per share (2022: 141.17 pence, 2020: 139.08 pence)	**398**	1,325	1,314

The declared interim dividend for 2023 amounts to a total dividend of £398 million based on the number of shares ranking for dividend at 31 March 2023. This will be paid in two stages, one in June 2023 and one in September 2023.

The dividend paid during the half year to 31 March 2023 is £921 million (2022: £917 million).

10. EARNINGS PER SHARE

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Earnings: basic and diluted – attributable to owners of the Parent Company	**1,094**	995	1,570
Millions of shares			
Weighted average number of shares:			
Shares for basic earnings per share	**934.9**	945.7	946.2
Potentially dilutive share options	**7.6**	4.1	6.8
Shares for diluted earnings per share	**942.5**	949.8	953.0
Pence			
Basic earnings per share	**117.0**	105.2	165.9
Diluted earnings per share	**116.1**	104.8	164.7

11. INTANGIBLE ASSETS

On 1 October 2022 the group reorganised the Tobacco & NGP business changing our geographic footprint with the markets comprising our Central and Eastern Europe cluster moving from our Europe Division into the Africa, Asia & Australasia (AAA) division to form the newly constituted AAACE division. 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. As the Group's Cash Generating Unit Groupings (CGUG) that are used for annual goodwill impairment testing are aligned to the division-based segments, where appropriate, Goodwill and other indefinite life intangible assets has been reapportioned across the new CGUG structure on a relative value in use basis to reflect the segmental changes. The change in CGUG would not have triggered any goodwill or indefinite life impairments at 30 September 2022.

Our reportable segments have been updated to Americas, Europe, AAACE and Distribution. The Tobacco & NGP operating segments continue to be comprised of geographical groupings of business markets. The main Tobacco & NGP business markets that have moved segments as part of this restructuring are Poland, Czech Republic, Slovakia, Hungary, Slovenia, Croatia, Ukraine, Georgia and Moldova.

12. NET DEBT

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

							Unaudited
£ million	**Current borrowings**	**Lease liabilities**	**Non-current borrowings**	**Derivative financial instruments**	**Liabilities from financing activities**	**Cash and cash equivalents**	**Total**
At 1 October 2022	**(1,011)**	**(248)**	**(8,996)**	**(87)**	**(10,342)**	**1,850**	**(8,492)**
Reallocation of current borrowings from non-current borrowings	**(627)**	**-**	**627**	**-**	**-**	**-**	**-**
Cash flow	**(290)**	**43**	**(534)**	**56**	**(725)**	**(1247)**	**(1,927)**
Change in accrued interest	**23**	**(5)**	**2**	**4**	**24**	**-**	**24**
Change in fair values	**-**	**-**	**-**	**72**	**72**	**-**	**72**
New leases, terminations and modifications	**-**	**(148)**	**-**	**-**	**(148)**	**-**	**(148)**
Exchange movements	**32**	**3**	**525**	**(296)**	**264**	**(7)**	**257**
At 31 March 2023	**(1,873)**	**(355)**	**(8,376)**	**(231)**	**(10,835)**	**596**	**(10,239)**

£ million	Current borrowings	Lease liabilities	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
							Unaudited
At 1 October 2021	(1,107)	(251)	(8,715)	(587)	(10,660)	1,287	(9,373)
Reallocation of current borrowings from non-current borrowings	(746)	-	746	-	-	-	-
Cash flow	113	34	-	(40)	107	(645)	(538)
Change in accrued interest	55	(3)	21	(4)	69	-	69
Change in fair values	-	-	-	72	72	-	72
New leases, terminations and modifications	-	(26)	-	-	(26)	-	(26)
Exchange movements	(36)	3	(31)	155	91	(12)	79
Transferred to asset held for disposal	-	2	-	-	2	(42)	(40)
At 31 March 2022	(1,721)	(241)	(7,979)	(404)	(10,345)	588	(9,757)

Average reported net debt during the period was £10,265 million (2022: £10,027 million).

13. FINANCIAL INSTRUMENTS

The table below sets out the Group's accounting classification of each class of financial assets and liabilities:

£ million	Fair value through income statement	Fair value through comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-current
						Unaudited
						31 March 2023
Trade and other receivables	**9**	**-**	**2,271**	**2,280**	**2,256**	**24**
Cash and cash equivalents	**-**	**-**	**596**	**596**	**596**	**-**
Derivatives	**766**	**-**	**-**	**766**	**72**	**694**
Total financial assets	**775**	**-**	**2,867**	**3,642**	**2,924**	**718**
Borrowings	**-**	**-**	**(10,249)**	**(10,249)**	**(1,873)**	**(8,376)**
Trade and other payables	**-**	**-**	**(8,223)**	**(8,223)**	**(8,223)**	**-**
Derivatives	**(717)**	**(280)**	**-**	**(997)**	**(166)**	**(831)**
Lease liabilities	**-**	**-**	**(355)**	**(355)**	**(82)**	**(273)**
Total financial liabilities	**(717)**	**(280)**	**(18,827)**	**(19,824)**	**(10,344)**	**(9,480)**
Total net financial assets / (liabilities)	**58**	**(280)**	**(15,960)**	**(16,182)**	**(7,420)**	**(8,762)**

£ million	Fair value through income statement	Fair value through comprehensive income	Assets and liabilities at amortised cost	Total	Current	Unaudited 31 March 2022 Non-current
Trade and other receivables	43	-	2,151	2,194	2,138	56
Cash and cash equivalents	-	-	588	588	588	-
Derivatives	237	-	-	237	58	179
Total financial assets	280	-	2,739	3,019	2,784	235
Borrowings	-	-	(9,700)	(9,700)	(1,721)	(7,979)
Trade and other payables	-	-	(8,133)	(8,133)	(8,133)	-
Derivatives	(471)	(170)	-	(641)	(49)	(592)
Lease liabilities	-	-	(241)	(241)	(55)	(186)
Total financial liabilities	(471)	(170)	(18,074)	(18,715)	(9,958)	(8,757)
Total net financial liabilities	(191)	(170)	(15,335)	(15,696)	(7,174)	(8,522)

£ million	Fair value through income statement	Fair value through comprehensive income	Assets and liabilities at amortised cost	Total	Current	Audited 30 September 2022 Non-current
Trade and other receivables	17	-	2,406	2,423	2,386	37
Cash and cash equivalents	-	-	1,850	1,850	1,850	-
Derivatives	1,039	-	-	1,039	54	985
Total financial assets	1,056	-	4,256	5,312	4,290	1,022
Borrowings	-	-	(10,007)	(10,007)	(1,011)	(8,996)
Trade and other payables	-	-	(8,710)	(8,710)	(8,710)	-
Derivatives	(788)	(338)	-	(1,126)	(54)	(1,072)
Lease liabilities	-	-	(248)	(248)	(58)	(190)
Total financial liabilities	(788)	(338)	(18,965)	(20,091)	(9,833)	(10,258)
Total net financial assets / (liabilities)	268	(338)	(14,709)	(14,779)	(5,543)	(9,236)

Trade and other receivables excludes prepayments and Trade and other payables excludes accruals.

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

£ million	**Unaudited** **31 March 2023**	Unaudited 31 March 2022	Audited 30 September 2022
Assets			
Interest rate swaps	**604**	190	686
Forward foreign currency contracts	**10**	21	31
Cross-currency swaps	**152**	26	322
Total carrying value of derivative financial assets	**766**	237	1,039
Liabilities			
Interest rate swaps	**(621)**	(480)	(782)
Forward foreign currency contracts	**(29)**	(16)	(13)
Cross-currency swaps	**(347)**	(179)	(343)
Carrying value of derivative financial liabilities before collateral	**(997)**	(675)	(1,138)
Collateral [1]	**-**	34	12
Total carrying value of derivative financial liabilities	**(997)**	(641)	(1,126)
Total carrying value of derivative financial instruments	**(231)**	(404)	(87)
Analysed as:			
Interest rate swaps	**(17)**	(290)	(96)
Forward foreign currency contracts	**(19)**	5	18
Cross-currency swaps	**(195)**	(153)	(21)
Collateral [1]	**-**	34	12
Total carrying value of derivative financial instruments	**(231)**	(404)	(87)

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

All financial assets and liabilities are carried on the balance sheet at amortised cost, other than derivative financial instruments and the investment in Auxly Cannabis Group which are carried at fair value. Derivative fair values are determined based on observable market data such as yield curves, foreign exchange rates and credit default swap prices to calculate the present value of future cash flows associated with each derivative at the balance sheet date (Level 2 classification hierarchy per IFRS 7). Market data is sourced through Bloomberg and valuations are validated by reference to counterparty valuations where appropriate. Some of the Group's derivative financial instruments contain early termination options and these have been considered when assessing the element of the fair value related to credit risk. On this basis the reduction in reported net derivative liabilities due to credit risk is £10 million (2022: £17 million) and would have been a £20 million (2022: £33 million) reduction without considering the early termination options. There were no changes to the valuation methods or transfers between hierarchies during the year. With the exception of capital market issuance and the Auxly investment, the fair value of all financial assets and financial liabilities is considered approximate to their carrying amount.

14. CONTINGENT LIABILITIES

The following summary includes updates to matters that have developed since the publication of the 2022 Annual Report and Accounts.

USA STATE SETTLEMENT AGREEMENTS

In November 1998, the major United States cigarette manufacturers, including Reynolds and Philip Morris, entered into the Master Settlement Agreement ("MSA") with 52 US states and territories and possessions. These cigarette manufacturers previously settled four other cases, brought by Mississippi, Florida, Texas and Minnesota, by separate agreements with each state (collectively with the MSA, the "State Settlement Agreements", with Mississippi, Florida, Texas and Minnesota known collectively as the "Previously Settled States"). ITG Brands (ITGB) is a party to the MSA and to the Mississippi, Minnesota, and Texas State Settlement Agreements.

In connection with its 12 June 2015 acquisition of four cigarette brands (Winston, Salem, Kool and Maverick, referred to as the "Acquired Brands") from Reynolds and Lorillard, ITGB has been involved in litigation and other disputes with the Previously Settled States, Philip Morris, and Reynolds in their state courts.

DELAWARE

ITGB is involved in litigation with Reynolds in the Delaware court that has jurisdiction over disputes under the Asset Purchase Agreement (APA) for the Acquired Brands. The current case in progress involves Reynolds' claim to indemnity for Florida settlement payments. The issue in this case is whether ITGB has satisfied its obligations to use "reasonable best efforts" to join the settlement with Florida under the APA and whether regardless of that "reasonable best efforts" requirement whether ITGB is required to indemnify Reynolds for amounts the Florida court may require Reynolds to pay.

On 30 September 2022, the trial court granted summary judgment to Reynolds and denied summary judgment to ITGB. It held that the Florida court's determination that ITGB did not assume payments under the Florida settlement unless it agreed to do so was not binding on the Delaware courts under principles of issue preclusion. It further held that as a matter of law the contract provisions were unambiguous and no evidence was required, and that ITGB had assumed and was required to indemnify Reynolds for Florida settlement payments. The court did not determine the amount of Reynolds' damages but left that question open for further proceedings. The parties submitted an agreed schedule to the court to address the issue of damages.

On 23 February 2023 the initial motions on the amount of indemnity due were argued with the Court having 90 days to issue its decision.

Reynolds' claim for indemnification in Delaware is limited at most to the amounts it has been required to pay under the Florida determination described above, plus interest and attorney's fees. ITGB continues to deny that indemnity is appropriate and intends to appeal that determination. ITGB further contends that Reynolds' damages should be substantially reduced by the amount by which Reynolds' settlement payments have been reduced through operation of the "profit adjustment" by reason of ITGB not becoming a party to the Florida settlement as well as by reason of Reynolds' and third-parties' conduct.

Amounts at issue range to US$ 212 million through 2022, plus interest and attorney's fees, and US$ 19 million to US$ 31 million annually going forward. Based on the current facts and circumstances we consider it improbable that this potential liability will crystallise and therefore no provision has been recognised.

PRODUCT LIABILITY INVESTIGATIONS

The Group is currently involved in a number of legal cases in which claimants are seeking damages for alleged smoking and health related effects. In the opinion of the Group's lawyers, the Group has meritorious defences to these actions, all of which are being vigorously contested. Although it is not possible to predict the outcome of the pending litigation, the Directors believe that the pending actions will not have a material adverse effect upon the results of the operations, cash flow or financial condition of the Group. This assessment of the probability of economic outflows at the year-end is a judgement which has been taken by management. Consequently, the Group has not provided for any amounts in respect of these cases in the financial statements. There have been no material updates to matters in any product liability investigations in the period since the 2022 Annual Report and Accounts.

OTHER LITIGATION

US HELMS-BURTON LITIGATION

Imperial Brands Plc has been named as a defendant in a civil action in federal court in Miami, Florida under Title III of the Cuban Liberty and Democratic Solidarity Act of 1996 ("Helms-Burton") filed on 6 August 2020. Title III provides United States nationals with a cause of action and a claim for treble damages against persons who have "trafficked" in property expropriated by the Cuban government. Treble damages are automatically available under Helms-Burton. Although the filed claim is for unquantified damages, we understand the claim could potentially reach approximately US$ 365 million, based on the claimants' claim to own 90% of the property, which they value at US$ 135 million (and then treble). The claim is based on allegations that Imperial, through Corporación Habanos S.A. (a joint venture between one of Imperial's now former subsidiaries and the Cuban government), has "trafficked" in a factory in Havana, Cuba that the Cuban government confiscated from the claimants' ancestor in the early 1960s, by using the factory to manufacture, market, sell, and distribute Habanos cigars.

At the time the claim was filed against Imperial and up until the conclusion of the Brexit "transition period" on 31 December 2020, Imperial was subject to an EU law known as the EU Blocking Statute (Regulation (EC) No. 2271/96), which conflicts with HelmsBurton, protected Imperial against the impact of Title III, and impacted how Imperial might respond to the threatened litigation. The EU Blocking Statute has been transposed into domestic law with only minimal changes. Accordingly, on 10 January 2021, Imperial submitted an application to the UK Department for International Trade for authorisation from the Secretary of State for International Trade to defend the action or, at a minimum, to file and litigate a motion to dismiss the action.

On 8 February 2021, the United Kingdom Secretary of State for International Trade authorised Imperial to file and litigate a motion to dismiss the action. A hearing on the motion to dismiss took place on 26 July 2022 before a magistrate judge. On 2 November 2022 the magistrate judge recommended that the action be dismissed, without prejudice to re-filing in a proper venue.

On 31 March 2023 the judge issued an order addressing the magistrate's recommended ruling. In respect of Habanos, the Motion to Dismiss was granted, without objection from the claimants, on the basis that Florida was an "improper venue" (wrong court). The judge sent the Motion to Dismiss back to the same magistrate for a further report and recommendation on whether the ruling regarding Habanos means that the Imperial Motion to Dismiss should also be granted. The magistrate is also permitted to address "other issues if warranted". The magistrate's report and recommendation will not be binding on the parties. A hearing has been scheduled for 25 July 2023.

No provision has been made for potential liabilities related to this claim.

MOROCCO

A number of cases have been raised against Société Marocaine des Tabacs SA (SMT) disputing a reduction to retirees' pensions. These cases have been in the courts for several years and SMT has successfully defended many of them in the lower courts. A total of 216 cases have been reviewed by the Cour de Cassation (Supreme Court) in Morocco, and it is understood that they have been decided against SMT and in favour of retirees. SMT has filed retractions proceedings and raised legal arguments in pending and new claims before the lower courts.

The written reasoned judgment of the Cour de Cassation in claims found against SMT has not been received by SMT at the time of signing these accounts. Furthermore, the judgments in favour of the retirees reportedly relate to unquantified claims. Because of this, it is not possible to assess the impact of the decided cases on the remaining cases within the Moroccan courts. SMT continues to defend its position.

15. POST BALANCE SHEET EVENTS

On 3 April 2023 a broker was contracted to execute a further share buyback of up to £500 million to be completed by 29 September 2023.

The Group was advised on 11 May 2023 by the Administrative Court of Montreuil that it had lost its case against a challenge raised by the French tax authorities. The case concerned the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intragroup transfer of shares in October 2012 and the subsequent tax consequences resulting from a potentially higher valuation argued by the French tax authorities. The Group intends to appeal the decision to the Administrative Court of Appeal of Paris. At this time, the Group considers that the Administrative Court of Montreuil's decision does not affect its provisioning for uncertain tax positions and consequently no amendment has been made in these financial statements.

16. RELATED PARTY TRANSACTIONS

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note. No related party transactions have taken place in the 6 months ended 31 March 2023 (6 months to 2022: none) that have materially affected the financial position or performance of the group during that period.

SUPPLEMENTARY INFORMATION

ALTERNATIVE PERFORMANCE MEASURES

USE OF ALTERNATIVE PERFORMANCE MEASURES

Management believes that non-GAAP or alternative performance measures provide an important comparison of business performance and reflect the way in which the business is controlled. The alternative performance measures seek to remove the distorting effects of a number of significant gains or losses arising from transactions which are not directly related to the ongoing underlying performance of the business and may be non-recurring events or not directly within the control of management.

Accordingly, alternative performance measures exclude, where applicable, amortisation and impairment of acquired intangibles, profit/loss on disposal of subsidiaries, Russian and associated markets exit, restructuring costs, acquisition and disposal costs, fair value and exchange gains and losses on financial instruments, post-employment benefits net financing cost, and related tax effects and tax matters. Other significant gains or losses which are not representative of the underlying business may also be treated as adjusting items where there is appropriate justification. The alternative performance measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies. The alternative performance measures that are used by the Group are defined and reconciled back to the associated IFRS metrics as detailed below.

SUMMARY OF KEY ADJUSTING ITEMS

The items excluded from adjusted performance results are those which are one-off in nature or items which arose due to acquisitions and are not influenced by the day to day operations of the Group, and the movements in the fair value of financial instruments which are marked to market and not naturally offset. Adjusted net finance costs also excludes all post-employment benefit net finance cost since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt. The adjusted performance measures are used by management to assess the Group's financial performance and aid comparability of results year on year.

CONSOLIDATED INCOME STATEMENT ADJUSTING ITEMS

The following tables summarise the key items recognised within the consolidated income statement that have been treated as adjusting items:

Adjusting items recognised within administrative and other expenses

£ million	Notes	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended March 2022	Audited Year ended 30 September 2022
Russian and associated markets exit		**-**	(201)	(399)
Amortisation and impairment of acquired intangibles		**(174)**	(182)	(349)
Restructuring costs	5	**-**	(7)	(197)
Fair value adjustment of loan receivable		**(7)**	2	(37)
Loss on disposal of subsidiaries		**(1)**	(16)	(29)
Acquisition and disposal costs		**-**	(5)	(5)
Excise tax provision		**-**	10	9
Buy out of liabilities on Irish pension scheme		**-**	-	(4)
Total adjusting administrative and other expenses		**(182)**	(399)	(1,011)
Total non-adjusting administrative and other expenses		**(153)**	(168)	(323)
Administrative and other expenses		**(335)**	(567)	(1,334)

AMORTISATION AND IMPAIRMENT OF ACQUIRED INTANGIBLES

Acquired intangibles are amortised over their estimated useful economic lives where these are considered to be finite. Acquired intangibles considered to have an indefinite life are not amortised. Any negative goodwill arising is recognised immediately in the income statement. The Group exclude from our adjusted performance measures the amortisation and impairment of acquired intangibles, other than software and internally generated intangibles, and the deferred tax associated with amortisation of acquired intangibles. Gains and losses on the sale of intellectual property are removed from adjusted operating profit.

It is recognised that there may be some correlation between the amortisation charges derived from the acquisition value of acquired intangibles, and the subsequent future profit streams arising from sales of associated branded products. However, the amortisation of intangibles is not directly related to the operating performance of the business. Conversely, the level of profitability of branded products is directly influenced by day to day commercial actions, with variations in the level of profit derived from branded product sales acting as a clear indicator of performance. Given this, the Group's view is that amortisation and impairment charges do not clearly correlate to the ongoing variations in the commercial results of the business and are therefore excluded to allow a clearer view of the underlying performance of the organisation. The deferred tax is excluded on the basis that it will only crystallise upon disposal of the intangibles and goodwill. The related current cash tax benefit is retained in the adjusted measure to reflect the ongoing tax benefit to the Group.

Total amortisation and impairment for the period is £197 million (2022 half year: £206 million, 2022 full year: £394 million) of which £174 million (2022 half year: £182 million, 2022 full year: £349 million) relates to acquired intangibles and is adjusting and £23 million (2022 half year: £24 million, 2022 full year: £45 million) relates to internally generated intangibles and is non adjusting. In the period to 31 March 2023 adjusting items all relate to amortisation £174 million (2022 half year: £156 million, 2022 full year: £323 million) is attributable to Tobacco & NGP and £nil million (2022 half year: £26 million, 2022 full year: £26 million) is attributable to distribution.

ACQUISITION AND DISPOSAL COSTS / PROFIT ON DISPOSAL OF SUBSIDIARIES

Adjusted performance measures exclude costs and profits or losses associated with major acquisitions and disposals as they do not relate to the day to day operational performance of the Group. Acquisition costs and profits or losses on disposal can be significant in size and are one-off in nature. Exclusion of these items allows a clearer presentation of the day to day underlying income and costs of the business. Where applicable and not reported separately, this includes changes in contingent or deferred consideration.

FAIR VALUE ADJUSTMENT TO FINANCIAL ASSETS

As the movement in the fair value of loan receivables associated with the investment in Auxly Cannabis Group Inc. and the movement in the investment in associate Oxford Cannabinoid Technologies Holdings plc has the potential to be significant, and do not relate to the day to day operational performance of the group, the Group has excluded these fair value movements from adjusted operating profit.

RESTRUCTURING COSTS

Significant one-off costs incurred in integrating acquired businesses and in major rationalisation and optimisation initiatives together with their related tax effects are excluded from our adjusted earnings measures. These include restructuring costs incurred as part of fundamental multi-year transformational change projects but do not include costs related to ongoing cost reduction activity. These costs are all Board approved, and include impairment of property, plant and equipment which are surplus to requirements due to restructuring activity. These costs are required in order to address structural issues associated with operating within the Tobacco sector that have required action to both modernise and right-size the organisation, ultimately delivering an operating model suitable for the future of the business. The Group's view is that as these costs are both significant and one-off in nature, excluding them allows a clearer presentation of the underlying costs of the business.

RUSSIAN AND ASSOCIATED MARKETS EXIT

In the comparative period the portion of the loss on exit of the Russian and associated markets adjusted out of operating profit was £399 million comprising a loss on transfer of Russian operations of £364 million and impairment of assets and exit costs of the associated markets of £35 million.

Adjusting items recognised within share of profit/(loss) of investments accounted for using the equity method

	Unaudited	Unaudited	Audited
£ million	**6 months ended 31 March 2023**	6 months ended 31 March 2022	Year ended 30 September 2022
Impairment of intangible assets held by Global Horizon joint venture	**-**	-	(24)
Other profits / (losses) from investments accounted for using the equity method	**3**	(20)	9
Share of profit / (losses) of investments accounted for using the equity method	**3**	(20)	(15)

Adjusting items recognised within tax

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2023	Audited Year ended 30 September 2022
Deferred tax on amortisation of acquired intangibles	**(1)**	8	15
Tax on net foreign exchange and fair value gains and losses on financial instruments	**67**	2	(183)
Tax on restructuring costs	**-**	3	49
Tax on disposal of subsidiaries	**-**	7	8
Provision for state aid tax recoverable	**-**	-	(101)
Uncertain tax positions	**(3)**	57	63
Deferred tax on unremitted earnings	**-**	26	26
Tax on unrecognised losses	**-**	(8)	(8)
Other non-adjusting taxation charges	**(340)**	(316)	(755)
Reported tax	**(277)**	(221)	(886)

TAX ADJUSTMENTS RELATED TO OTHER PRE TAX ADJUSTING ITEMS

The adjusted tax charge has been calculated to include the tax effects of a number of pre tax adjusting items including the amortisation of acquired intangibles, net foreign exchange gains and losses, fair value movements on financial instruments, restructuring costs and post-employment benefits net financing cost. The tax effect of the result of the disposal of subsidiaries has also been adjusted.

SIGNFICANT ONE OFF TAX CHARGES OR CREDITS

The adjusted tax charge also excludes significant one-off tax charges or credits arising from:
- prior period tax items (including re-measurement of deferred tax balances on a change in tax rates); or
- a provision for uncertain tax items not arising in the normal course of business; or
- newly enacted taxes in the year; or
- tax items that are closely related to previously recognised tax matters, and are excluded from our adjusted tax charge to aid comparability and understanding of the Group's performance.

The recognition and utilisation of deferred tax assets relating to tax losses and tax credits not historically generated in the normal course of business are excluded on the same basis.

UNCERTAIN TAX POSITIONS

Significant one-off tax charges or credits arising from a provision for uncertain tax items not arising in the normal course of business are excluded from the adjusted tax charge.

PROVISION FOR STATE AID RECOVERABLE

Significant one-off tax charges or credits arising from prior period items are excluded from the adjusted tax charge. The provision against the state aid tax recoverable is excluded from the adjusted tax charge on this basis.

DEFERRED TAX ON UNREMITTED EARNINGS

Significant one-off tax charges or credits arising from prior period items are excluded from the adjusted tax charge. The tax effect of the release of a provision for deferred tax on unremitted earnings is excluded from the adjusted tax charge on this basis.

TAX ON UNRECOGNISED LOSSES

The recognition and utilisation of deferred tax assets relating to losses not historically generated in the normal course of business are excluded from the adjusted tax charge.

DEFINITIONS AND RECONCILIATIONS OF ADJUSTED MEASURES

A) NET REVENUE TOBACCO & NGP

Tobacco & Next Generation Products (NGP) net revenue comprises associated revenue less duty and similar items, excluding peripheral products. Management considers this an important measure in assessing the performance of Tobacco & NGP operations.

The Group recognises revenue on sales to Logista, a Group company, within its reported Tobacco & NGP revenue figure. As the revenue calculation includes sales made to Logista from other Group companies but excludes Logista's external sales, this metric differs from revenue calculated under IFRS accounting standards. For the purposes of Adjusted Performance Measures on Net Revenue the Group treat Logista as an arm's length distributor on the basis that contractual rights are in line with other Third Party suppliers to Logista. Variations in the amount of inventory held by Logista results in a different level of revenue compared to that which is included within the income statement. For tobacco product sales, inventory level variations are normally not significant. For the purpose of showing comparable year on year metrics we have included a Net Revenue Tobacco & NGP measure excluding the results of the Russia business in the comparative figures, following the disposal of that operation in April 2022.

RECONCILIATION FROM TOBACCO & NGP REVENUE TO TOBACCO & NGP NET REVENUE AND NET REVENUE EXCLUDING RUSSIA

			Unaudited			Unaudited
			6 months ended 31 March 2023			6 months ended 31 March 2022
£ million	**Tobacco**	**NGP**	**Total**	Tobacco	NGP	Total
Revenue	**10,424**	**139**	**10,563**	10,937	107	11,044
Duty and similar items	**(6,884)**	**(14)**	**(6,898)**	(7,533)	(6)	(7,539)
Sale of peripheral products	**(2)**	**-**	**(2)**	(10)	-	(10)
Net Revenue	**3,538**	**125**	**3,663**	3,394	101	3,495
Russian net revenue	**-**	**-**	**-**	(54)	-	(54)
Net revenue excluding Russia	**3,538**	**125**	**3,663**	3,340	101	3,441

			Audited
			Year ended 30 September 2022
£ million	Tobacco	NGP	Total
Revenue	23,232	224	23,456
Duty and similar items	(15,628)	(16)	(15,644)
Sale of peripheral products	(19)	-	(19)
Net Revenue	7,585	208	7,793
Russian net revenue	(56)	-	(56)
Net revenue excluding Russia	7,529	208	7,737

B) DISTRIBUTION GROSS PROFIT

Distribution gross profit comprises the Distribution segment revenue less the cost of distributed products. Management considers this an important measure in assessing the performance of Distribution operations. Distribution gross profit was previously described as Distribution net revenue. There has been no change in calculation of this metric.

	Unaudited	Unaudited	Audited
£ million	**6 months ended 31 March 2023**	6 months ended 31 March 2022	Year ended 30 September 2022
Revenue	**5,202**	4,639	9,756
Distribution cost of sales	**(4,471)**	(4,137)	(8,710)
Distribution Gross Profit	**731**	502	1,046

C) ADJUSTED OPERATING PROFIT

Adjusted operating profit is calculated as operating profit amended for a number of adjustments, the principal changes are detailed below. This measure is separately calculated and disclosed for Tobacco, NGP and Distribution where appropriate. For the purpose of showing comparable year on year metrics we have included an Adjusted Operating Profit measure excluding the results of the Russia business in the comparative figures, following the disposal of that operation in April 2022.

RECONCILIATION FROM PROFIT BEFORE TAX TO ADJUSTED OPERATING PROIFT AND ADJUSTED OPERATING PROFIT EXCLUDING RUSSIA

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Profit before tax	**1,443**	1,256	2,551
Net finance costs / (income)	**94**	(75)	117
Share of loss / (profit) of investments accounted for using the equity method	**(3)**	20	15
Operating profit	**1,534**	1,201	2,683
Russian and associated markets exit costs	**-**	201	399
Amortisation and impairment of acquired intangibles	**174**	182	349
Restructuring costs	**-**	7	197
Fair value adjustment to financial assets	**7**	(2)	37
Loss on disposal of subsidiaries	**1**	16	29
Acquisition and disposal costs	**-**	5	5
Excise tax provision	**-**	(10)	(9)
Buy-out of liabilities on Irish pension scheme	**-**	-	4
Adjusted operating profit	**1,716**	1,600	3,694
Russian operating profit	**-**	8	5
Adjusted operating profit excluding Russia	**1,716**	1,592	3689

RECONCILIATION FROM TOBACO & NGP OPERATING OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Operating profit	**1,386**	1,124	2,472
Russian and associated markets exit costs	**-**	201	399
Amortisation and impairment of acquired intangibles	**174**	156	323
Restructuring costs	**-**	7	197
Loss on disposal of subsidiaries	**1**	-	13
Fair value adjustment to financial assets	**7**	(2)	37
Acquisition and disposal costs	**-**	5	5
Excise tax provision	**-**	(10)	(9)
Buy out of liabilities on Irish pension scheme	**-**	-	4
Adjusted operating profit	**1,568**	1,481	3,441

RECONCILIATION FROM DISTRIBUTION REVENUE TO DISTRIBUTION NET REVENUE

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Operating profit	**150**	79	212
Loss on disposal of subsidiaries	**-**	16	16
Amortisation of acquired intangibles	**-**	26	26
Adjusted operating profit	**150**	121	254

See note 11 for details on amortisation and impairment, note 4 for details of acquisition and disposal costs, and note 5 for details of restructuring costs.

D) ADJUSTED OPERATING PROFIT MARGIN

Adjusted operating profit margin is adjusted operating profit divided by net revenue expressed as a percentage. This measure is separately calculated and disclosed for Tobacco, NGP and Distribution businesses where appropriate. There is no reconciliation required for this metric.

E) ADJUSTED NET FINANCE COSTS

Adjusted net finance costs excludes the movements in the fair value of financial instruments which are marked to market and not naturally offset. This measure also excludes all post-employment benefit net finance costs since pension assets and liabilities and redundancy and social plan provisions do not form part of adjusted net debt. This allows comparison of the Group's cost of debt with adjusted net debt.

IFRS 9 requires that all derivative financial instruments are recognised in the consolidated balance sheet at fair value, with changes in the fair value being recognised in the consolidated income statement unless the instrument satisfies the hedge accounting rules under IFRS and the Group chooses to designate the derivative financial instrument as a hedge.

The Group hedges underlying exposures in an efficient, commercial and structured manner. However, the strict hedging requirements of IFRS 9 may lead to some commercially effective hedge positions not qualifying for hedge accounting. As a result, and as permitted under IFRS 9, the Group has decided not to apply cash flow or fair value hedge accounting for its derivative financial instruments. However, the Group does apply net investment hedging, designating certain borrowings and derivatives as hedges of the net investment in the Group’s foreign operations, as permitted by IFRS 9, in order to reduce income statement volatility.

The Group excludes fair value gains and losses on derivative financial instruments and exchange gains and losses on borrowings from adjusted net finance costs. Fair value gains and losses on the interest element of derivative financial instruments are excluded as there is no direct natural offset between the movements on derivatives and the interest charge on debt in any one period, as the derivatives and debt instruments may be contracted over different periods, although they will reverse over time or are matched in future periods by interest charges. The fair value gains on derivatives are excluded as they can introduce volatility in the finance charge for any given period.

Fair value gains and losses on the currency element of derivative financial instruments and exchange gains and losses on borrowings are excluded as the relevant foreign exchange gains and losses on the instruments in a net investment hedging relationship are accumulated as a separate component of other comprehensive income in accordance with the Group’s policy on foreign currency.

Fair value movements arising from the revaluation of contingent consideration liabilities are adjusted out where they represent one-off acquisition costs that are not linked to the current period underlying performance of the business. Fair value adjustments on loans receivable measured at fair value are excluded as they arise due to counterparty credit risk changes that are not directly related to the underlying commercial performance of the business.

The net interest on defined benefit assets or liabilities, together with the unwind of discount on redundancy, social plans and other long-term provisions are reported within net finance costs. These items together with their related tax effects are excluded from our adjusted earnings measures, as they primarily represent charges associated with historic employee benefit commitments, rather than the ongoing current period costs of operating the business.

RECONCILIATION FROM REPORTED NET FINANCE COSTS TO ADJUSTED NET FINANCE COSTS

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Reported net finance costs / (income)	**94**	(75)	117
Fair value gains on derivative financial instruments	**365**	688	1,483
Fair value losses on derivative financial instruments	**(273)**	(616)	(1,213)
Exchange gains / (losses) on financing activities	**16**	164	(69)
Net fair value and exchange gains on financial instruments	**108**	236	201
Interest income on net defined benefit assets	**87**	53	107
Interest cost on net defined benefit liabilities	**(80)**	(49)	(99)
Post-employment benefits net financing income	**7**	4	8
Taxation settlement interest cost	**(10)**	-	-
Adjusted net finance costs	**199**	165	326
Comprising			
Interest income on bank deposits	**(5)**	(3)	(9)
Interest cost on lease liabilities	**5**	4	6
Interest cost on bank and other loans	**199**	164	329
Adjusted net finance costs	**199**	165	326

F) ADJUSTED TAX CHARGE

The adjusted tax charge is calculated by amending the reported tax charge for significant one-off tax charges or credits arising from:
• prior period tax items (including re-measurement of deferred tax balances on a change in tax rates); or
• a provision for uncertain tax items not arising in the normal course of business; or
• newly enacted taxes in the year; or
• tax items that are closely related to previously recognised tax matters, and are excluded from our adjusted tax charge to aid comparability and understanding of the Group's performance.

The recognition and utilisation of deferred tax assets relating to losses not historically generated in the normal course of business are excluded on the same basis.

The adjusted tax rate is calculated as the adjusted tax charge divided by the adjusted profit before tax.

RECONCILIATION FROM REPORTED TAX TO ADJUSTED TAX

Reported tax for the six months ended 31 March 2023 has been calculated on the basis of a forecast effective rate for the year ended 30 September 2023.

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Reported tax	**277**	221	886
Deferred tax on amortisation and impairment of acquired intangibles	**(1)**	8	15
Tax on net foreign exchange and fair value gains and losses on financial instruments	**67**	2	(183)
Tax on restructuring costs	**-**	3	49
Tax on disposals	**-**	7	8
Recognition of tax credits	**-**	-	-
Provision for state aid recoverable	**-**	-	(101)
Uncertain tax positions	**(3)**	-	63
Deferred tax on unremitted earnings	**-**	57	26
Tax on unrecognised losses	**-**	26	(8)
Adjusted tax charge	**340**	316	755

G) ADJUSTED EARNINGS PER SHARE

Adjusted earnings is calculated by amending the reported basic earnings for all of the adjustments recognised in the calculation of the adjusted operating profit, adjusted finance costs and adjusted tax charge metrics as detailed above. Adjusted earnings per share is calculated by dividing adjusted earnings by the weighted average number of shares. For the purpose of showing comparable year on year metrics we have included an Adjusted Earnings Per Share measure excluding the results of the Russia business in the comparative figures, following the disposal of that operation in April 2022.

RECONCILIATION FROM REPORTED TO ADJUSTED EARNINGS AND EARNINGS PER SHARE

	Unaudited		Unaudited		Audited	
	6 months ended 31 March 2023		6 months ended 31 March 2022		Year ended 30 September 2022	
£ 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	**117.0**	**1,094**	105.2	995	165.9	1,570
Russian and associated markets exit costs	-	-	21.3	201	42.2	399
Amortisation and impairment of acquired intangibles	**18.7**	**175**	18.4	174	35.4	334
Restructuring costs	-	-	0.4	4	15.6	148
Fair value adjustment to financial assets	**0.7**	**7**	(0.2)	(2)	3.9	37
Loss on disposal of subsidiaries	**0.1**	**1**	1.0	9	2.2	21
Acquisition and disposal costs	-	-	0.5	5	0.5	5
Excise tax provision	-	-	(1.1)	(10)	(1.0)	(9)
Buy-out of liabilities on Irish pension scheme	-	-	-	-	0.4	4
Net fair value and exchange movements on financial instruments	**(18.7)**	**(175)**	(25.2)	(238)	(1.9)	(18)
Post-employment benefits net financing cost	**(0.7)**	**(7)**	(0.4)	(4)	(0.8)	(8)
Brand impairment in equity accounted joint venture	-	-	2.5	24	2.5	24
Provision for state aid recoverable	-	-	-	-	10.7	101
Uncertain tax positions	**0.3**	**3**	(6.0)	(57)	(6.7)	(63)
Deferred tax on unremitted earnings	-	-	(2.7)	(26)	(2.7)	(26)
Tax on unrecognised losses	-	-	0.8	8	0.8	8
Tax settlement interest cost	**1.1**	**10**	-	-	-	-
Adjustments above attributable to non-controlling interests	-	-	(1.5)	(14)	(1.8)	(18)
Adjusted	**118.5**	**1,108**	113.0	1,069	265.2	2,509
Adjusted diluted	**117.6**	**1,108**	112.6	1,069	263.3	2,509
Russia earnings per share	-	-	0.5	5	0.4	4
Adjusted excluding Russia	**118.5**	**1,108**	112.5	1,064	264.8	2,505
Adjusted diluted excluding Russia	**117.6**	**1,108**	112.1	1,064	262.9	2,505

H) CONSTANT CURRENCY

Constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. The Group translate current year results at prior year foreign exchange rates. An analysis of all key metrics can be found in the Financial Summary section of the half year results statement.

I) ADJUSTED NET DEBT

Management monitors the Group's borrowing levels using adjusted net debt which excludes interest accruals, lease commitments and the fair value of derivative financial instruments providing commercial hedges of interest rate risk. The adjusted net debt metric is used in monitoring performance against various debt management obligations including covenant compliance.

ADJUSTED NET DEBT CALCULATION

Management monitors the Group's borrowing levels using adjusted net debt which excludes lease liabilities, interest accruals and the fair value of derivative financial instruments. Adjusted net debt is used for the purpose of debt monitoring as it excludes non-cash accounting adjustments and therefore better tracks operational debt management performance.

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Reported net debt	**(10,239)**	(9,757)	(8,492)
Accrued interest	**76**	68	105
Lease liabilities	**355**	241	248
Fair value of interest rate derivatives	**9**	291	85
Adjusted net debt	**(9,799)**	(9,157)	(8,054)

J) ADJUSTED NET DEBT TO EARNINGS BEFORE INTEREST, TAXATION, DEPRECIATION AND AMORTISATION (EBITDA) MULTIPLE

This is defined as adjusted net debt divided by EBITDA. Adjusted net debt is measured at balance sheet foreign exchange rates, with a full reconciliation shown in section I above. EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments. The reconciliation from adjusted operating profit to EBITDA is shown below.

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Adjusted operating profit (see section C above)	**1,716**	1,600	3,694
Depreciation, amortisation and impairment	**141**	125	244
EBITDA	**1,857**	1,725	3,938

K) ADJUSTED OPERATING CASH CONVERSION

Adjusted operating cash conversion is calculated as cash flow from operations pre-restructuring and before interest and tax payments less net capital expenditure relating to property, plant and equipment, software and intellectual property rights as a percentage of adjusted operating profit.

ADJUSTED OPERATING CASH CONVERSION CALCULATION

£ million unless otherwise stated	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2022	Audited Year ended 30 September 2022
Net cash generated (used in) / from operating activities	**(4)**	700	3,186
Tax	**175**	273	681
Net capital expenditure	**(119)**	(64)	(177)
Restructuring cash spend	**61**	42	91
Adjusted operating cash flow	**113**	951	3,781
Adjusted operating profit	**1,716**	1,600	3,694
Cash Conversion %	**7**	59	102

L) FREE CASH FLOW

Free cash flow is adjusted operating profit adjusted for certain cash and non cash items. The principal adjustments are depreciation, working capital movements, net capex, restructuring cash flows, tax cash flows, cash interest and minority interest dividends.

RECONCILIATION FROM NET CASH FLOW FROM OPERATING ACTIVITIES TO FREE CASH FLOW

£ million	**Unaudited** **6 months ended 31 March 2023**	Unaudited 6 months ended 31 March 2023	Audited Year ended 30 September 2022
Net cash generated from operating activities	**(4)**	700	3,186
Net capital expenditure	**(119)**	(64)	(177)
Cash interest	**(237)**	(242)	(358)
Minority interest dividends	**(72)**	(58)	(89)
Free cash flow	**(432)**	336	2,562

GLOSSARY

Financial terms	
Adjusted earnings per share	This is an adjusted performance measure which is defined within section G of the supplementary information.
Adjusted net debt	This is an adjusted performance measure which is defined within section I of the supplementary information.
Adjusted net debt to EBITDA multiple	This is an adjusted performance measure. Adjusted net debt is defined within section I of the supplementary information. EBITDA is defined within section J of the supplementary information.
Adjusted EBITDA	Adjusted EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments.
Adjusted net finance costs	This is an adjusted performance measure which is defined within section E of the supplementary information.
Adjusted operating cash conversion	This is an adjusted performance measure which is defined within section K of the supplementary information.
Adjusted operating profit	This is an adjusted performance measure which is defined within section C of the supplementary information.
Adjusted operating profit margin	Adjusted operating profit margin is calculated as adjusted operating profit divided by net revenue.
Adjusted (Non-GAAP)	Non-GAAP measures provide a useful comparison of performance from one period to the next.
Adjusted tax charge	This is an adjusted performance measure which is defined within section F of the supplementary information.
All in cost of debt	Adjusted net finance costs divided by the average net debt in the period.
Constant currency	Removes the effect of exchange rate movements on the translation of the results of our overseas operations. The Group translate current year results at prior year foreign exchange rates.
Dividend per share	Dividend per share represents the total annual dividends, being the sum of the paid interim dividend and the proposed final dividend for the financial year.
GAAP	Generally accepted accounting principles.
EBITDA	Earnings before interest, taxation, depreciation and amortisation.
Market share/ Aggregate Market share	Market share is presented as a 6-month average to the end of March (MHT – moving half-year trend), unless otherwise stated. Aggregate market share is a weighted average across markets within our footprint.
Net debt to EBITDA	Adjusted closing net debt divided by adjusted EBITDA.
Reported (GAAP)	Reported (GAAP) Complies with International Financial Reporting Standards and the relevant legislation.
Stick equivalent volumes	Stick equivalent volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes but exclude any NGP volume such as heated tobacco, modern oral nicotine and vapour.
Tobacco & NGP Net revenue/ Distribution Gross Profit	These are adjusted performance measures which are defined within sections A and B of the supplementary information.
Total shareholder return	Total shareholder return is the total investment gain to shareholders resulting from the movement in the share price and assuming dividends are immediately reinvested in shares.
AAACE	This is a region within Imperial Brands plc focusing on Africa, Asia, Australasia and Central & Eastern Europe.
Distribution	Logistics segment.
ESG	Environmental, social and governance.
NGP	Next Generation Products.
NTM	Non-tobacco materials.
Priority markets	Top 5 combustible markets USA, Germany, UK, Spain and Australia.
SE	Stick Equivalent (SE) volumes reflect our combined cigarette, fine cut tobacco, cigar and snus volumes.
Tobacco & NGP	Tobacco & Next Generation Products.