

## GAINING MOMENTUM BEHIND OUR STRATEGIC PRIORITIES

### Report for the six months ended 31 March 2022

#### Business Highlights

- Good progress in delivering on our strategic objectives
- Strategic investment driving growth in aggregate market share in top-five priority markets
- Successful NGP trials underpin further market roll-outs in heated tobacco and vapour
- Implementing our new purpose, vision and behaviours to align our culture to our strategy
- Strong operating cash generation delivering further deleverage, as anticipated
- On track to deliver full year results in line with guidance

#### Financial Summary

Six months ended 31 March 2022		Reported			Adjusted <sup>3</sup>			Constant currency <sup>4</sup>
		2022	2021	Change	2022	2021 <sup>2</sup>	Actual	
Revenue/Net revenue <sup>1</sup>	£m	15,362	15,568	-1.3%	3,495	3,571	-2.1%	+0.3%
Operating profit	£m	1,201	1,637	-26.6%	1,600	1,586	+0.9%	+2.9%
Basic earnings per share	pence	105.2	191.2	-45.0%	113.0	107.0	+5.6%	+7.7%
Net debt	£m	(9,757)	(11,003)		(9,157)	(10,328)		
Dividend per share	pence	42.54	42.12	+1.0%	42.54	42.12	+1.0%	+1.0%

<sup>1</sup> 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.

<sup>2</sup> The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue and £3 million to adjusted operating profit in 2021.

<sup>3</sup> See page 3 for basis of presentation, page 17 and notes 3, 5, 9 and 12 of the financial statements for the reconciliation between reported and adjusted measures.

<sup>4</sup> Constant currency removes effect of exchange rate movements on the translation of the results of our overseas operations.

#### Stefan Bomhard Chief Executive

"We are now 18 months into our five-year strategy to build a more sustainable Imperial capable of consistent growth – and I am pleased with the progress we are making.

"These results provide further evidence that we have achieved the stabilisation of our core combustible business. During the first half of the year, we increased aggregate market share in the five priority markets which account for around 70 per cent of our operating profit, while maintaining pricing discipline. This strong performance is an outcome of our tighter performance management and disciplined investment in sales execution and brand building. Meanwhile, our more focused approach to our broader portfolio of markets is delivering a stronger performance from regions, such as Africa. In April, we delivered on our earlier commitment to exit Russia, with the orderly transfer of our business to local investors.

"In next generation products, consumers have given positive feedback on our recent trials, validating our new insights-driven approach. We will now roll out our Pulze and iD heated tobacco proposition to further European markets and, in US vape, we are extending our refreshed blu marketing proposition. We have also started a pilot in France for an all-new vapour device, the first new NGP product from our redesigned innovation pipeline.

"Our strategy is being supported by a comprehensive culture change programme, designed to embed more consumer-centric, collaborative and future-focused ways of working, across every level of the organisation.

"Our focus for the remainder of 2022 will be to invest further in our five priority markets and begin the roll-out of our NGP strategy. While these are uncertain times, as we move into 2023, we will have in place the capabilities and culture necessary to support the next phase of our strategy and deliver sustainable growth in shareholder value."

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## Delivering Against our Strategic Priorities

### *Focus on priority combustible markets*

- Investment in operational levers drives 25 bps growth in aggregate market share in priority combustible markets
- Share gains in USA, UK and Australia more than offset declines in Germany and Spain
- Investing in sales execution activities:
  - Enhancing sales force capabilities, e.g. in the USA and Germany
  - Strengthening our key account management, e.g. in the USA
- Investing in multiple brand equity building initiatives:
  - Building brand equity in premium segment, e.g. Winston pack change and new campaign in USA
  - Optimising our approach to the value segment, e.g. launch of Lambert & Butler in Australia
  - Maximising fine cut opportunities, e.g. development of West in Germany; Riverstone in UK and Australia

### *Build a targeted NGP business*

- Successful consumer trials validate our approach and strengthen our confidence in our NGP strategy
- Heated tobacco trial results from the Czech Republic and Greece support further launches into new markets
- Positive trial results of new marketing proposition for blu in the USA supports further roll-out
- Trials underway of all-new blu vapour device into selected French cities

### *Drive value from our broader market portfolio*

- Market prioritisation driving improved operational and financial performance
- Clear portfolio strategy in Africa delivering share gains and growth in net revenue and profit
- Concluded our exit from Russia, with a transfer of our business to local investors

### *Transforming our ways of working through our critical enablers*

- Strategy supported by structured culture change programme to embed more consumer-centric, collaborative and future focused ways of working
- Programme will be rolled out across our whole Group by the end of the year
- Simplified and efficient operations: on track to deliver cost savings in line with our strategic plan
- Our environmental, social and governance strategy has been refreshed, underpinning our new ambitions

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## Results Overview\*

### *Net revenue*

- Net revenue up +0.3%, tobacco +0.1%, NGP +8.7%; reported revenue reduced -1.3%, due to lower excise duty in Europe
- Tobacco price mix of +0.8% reflects pricing of +1.2% and adverse mix of -0.4% (product mix in the Americas and market mix in AAA)
- Recent price increases in Q2 (+3.8%) support improved price mix in second half of the year
- Overall volumes down -0.7%: reflecting strong volume performance in the USA, Middle East and Australia, offsetting declines in Europe as COVID-19 restrictions ease
- NGP net revenue growth +8.7%, to £101m, driven by strong progress across all categories in Europe

### *Progress in improving profitability*

- Group adjusted operating profit growth of 2.9%, driven by reduced losses in NGP reflecting prior year market exits
- Reported operating profit of £1,201m is lower by £436m, driven by charges related to our exit from Russia and associated markets (£201m) and non-recurrence of gains on disposal of Premium Cigar Division (£281m)
- Tobacco adjusted operating profit at a similar level to last year reflecting increased investment in strategy
- NGP adjusted operating losses reduced by +49.9% vs HY21, against comparator period that included exit from AAA
- Adjusted EPS up +7.7% driven by growth in adjusted operating profit and a reduction in tax rate to 21.9% following favourable developments in several tax authority audits and a lower adjusted finance charge
- Reported EPS down -45.0%, with lower reported operating profit and lower finance income as we reduced our exposure to unhedged currency exposures on financial instruments, partly offset by higher reported tax rate

### *Strong cash conversion supports year-on-year deleverage*

- Strong 12-month cash conversion at +102%
- Adjusted and reported net debt both reduced by £1.2bn (12-month basis) driven by free cash flow
- Adjusted net debt to EBITDA improved to 2.4x in line with expectations (HY21: 2.6x), reflecting usual seasonality
- Maintaining our deleverage momentum to deliver further net reduction at the full year
- Interim dividend per share up 1%, consistent with our progressive dividend policy

\* All measures at constant currency unless otherwise stated

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## Basis of Presentation

- To aid understanding of our results, we use 'adjusted' (non-GAAP) measures as we believe they provide a better comparison of performance from one period to the next. Reconciliations between adjusted and reported (GAAP) measures are also included in the relevant notes. Further definitions of adjusted measures are provided in Note 1 of these accounts. 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.
- 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.

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## Other Information

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### Analyst Presentation Webcast

Imperial Brands PLC will be hosting a live webcast at 09:00 (BST) for investors and investment analysts following the publication of our results on 17 May 2022. 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.imperialbrandspc.com](http://www.imperialbrandspc.com) from 07.00 (BST). An archive of the webcast and the presentation script and slides will also be available.

Please either listen to the Q&A session via the webcast link: <https://edge.media-server.com/mmc/p/i7adfq8m> or to ask a question, please use the dial-in details below. Please dial-in at least 10 minutes prior to the start time to provide sufficient time to access the event. You will be asked to provide the conference ID number below.

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### 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.

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## CHIEF EXECUTIVE'S STATEMENT

### Overview

These results cover an important six months in the strengthening phase of our five-year strategy to transform Imperial into a more sustainable business capable of consistent growth – year in, year out.

The essential foundations of this new strategy – a consumer mindset, a rigorous high-performance culture and a desire to challenge the status quo – are fast taking shape. And already we are seeing the fruits of these new ways of working and our focused investments in new capabilities. In particular, these results provide further evidence of the stabilisation of our core combustible business. In the first half, while maintaining pricing discipline, we delivered aggregate market share gain across the five priority markets, which account for around 70 per cent of our operating profit.

In next generation products (NGP), consumers have given positive feedback to the pilots we launched in the second half of last year. We now intend to roll out our Pulze and iD heated tobacco proposition in further European markets and, in the US vapour segment, we are extending our new blu consumer marketing proposition.

All this progress has been achieved by our people during a challenging period characterised by growing macroeconomic pressures, amplified by Russia's invasion of Ukraine. I would like to pay special tribute to the dedication of our teams working to keep safe our 600 Ukrainian colleagues and their families. Since the war began in February, we have been providing transport and accommodation to enable them to escape the areas most heavily affected by war, and resettlement assistance for those who have left Ukraine. Meanwhile, in April, we delivered on our commitment to fully exit Russia, with the orderly transfer of our business to local investors.

### Our results

These results reflect a further step up in investment to build these new foundations during the two-year strengthening phase of our five-year strategy. Price mix was relatively weak in the first quarter but improved markedly in our second quarter as we achieved price increases in several of our key markets, which will support a stronger price mix performance in our second half. Our NGP business delivered top-line growth and reduced losses as we focused investment behind our new trials.

Adjusted Group operating profit grew 2.9 per cent at constant currency driven by reduced losses in NGP. Reported operating profit was 26.6 per cent lower, driven primarily by exit charges related to the divestment of our Russian business and the non-recurrence of gains on last year's divestment of the Premium Cigar Division. Our cash generation has remained strong supporting further debt reduction on a 12-month basis.

### Developing the right culture

Building the right culture is essential to the successful delivery of our strategy. In 2021, we developed a new statement of purpose: "Forging a path to a healthier future for moments of relaxation and pleasure". Alongside this our vision statement "To build a strong challenger business powered by responsibility, focus and choice" underpins our strategy. We are embedding this purpose, and vision, together with our new behaviours through all levels of the business. So far over 400 of our senior leadership team have participated in extensive training sessions and a further 900 will take part in the next three months. These sessions are focused on helping our people work in ways which are more consumer-centric, collaborative, accountable, inclusive, and future focused. By the end of this year, all of our people will have had training in these behaviours.

### Building our consumer capabilities

Having last year set up a new Group Consumer Office led by Andy Dasgupta, we are now embedding consumer packaged goods best practice in our insights, marketing and sales. Our investor webinar in March showcased how our largest market, the US, was successfully combining deep consumer research, creative marketing executions and new digital sales systems to drive stronger business performance. This more rigorous, integrated approach is being replicated across our key markets. Andy has now completed his senior team with new hires who are adopting a different approach based more on partnerships with third parties and informed by consumer insight to develop the pipeline for new products in both tobacco and NGP.

### Becoming a strong challenger

As the smallest of the global tobacco businesses, we need to work more nimbly than our competitors. This means identifying value pools others overlook and innovating swiftly to satisfy unmet consumer needs. Recently, I have seen diverse examples of this challenger approach in action. In Australia, we achieved something rare in a dark market: the successful launch of a new brand, Lambert & Butler, which meets a consumer need for affordable quality. In Spain, we are taking a different approach to our competitors by building on the success of our investment behind our local jewel brand, Nobel. We are now extending this approach to our other Spanish local brands, Fortuna and Ducados. Even in some smaller markets in Africa and Eastern Europe, we have built share by addressing underserved niches, including different-sized products, pricing segments or brand positioning.

### **Focusing on priority combustible markets**

In combustibles, we remain focused on driving performance in our five largest markets: the US, Germany, UK, Australia and Spain. Historically, we posted annual double-digit declines in aggregate share – making us the sector's largest share donor. In FY21, thanks to our renewed focus on the priority markets, that decline was stabilised. And during the first half of 2022, we recorded a 25 basis point increase in share while maintaining pricing discipline. This outperformance has been driven by a tighter operational management and the focused investment initiatives in these five priority markets.

We grew share in the US, UK and Australia, which more than offset declines in Germany and Spain. We manage these markets as a portfolio where we recognise the mix of market performance will vary from period to period. For example, we recognise that Germany is likely to take longer to address after more than a decade of share declines. However, at the same time, we will have opportunities to outperform, such as we have done in the US market, where we quickly mobilised our team to capture some of the share made available by KT&G's exit from the US. This opportunity will not be repeated and therefore we expect our share performance momentum to moderate in the second half.

### **Driving value from our broader portfolio**

We are applying the same disciplined focus to how we manage the rest of our combustible markets. Here we are prioritising investment behind the best growth opportunities in regions, while applying the same strict standards of responsible marketing to existing adult smokers.

The new divisional structure with Paola Pocci leading the Africa, Asia and Australasia region now provides a greater management focus and the specific skill-set needed to unlock value from these markets. For example, the Africa region, where we have strong positions in five markets, has performed well again in the first half with market share gains and profitable growth.

### **Building a targeted NGP business**

In NGP, we continue to execute on our strategic objective to rebuild our business as a focused, sustainable, consumer-centric enterprise. We have received positive consumer feedback from trials of our Pulze heated tobacco system in Greece and the Czech Republic. While we will continue to innovate on our marketing proposition, device technology and the range and quality of our iD heat sticks, consumer data has validated our approach and strengthened our confidence in our NGP strategy. Heated tobacco remains a nascent market, where consumers have yet to form strong brand loyalties and they are willing to experiment with different propositions as they search for potentially less-risky alternatives to smoking, which best suit their personal preferences. In line with our strategy, we are now developing plans to roll out Pulze to additional European markets.

In vape in the US, we have been following a similar test-and-learn approach. A local pilot of an improved consumer marketing proposition has received positive consumer feedback and we now plan to extend to further territories in the US. The new proposition includes improved packaging and a new marketing approach targeting "next steppers" looking to migrate from combustibles. We were disappointed with the FDA's decision to issue Marketing Denial Orders for some of our myblu products in early April and we are currently seeking to overturn the decision through the administrative appeals process. Our products will remain in the market during the appeals process.

In April, we began piloting an all-new vape device, blu 2.0, in selected cities in France. We will evaluate consumer feedback from this pilot before moving to a wider roll-out in Europe.

In modern oral nicotine, we continue to focus on the Nordic markets, where we have achieved strong growth in Sweden and Norway, as well as Austria, where there is a heritage of oral tobacco.

### **Managing our Environmental, Social & Governance responsibilities**

An important element of the foundation-building phase of our strategy has been a refresh of our approach to environmental, social & governance (ESG) responsibilities

Imperial has a long tradition of responsible business with a good track record of preventing under-age access, combating illicit trade and continually reducing its carbon footprint.

Our recent ESG review has focused on prioritising our activities to ensure they fully align with our new strategy, purpose and vision and meet the evolving expectation of stakeholders.

A full materiality study, which combined both quantitative data-led analysis and qualitative stakeholder interviews, highlighted eight key areas of focus.

We have grouped these into three broad categories:

- *Healthier futures* – comprising consumer health, climate change and packaging & waste;
- *Positive contribution to society* – comprising farmer livelihoods & welfare, sustainable & responsible sourcing and human rights; and
- *A safe and inclusive workplace* – comprising employee health, safety & wellbeing and diversity, equity & inclusion.

In some areas, we have already defined targets and begun the work required to meet these goals. In climate change, for example, we have pledged to become a net zero company by 2040 and have set intermediate objectives in order help us to track our progress. We are developing initiatives across the value chain to decarbonise our business at pace. More than 90 per cent of our electricity is now supplied by traceable renewable sources. Our first carbon neutral factory, the Skruf plant in Savsjo, Sweden, is now acting as an example for our other facilities as they work to further improve their energy efficiency and sustainable sourcing. Meanwhile, we will be launching a pilot salary-sacrifice scheme to encourage uptake of electric cars among our UK-based staff, which we will extend to other markets where enabled by local tax rules.

We are developing detailed metrics and targets for all ESG focus areas, including consumer health, and these will be integrated into our executive remuneration policy during this financial year. We will provide an update to investors and analysts at an ESG webinar in September.

### Allocating capital with discipline

We have a clear capital allocation framework to support investment in our strategy and to maximise returns for shareholders, with four clear capital priorities:

- Invest behind the new strategy to deliver the growth initiatives.
- Deleverage to support a strong and efficient balance sheet with a target leverage towards the lower end of our net debt to EBITDA range of 2-2.5 times.
- A progressive dividend policy with dividend growing annually taking into account underlying business performance.
- Surplus capital returns to shareholders to be considered once target leverage has been achieved.

We delivered another strong cash performance supporting a further reduction in our leverage with our adjusted net debt/EBITDA improving by 0.2 times to 2.4 times, in line with expectations and reflecting usual seasonal variations. We are on track to deliver a year-on-year improvement in our full year leverage.

We have announced a 1 per cent increase in the dividend for this year, consistent with our progressive dividend policy taking into account underlying performance and our broader capital allocation priorities.

### Outlook

We are making good progress in implementing our five-year plan and we remain on track to deliver against expectations.

We expect to deliver full-year net revenue growth of around 0-1 per cent and adjusted operating profit growth of around 1 per cent, at constant currency.

Our net revenue will benefit from a stronger price mix in the second half although we expect volume declines to revert to historic norms as pandemic-related restrictions are now largely lifted in the majority of our markets.

We are mindful of the inflationary pressures and growth headwinds all businesses are facing across the economy. While we are not immune as a tobacco company, Imperial is well placed to manage these through the balance of this year through cost initiatives, high gross margins and pricing.

Our full year adjusted earnings per share will now benefit from a lower adjusted tax rate of c. 22 per cent and a reduced finance charge of around £330 million. At current exchange rates, foreign exchange translation is expected to be a c. 1.5 per cent benefit to earnings per share.

Our five-year plan to transform Imperial is divided into two distinct periods. We are now into the final year of the two-year *strengthening phase*. During the remainder of 2022 we will make further investment in our five priority markets and begin full roll-out of our new focused NGP strategy and the embedding of new ways of working and cost-saving initiatives. I am confident that, as we move into 2023, we will have in place the capabilities and culture necessary to support the subsequent *acceleration phase*, delivering sustainable growth in shareholder value.

## OPERATING REVIEW

### EUROPE REGION

		Half Year Result		Change	
		2022	2021	Actual	Constant Currency
Tobacco volume	bn SE	57.8	60.0	-3.6%	
Total net revenue	£m	1,569	1,670	-6.1%	-2.2%
Tobacco net revenue	£m	1,492	1,615	-7.6%	-3.8%
NGP net revenue	£m	77	55	+39.5%	+44.7%
Adjusted operating profit	£m	671	750	-10.6%	-7.3%

#### Headlines

- Share growth in the UK driven by local jewel brands strategy; share declines in Germany and Spain
- Increased travel begins to repatriate volumes to historical channels and markets
- Price/mix relatively weak reflecting price phasing and adverse geographic/product mix
- Price increases secured in key markets support a stronger second half
- Pulze heated tobacco trials support plans for further market roll-outs
- Pilot of new vape device underway in France

Our first half European results faced a strong comparator as we began to see an unwind of the COVID-19 impacts on consumer buying patterns with the lifting of restrictions and increased travel.

Investment behind our strategic initiatives in the UK, particularly the continued growth of local jewel brand, Embassy, supported strong market share growth in the UK. In Germany, our share remains under pressure with the investment initiatives to rejuvenate JPS and West, as well as sales execution, expected to take time. We have repositioned heritage brands in our portfolio to further enhance our consumer offering across the price segments as a result of increased consumer preferences for value for money offerings. In Spain, we achieved price increases early in the period although this adversely impacted our market share performance in the first quarter. Encouragingly, this is the first notable price increase taken in Spain in several years.

Volumes for the region declined 3.6 per cent, as sales are beginning to be repatriated to historical markets and channels as restrictions ease. Tobacco net revenue was down 3.8 per cent at constant currency with negative price mix of 0.2 per cent reflecting price phasing and adverse geographic mix as the COVID-19 related shifts in market and channel buying patterns began to unwind. Recently implemented price increases in key markets such as Germany and the UK will support a stronger price mix in the second half. Our global duty free business and our travel retail sales in the holiday destinations in Southern Europe have begun to recover as cross-border travel resumes, helping to offset volume declines in Northern European markets such as Germany and the UK.

Our focus in Ukraine, which has been affected by the conflict with Russia, has been on the safety and wellbeing of our 600 Ukrainian colleagues and their families. It is a fast-moving situation, which we are monitoring closely.

Our NGP portfolio has performed well with NGP net revenue up 44.7 per cent at constant currency reflecting a strong performance across all three categories: heated tobacco, modern oral and vapour. We have received positive consumer feedback from trials of our Pulze heated tobacco system in Greece and the Czech Republic and we are now developing plans to roll out Pulze to additional European markets later this year. Our blu share in several markets such as the UK, France and Italy remains relatively stable despite lower levels of investment. In modern oral nicotine, we have continued to achieve strong growth in Sweden, Norway and Austria, while also launching ZoneX in the global duty free channel.

In April, we began piloting a new blu vape device in selected cities in France. We will evaluate consumer feedback from this pilot before determining further market roll-outs.

Adjusted operating profit declined 7.3 per cent at constant currency reflecting the lower tobacco net revenue driven by price phasing and adverse geographic mix, as well as increased investment behind our new strategy. This was partially offset by reduced losses in our NGP business.

## Priority Market Performance

### Tobacco Share

Germany 19.1% (-80 bps)	Market size declined 4.6% on a six-month basis against a strong prior-year comparator which benefited from COVID-19 travel restrictions. Our market share declined despite increased investment behind our strategy. Our brand portfolio is well positioned across price segments having taken action to tier Gauloises variants within premium and repositioned portfolio heritage brands within the lower-tier value segment to offer consumers choice in both cigarettes and fine-cut. We continue to invest behind JPS and West to rejuvenate brand equity, with targeted point-of-sale marketing campaigns coupled with retailer advocacy programmes driving increased consumer awareness.
13% of Group net revenue	
UK 41.8% (+105 bps)	Tobacco industry volumes are beginning to revert to historic declines, as COVID-19 related travel restrictions begin to unwind and there is growth in illicit trade. Our strong market share gains benefited from investment in our portfolio, particularly behind the local jewel brand, Embassy, and as we invested in new sales effectiveness initiatives to enhance on-shelf availability with retailers. We increased prices towards the end of the period, the first increases in two years.
8% of Group net revenue	
Spain 28.2% (-45 bps)	Tobacco market volumes have started to recover following two years of decline as tourism recovers. Spain has a stable excise regime and for the first time in five years we achieved price increases across key product lines. This led to some share loss at the beginning of the period although our share has since begun to recover. We continue to invest behind our local jewel brands and to capture downtrading through our super-king variant of our West brand.
4% of Group net revenue	

## AMERICAS REGION

		Half Year Result		Change	
		2022	2021	Actual	Constant Currency
Tobacco volume	bn SE	9.7	9.4	+3.9%	
Total net revenue	£m	1,160	1,131	+2.6%	+2.2%
Tobacco net revenue	£m	1,136	1,098	+3.5%	+3.2%
NGP net revenue	£m	24	33	-28.0%	-28.1%
Adjusted operating profit	£m	453	426	+6.4%	+6.0%

### Headlines

- Cigarette share growth up 70 basis points to 9.8 per cent
- Investment in initiatives driving operational improvements
- Revenue growth reflects strong cigarette pricing offset by adverse product mix
- NGP net revenue declined as we did not participate in the category price discounting
- Successful trial of new consumer marketing proposition for blu supports further roll-out
- Adjusted operating profit growth reflects lower litigation costs and higher investment

We delivered a strong combustible tobacco performance in the US, which is our largest single market, contributing around 34 per cent of Group net revenue.

Tobacco volumes grew by 3.9 per cent against an industry volume decline of 6.8 per cent. This outperformance primarily reflects the improvement in our US cigarette market share of 70 basis points, to 9.8 per cent with the benefit of our increased investment in sales execution and our brands, as well as our agile response to capture share following KT&G's exit from the US market. We estimate our underlying share growth, excluding the KT&G-related share gains, was around 50 basis points. Our volumes also reflect an increase in wholesaler customer inventories of around 250 million sticks at the period end as wholesalers pulled forward orders ahead of anticipated price increases. In addition, wholesaler inventories at the beginning of this financial period were c. 150 million sticks lower than the equivalent point in the prior year. Excluding these inventory movements, our volumes were broadly flat on last year.

Industry volume declines of 6.9 per cent are against a strong comparator that benefited from COVID-19 related changes to consumer buying patterns as a result of lockdowns and fiscal stimulus payments. Volume decline rates



have deteriorated further recently, reflecting some increased inflationary pressure on consumer spending, although our brand portfolio is well-placed across key price segments, particularly if downtrading accelerates.

We achieved two price increases in the period. On a constant currency basis, tobacco net revenue increased by 3.2 per cent, benefiting from cigarette pricing offset by adverse product mix with strong growth in the deep discount cigarette segment.

We continue to step up investment in our strategic priorities to strengthen performance. In the premium segment, trials of a new pack design and a new marketing campaign for Winston in Texas have gone well and have now been rolled out nationally and a series of initiatives behind the Kool brand are underway. We have increased our sales force by around a quarter and are investing to improve our sales execution through adopting best practices such as route optimisation and better information systems. We are also achieving improved traction with key accounts following the expansion of our key account team.

Our mass market cigar portfolio achieved further market share gains driven by strong performances by Backwoods and Dutch Leaf. We have strengthened our position as the second largest manufacturer in the US market, having been number four a year ago. Our volumes were broadly flat on last year compared with an industry that experienced volume declines against an exceptionally strong comparator period, which benefited from changes in consumer buying patterns caused by pandemic-related lockdowns. We remain well positioned to capture consumer demand in this category with our portfolio of iconic heritage brands.

Our NGP revenues were down 28.1 per cent on a constant currency basis, reflecting the continued competitive environment with greater discounting in the category. Our trial of the refreshed consumer marketing proposition for blu in Charlotte has performed well and we now plan to roll-out to other territories in the US. We were disappointed with the FDA's decision to issue Marketing Denial Orders for some of our myblu products in early April and we are currently seeking to overturn the decision through the administrative appeals process. Our products will remain in the market during the appeals process.

Adjusted operating profit was 6.0 per cent higher at constant currency driven by market share gains, the benefit of trade inventory phasing and lower NGP costs. The non-repeat of the litigation settlement cost in Minnesota and Texas in the prior period more than offset the increased investment to support our strategic priorities, the inflation-indexed increase in Master Settlement Agreement costs and higher leaf costs in mass market cigars.

## AFRICA, ASIA AND AUSTRALASIA REGION

		Half Year Result		Change	
		2022	*2021	Actual	Constant currency
Tobacco volume	bn SE	42.4	41.3	+2.6%	
Total net revenue	£m	766	770	-0.6%	+3.1%
Tobacco net revenue	£m	766	763	+0.4%	+4.1%
NGP net revenue	£m	0	7	-101.1%	-101.1%
Adjusted operating profit	£m	357	286	+25.0%	+25.8%

\* The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue and £3 million to adjusted operating profit in 2021.

### Headlines

- Strong financial delivery driven by Africa and Middle East regions
- Clear portfolio focus in Africa delivered gains in market share and financial performance
- Investment in Australian portfolio driving market share gains
- NGP revenue declines reflect last year's market exits from Japan and Russia
- Successful transfer of Russian operation as a going concern to investors based in Russia

Our Africa, Asia and Australasia region performed strongly with growth in tobacco volumes and constant currency growth in total net revenue and adjusted operating profit. This reflects the benefit of a more focused approach under the new regional structure and leadership team.

We turned around our share performance in Australia, the region's priority combustible market, as we focused our investment behind sales execution and marketing in line with our strategy. We invested behind our brand portfolio with the launch of Lambert & Butler in the fifth price tier, which enabled us to ensure we had a clear brand offering at each of the key price points. We also invested in our sales execution, particularly in key accounts, and reinforced our supply chain to enhance customer delivery.

Our African portfolio of markets performed strongly with further market share gains in the region and continued growth in revenue and profit. This has been driven by a clear portfolio focus, which is leveraging key international brands, such as Gauloises in targeted markets, as well as harnessing the power of our local jewel brands with adult smokers.

Our Middle East business performed well as pandemic-related travel restrictions lifted in the region and customer buying patterns normalised. In Asia, we delivered a strong financial performance driven primarily by Taiwan, where we grew share through Davidoff Absolute and West 25s.

Our performance in Russia was affected by our decision to initially suspend operations and then exit the market. We have now completed the transfer of our Russian business as a going concern to investors based in Russia, which concludes Imperial's operations in Russia. In FY21, Russia represented around 1.5 per cent of net revenues and 0.2 per cent of adjusted operating profit.

Tobacco volumes were 2.6 per cent higher, driven by a strong volume performance in the Middle East as the region recovered from some COVID-19 related disruption in the prior period. As expected, volumes also benefited from a normalisation in Australia shipment patterns, following the Australian Government's decision last year to step away from the 12.5 per cent annual excise duty accelerator.

Tobacco net revenue grew 4.1 per cent at constant currency, driven by the improved volumes and price mix of 1.5 per cent. Our net revenue was partially impacted by last year's changes to the Australian excise regime, which benefited the prior period net revenue and adjusted operating profit by about £41 million.

NGP net revenue declined to zero, following our decision to exit the vapour market in Japan and Russia and the heated tobacco market in Japan. This is consistent with our more targeted approach to NGP as we have increased investment in other regions, particularly behind the heated tobacco trials in Europe.

Adjusted operating profit was up 25.8 per cent at constant currency, driven by a strong financial performance in Africa and the Middle East, as well as lower NGP investment in the region, compared to the same period last year.

#### Priority Market Performance

##### Tobacco Share

Australia 31.6% (+70 bps)	We grew share through investment in our total portfolio strategy to meet consumer needs. We launched Lambert & Butler in the fifth price tier in November, enabling a clear differentiation with Parker & Simpson at the higher price tier. We also invested in improving sales force effectiveness and strengthened our supply chain to ensure on-shelf availability. While the market remains highly competitive, the market dynamics have stabilised following changes to the excise regime and as COVID-19 restrictions ease.
4% of Group net revenue	

#### Distribution

		Half Year Result		Change	
		2022	2021	Actual	Constant Currency
Net revenue	£m	502	533	-5.8%	-0.6%
Adjusted operating profit	£m	121	121	+0.3%	+5.5%
Adjusted operating margin	%	24.1	22.7	+140bps	+145bps
Eliminations	£m	(2)	3	-174.9%	-179.0%
Adjusted operating profit (inc. eliminations)	£m	119	124	-4.0%	+1.0%

COVID-19 related travel restrictions have now largely been lifted for the markets in which Logista operates. While inflation has been exacerbated by the Russian invasion of Ukraine and transport union strikes have impacted economic growth in Spain, the business has been able to mitigate these pressures.

Net revenues at £502 million were 0.6 per cent lower on a constant currency basis as strong performance in Iberia was offset by weaker performance in France and Italy.

In Iberia net revenue growth was driven by tobacco and related products which benefited from an increase in pricing without an increase in excise tax, transport with growth in Logista Parcel and higher B2B activity at parcel delivery business (Nacex), and pharmaceutical distribution as the business expanded both its customer base and product offering. In Italy, net revenues were weaker as the distribution of tobacco and related products cycled against a tough comparator period with higher stock profit last year than in the current period. A reduction in tobacco volumes with no significant change in prices led to weaker net revenue in France.

The adjusted operating profit contribution to the Group, after eliminations, increased 1.0 per cent on a constant currency basis, as a focus on cost control and contracts that allow increased costs to be passed through, mitigated inflationary pressures and enabled margin expansion.

During the period, Logista announced the acquisition of 70 per cent of Speedlink Worldwide Express B.V, a Dutch express courier company and disposed of Supergroup S.A.S, a subsidiary in France, that had already been classified as held for sale at the end of the last financial year.

In line with other Imperial owned entities, we continue to benefit from an intercompany 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 £1.9 billion, with movements in the cash position during the 12-month period varying from a high of £2.2 billion to a low of £1.3 billion, primarily due to the timing of excise duty payments. At 31 March 2022, the loan position was £1.8 billion compared to £1.8 billion at 30 September 2021.

## FINANCIAL REVIEW

These financial results demonstrate our continued progress against our strategic priorities as we enter the latter part of the two year strengthening phase of our five-year strategy. In the period, Group net revenues grew 0.3 per cent and Group adjusted operating profit rose 2.9 per cent, both on a constant currency basis.

Reported operating profit reduced 26.6 per cent, mainly due to exit charges related to the Russian asset disposal (£201 million) and the non-recurrence of gains on disposal of the Premium Cigar Division (£281 million) in the comparator period.

We have had favourable developments in several tax authority audits, which have reduced uncertainty for the current financial year. As a result our adjusted effective tax rate for the period was 21.9 per cent and is expected to remain at a similar level for the rest of the current financial year. Our reported effective tax rate was 17.6 per cent.

Our focus on cash generation supported the delivery of £336 million of free cash flow in the seasonally weaker first half of the year, with 102 per cent operating cash conversion on a 12-month basis. This enabled us to reduce reported net debt by £1.2 billion to £9.8 billion.

Capital allocation remains a key value lever and we achieved a further reduction in net debt, with adjusted net debt / EBITDA reducing by 0.2-2.4 times on a 12-month basis. We are making good progress towards meeting our target leverage at the lower end of 2.0-2.5 times adjusted net debt to EBITDA range.

We are also reshaping the finance function to become a more effective business partner to support the Group as we build the foundations for future growth.

## SUMMARY INCOME STATEMENT

£ million (unless otherwise indicated)	Half Year Results			
	Reported		Adjusted	
	2022	2021	2022	*2021
<b>Net Revenue</b>				
Tobacco & NGP Net Revenue	3,495	3,592	3,495	3,571
Distribution Net Revenue	502	533	502	533
<b>Operating Profit</b>				
Total Tobacco & NGP	1,124	1,560	1,481	1,462
Distribution	79	74	121	121
Eliminations	(2)	3	(2)	3
Group operating profit	1,201	1,637	1,600	1,586
Net finance income/(costs)	75	414	(165)	(206)
Share of (loss)/profit of investments accounted for using equity method	(20)	8	4	4
Profit before tax	1,256	2,059	1,439	1,384
Tax	(221)	(215)	(316)	(318)
Profit for the period	1,035	1,844	1,123	1,066
Earnings per ordinary share (pence)	105.2	191.2	113.0	107.0
Dividend per share (pence)	42.54	42.12	42.54	42.12

\* The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue and £3 million to adjusted operating profit in 2021.

### Adjusted performance measures

When managing the performance of our business we focus on non-GAAP measures, which we refer to as adjusted measures. We believe they provide a useful comparison of 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 adjusted measures are supplementary to, and should not be regarded as a substitute for, GAAP measures, which we refer to as reported measures. The basis of our adjusted measures is explained in our accounting policies accompanying our financial statements.

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 adjusted performance measures 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 made a number of changes to our adjusted performance measures this year, reducing the total number used.

## SUMMARY CASH FLOW STATEMENT – STATUTORY RECONCILIATION

£ million (unless otherwise indicated)	Half Year Result			
	Reported		Adjusted	
	2022	2021	2022	2021
<b>Group Operating Profit</b>	<b>1,201</b>	1,637	<b>1,600</b>	1,589
Depreciation, amortisation and impairments	<b>356</b>	372	<b>125</b>	161
<b>EBITDA</b>	<b>1,557</b>	2,009	<b>1,725</b>	1,750
Loss/(profit) on disposal of subsidiaries	<b>16</b>	(281)	-	0
Other non-cash movements	<b>52</b>	(125)	<b>(45)</b>	(101)
<b>Operating Cash Flows before movement in Working Capital</b>	<b>1,625</b>	1,603	<b>1,680</b>	1,649
Working capital	<b>(652)</b>	(1,331)	<b>(665)</b>	(1,331)
Tax cash flow	<b>(273)</b>	(431)	<b>(273)</b>	(431)
<b>Cash Flows from Operating Activities</b>	<b>700</b>	(159)	<b>742</b>	(113)
Net capex	<b>(64)</b>	(61)	<b>(64)</b>	(61)
Restructuring	-	-	<b>(42)</b>	(46)
Cash interest	<b>(242)</b>	(255)	<b>(242)</b>	(255)
Minority interest dividends	<b>(58)</b>	(63)	<b>(58)</b>	(63)
<b>Free Cash Flow</b>	<b>336</b>	(538)	<b>336</b>	(538)
Acquisitions / disposals	<b>44</b>	626	<b>44</b>	626
Shareholder dividends	<b>(917)</b>	(906)	<b>(917)</b>	(906)
Purchase of ESOT shares	<b>(1)</b>	-	<b>(1)</b>	-
<b>Net Cash Flow</b>	<b>(538)</b>	(818)	<b>(538)</b>	(818)

## GROUP RESULTS – ADJUSTED CONSTANT CURRENCY ANALYSIS

£ million (unless otherwise indicated)	Half year ended 31 March 2021*	Foreign exchange	Movement at constant currency	Half year ended 31 March 2022	Change	Constant currency change
<b>Tobacco &amp; NGP Net Revenue</b>						
Europe	1,670	(63)	<b>(38)</b>	<b>1,569</b>	-6.1%	-2.2%
Americas	1,131	3	<b>26</b>	<b>1,160</b>	2.6%	2.2%
Africa, Asia and Australasia	770	(28)	<b>24</b>	<b>766</b>	-0.6%	3.1%
Total Group	3,571	(88)	<b>12</b>	<b>3,495</b>	-2.1%	0.3%
<b>Tobacco &amp; NGP Adjusted Operating Profit</b>						
Europe	750	(24)	<b>(55)</b>	<b>671</b>	-10.6%	-7.3%
Americas	426	1	<b>26</b>	<b>453</b>	6.4%	6.0%
Africa, Asia and Australasia	286	(3)	<b>74</b>	<b>357</b>	25.0%	25.8%
Total Group	1,462	(26)	<b>45</b>	<b>1,481</b>	1.3%	3.1%
<b>Distribution</b>						
Net revenue	533	(28)	<b>(3)</b>	<b>502</b>	-5.8%	-0.6%
Adjusted operating profit including eliminations	124	(6)	<b>1</b>	<b>119</b>	-4.0%	+1.0%
<b>Group Adjusted Results</b>						
Adjusted operating profit	1,586	(32)	<b>46</b>	<b>1,600</b>	0.9%	2.9%
Adjusted net finance costs	(206)	1	<b>40</b>	<b>(165)</b>	19.8%	19.3%
Adjusted EPS (pence)	107.0	(2.2)	<b>8.2</b>	<b>113.0</b>	5.6%	7.7%

\* The 2021 net revenue and adjusted operating profit metrics exclude the contribution of the Premium Cigar Division from that financial reporting period following its divestment in October 2020. The Premium Cigar Division contributed £21 million to net revenue and £3 million to adjusted operating profit in 2021.

## SALES PERFORMANCE

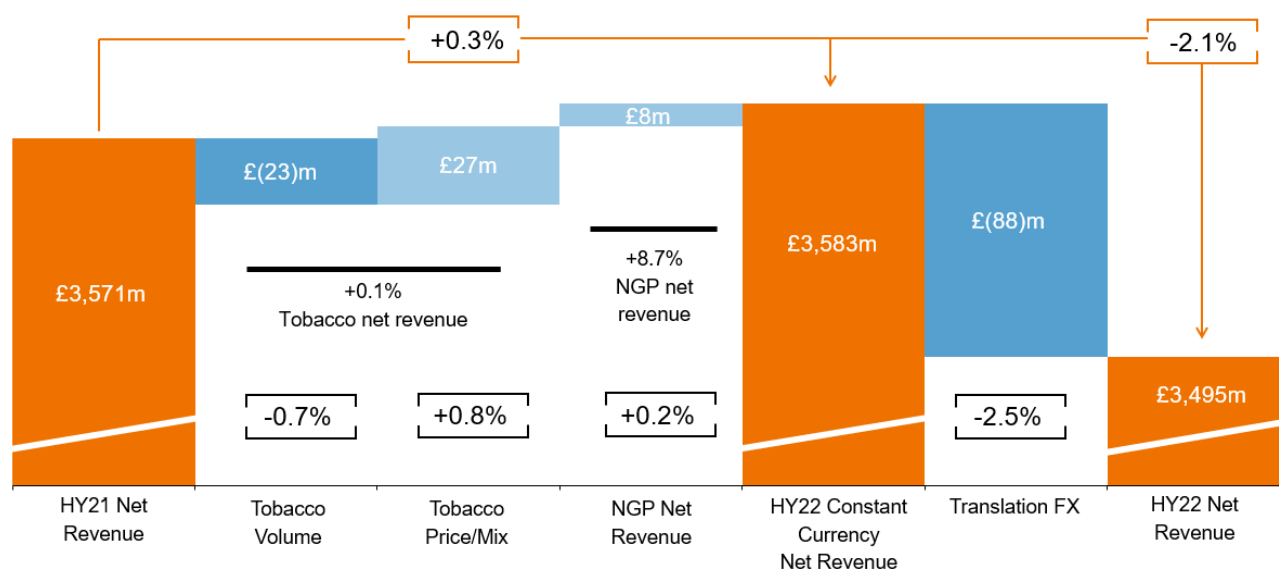
### REPORTED REVENUE

**-1.3%**

### ADJUSTED NET REVENUE

**+0.3%**

- Reported revenue declined -1.3% due to a reduction in duty and similar items.
- Adjusted net revenue grew 0.3% at constant currency comprising +0.1% from tobacco and +8.7% from NGP.
- Tobacco volume was down -0.7%, reflecting volumes declines in Europe as COVID-19 restrictions begin to unwind, partly offset by a strong volume performance in the Americas and Africa, Asia and Australasia region
- Aggregate market share growth in our top-five priority market of +25bps (HY21: +6bps).
- Tobacco price mix of 0.8% was below historical levels, due to price phasing, product mix in the Americas and market mix in AAA. Price increases in the latter part of the first half support a stronger price mix in the second half of the year.
- NGP adjusted net revenue increased 8.7% at constant currency with growth across all three categories in Europe (heated, modern oral & vapour), partly offset by strategic market exits in AAA.
- Translation FX was adverse due to sterling strengthening against the euro.



*The net revenue of £3,571m for 2021 excludes a £21m contribution from the Premium Cigar Division following its divestment in September 2020.*

## OPERATING PROFIT

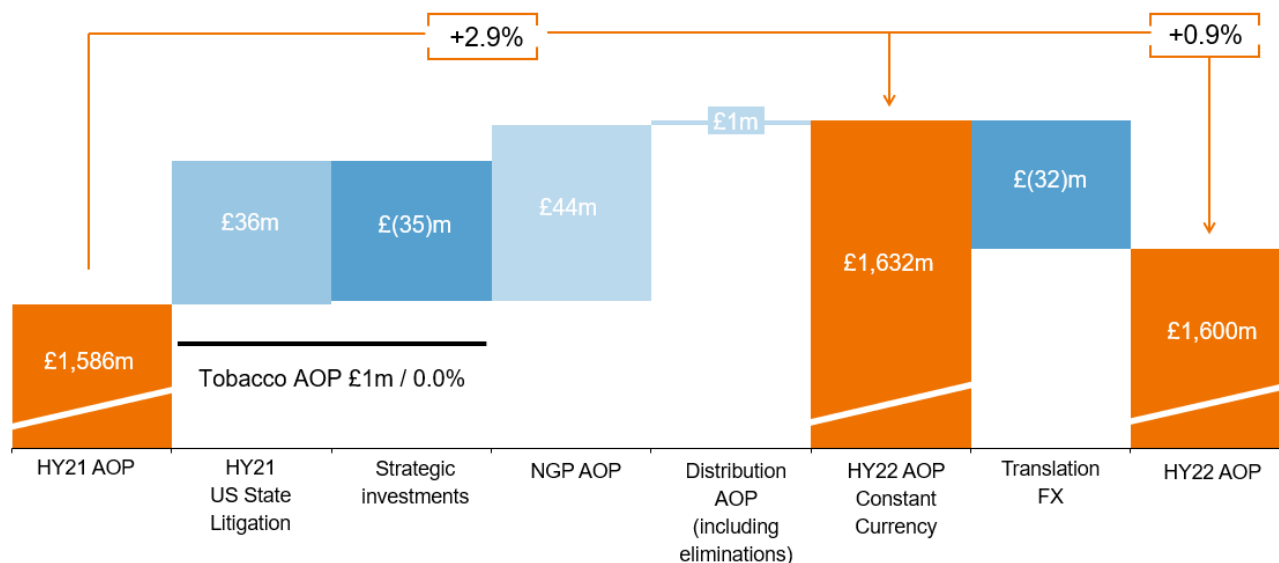
### REPORTED OPERATING PROFIT

**-26.6%**

### ADJUSTED OPERATING PROFIT

**+2.9%**

- Reported Group operating profit of £1,201m declined 26.6%, primarily driven by exit charges related to the Russian asset disposal (£201m) and the non-recurrence of gains on disposal of Premium Cigar Division (£281m).
- Adjusted Group operating profit increased 2.9% at constant currency due to reduced losses in NGP as we reprioritised investment.
- Tobacco adjusted operating profit was broadly flat at constant currency. Profit growth in the AAA and Americas was offset by Europe where price phasing was weighted towards the end of the period. Tobacco adjusted profit benefited from lower US state litigation costs which was offset by higher investment in strategic initiatives.
- The reduction in NGP losses drove the majority of improvement in Group profit growth as we benefited from exiting loss making markets and rationalised investments
- Translation FX was adverse due to sterling strengthening against the euro.



*The adjusted operating profit figure of £1,586m for 2021 excludes a £3m contribution from the Premium Cigar Division following its divestment in September 2020.*

## EARNINGS PER SHARE

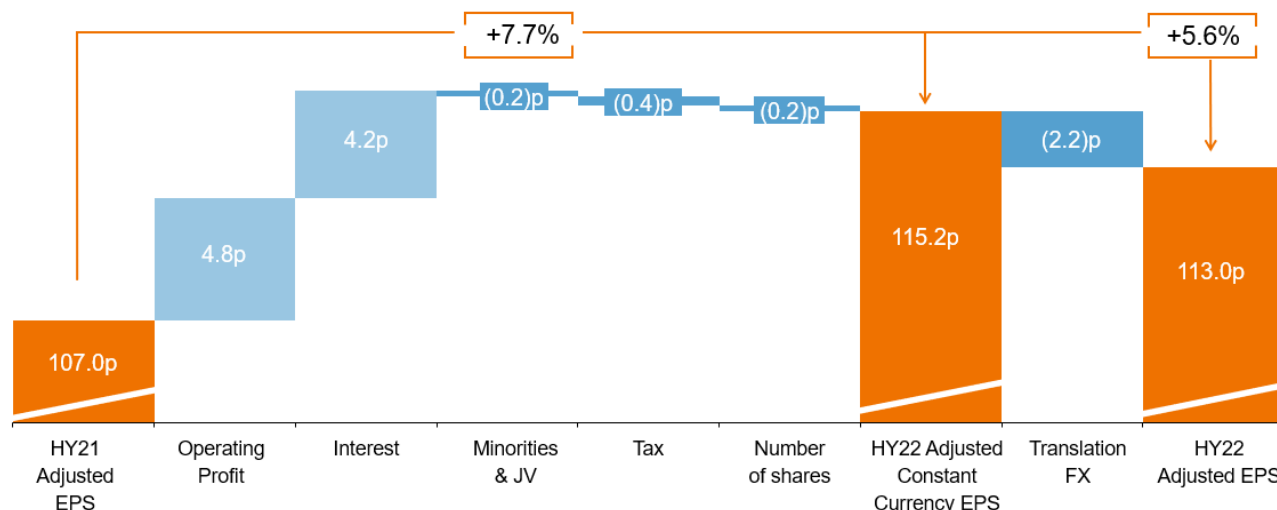
### REPORTED EPS

**-45.0%**

### ADJUSTED EPS

**+7.7%**

- Reported EPS declined 45.0% to 105.2 pence driven by the lower reported operating profit and lower net finance income as we reduced our exposure to the marked to market foreign exchange accounting gains on unhedged financial instruments, partly offset by a higher reported tax rate.
- Adjusted EPS was 113.0 pence, up 7.7% at constant currency due to increased adjusted operating profit, lower adjusted interest costs due to a reduction in net debt driven by last year's US bond repayment and a lower adjusted tax rate, following favourable developments in several tax authority audits.



The adjusted earnings per share figure of 107.0p for 2021 excludes a 0.6p contribution from the Premium Cigar Division following its divestment in September 2020.

## CASH FLOW

Cash flows from operating activities were £700 million (2021: £(159) million).

The year-on-year improvement in free cash flow to £336 million (2021: £(538) million) was driven by a lower working capital outflow as duty payment dates at Logista return to normal following changes to duty payment dates in preceding years, and a lower cash tax payment after a one off payment in 2021 of £101m for Controlled Foreign Company (CFC) state aid in the UK.

While the net cash outflow of £538 million (2021: £(818) million) improved year-on-year, the improvement was impacted by lower disposal proceeds than in the same period in 2021 which benefitted from the sale of the Premium Cigar Division. Disposal proceeds in the first half of 2022 were mainly related to the divestment of Supergroup, a French subsidiary of Logista. The La Romana factory sale is now expected to be delayed into the second half of the current financial year. Shareholder dividend payments of £917 million, are weighted towards the first half of the year in line with past practice.

Capital expenditure of £64 million was similar to the prior year (2021: £61 million) but is anticipated to increase in the second half of the year in line with our full year guidance of c. £300 million, with investments in projects to support our strategic plan.

Cash conversion was 102 per cent on a 12-month basis (2021: 122 per cent) driven by neutral working capital over the period and lower capital expenditure. Cash conversion in the comparator period was temporarily inflated by duty deferrals in Logista, which led to a significant working capital inflow in the second half of 2020.



£ million (unless otherwise indicated)	Half Year Result	
	2022	2021
Cash flow from operating activities	700	(159)
Free cash flow	336	(538)
Net cash flow	(538)	(818)
<b>Cash Conversion (all numbers below on a 12 month basis)</b>		
Adjusted operating profit	3,584	3,647
Adjusted operating cash flow	3,643	4,437
Adjusted operating cash conversion	102%	122%

### ADJUSTED NET DEBT/EBITDA

Active capital discipline remains a key value lever for our strategic plan. The strong cash generation of the business on a 12-month basis delivered a 0.2 times reduction on adjusted net debt/EBITDA to 2.4x from 2.6x. Adjusted net debt has reduced by £1.2 billion on a 12-month basis, driven by strong cash generation.

We remain on track to reduce our gearing to the lower end of 2.0x to 2.5x.

Reported net debt reduced by £1,246 million to £9,757 million (2021: £11,003 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 £9,157 million (2021: £10,328 million).

£ million	Half Year Result	
	2022	2021
<b>Reported net debt</b>	<b>(9,757)</b>	<b>(11,003)</b>
Accrued interest	68	81
Lease liabilities	241	269
Fair value of interest rate derivatives	291	325
<b>Adjusted net debt</b>	<b>(9,157)</b>	<b>(10,328)</b>

### RECONCILIATION BETWEEN REPORTED AND ADJUSTED PERFORMANCE MEASURES

£ million unless otherwise indicated	Half Year Results					
	Operating profit		Net finance income/(costs)		Earnings per share (pence)	
	2022	2021	2022	2021	2022	2021
<b>Reported</b>	<b>1,201</b>	<b>1,637</b>	<b>75</b>	<b>414</b>	<b>105.2</b>	<b>191.2</b>
Russian and associated markets exit	201	-	-	-	21.3	-
Acquisition and disposal costs	5	-	-	-	0.5	-
Amortisation & impairment of acquired intangibles	182	211	-	-	18.4	21.1
Excise tax provision	(10)	(1)	-	-	(1.1)	(0.1)
Fair value adjustment of loan receivable	(2)	(17)	-	-	(0.2)	(1.8)
Loss/(profit) on disposal of subsidiaries	16	(281)	-	-	1.0	(30.4)
Restructuring costs	7	40	-	-	0.4	3.3
Fair value & FX movements on financial instruments	-	-	(236)	(619)	(25.2)	(74.9)
Post-employment benefits net financing costs	-	-	(4)	(1)	(0.4)	(0.1)
Brand impairment in equity accounted JV	-	-	-	-	2.5	-
Uncertain tax positions	-	-	-	-	(6.0)	-
Deferred tax on unremitted earnings	-	-	-	-	(2.7)	-
Tax on unrecognised losses	-	-	-	-	0.8	1.1
Adj. above attributable to non-controlling interests	-	-	-	-	(1.5)	(1.8)
<b>Adjusted</b>	<b>1,600</b>	<b>1,589</b>	<b>(165)</b>	<b>(206)</b>	<b>113.0</b>	<b>107.6</b>

## Adjusting items

The adjusting items are set out in the table above. Please refer to notes 5, 9 and 12 of the financial statements for a full reconciliation of adjusted performance measures including cash and debt.

The Group announced in April its exit and sale of its Russian business and associated markets. In the period, the exit charges at the operating profit level total £201 million, with an additional £24 million recognised in profit before tax. These are outlined below:

- The Russian businesses met the criteria to be shown as an asset held for sale in the Group balance sheet at 31 March 2022. The Russian assets have been revalued on a 'fair value less cost of disposal' basis to £16 million. An impairment charge of £166 million arises on revaluation.
- The planned exit from a limited number of associated markets has resulted in the recognition of asset impairments provisions and exit costs currently estimated at £35 million.
- Joint venture Jadé impairment: the Global Horizons joint venture with China Tobacco holds an intangible asset for the Jadé brand, which is sold in Russia. This is now impaired with a charge to the Group of £24 million.

The sale of the Russia business has been disclosed as a post balance sheet event in these results. The transaction has triggered a recycling of foreign exchange losses estimated to be in the range of £150 million to £190 million, which will be recognised in the second half of the current financial year.

Last year we announced the outcome of our strategic review, including an associated and specific time-bound restructuring programme to deliver new ways of working and efficiencies, which we refer to as the 2021 Strategic Review Programme. This is resulting in one-off costs being incurred in order to reshape the business to support delivery of the new strategy. It excludes any costs associated with factory footprint rationalisation. Only the restructuring costs for the 2021 Strategic Review Programme are being treated as an adjusting item in 2022. An overview of the this programme's cumulative charges, cash spend and annualised savings, together with those from the two previous programmes, Cost Optimisation Programme I and Cost Optimisation Programme II, is shown in the section below.

## Restructuring programmes

£m	Half Year 2022	
	Income Statement	Cash
Cost Optimisation Programme I	-	6
Cost Optimisation Programme II	-	12
2021 Strategic Review Programme	7	24
Total	7	42

£m	Income Statement Charges		Cash Costs		Savings
	Cumulative to date	Anticipated Total	Cumulative to date	Anticipated Total	Annualised Savings
Cost Optimisation Programme I (2013)	945	945	577	634	305
Cost Optimisation Programme II (2018)	848	848	560	650	320
2021 Strategic Review Programme	233	375-425	72	275	100-150

During the course of 2021, the Group announced a restructuring programme as part of delivering its new five-year strategy. This restructuring programme aims to reorganise and simplify the business, unlocking efficiency savings to enable increased investment in our core capabilities such as sales and marketing to support the five-year plan.

The £7 million restructuring charge in this period brings the cumulative costs of this restructuring programme to £233 million. The remainder of this programme is expected to be recognised in the second half of this financial year and will be treated as an adjusting item.

There are ongoing cash costs for all three restructuring programmes as detailed in the table above.

## Finance costs

Adjusted net finance costs were lower at £165 million (HY21: £206 million), reflecting the early repayment of a US bond last year. Reported net finance income was £75 million (HY21: £414 million), incorporating the impact of fair value and foreign exchange gains on financial instruments of £236 million (HY21: £619 million) and post-employment benefits net financing income of £4 million (HY21: £1 million). The gains on financial instruments are due to foreign exchange accounting gains of £164 million mainly resulting from sterling having strengthened against the euro by

1.7 per cent in the period, together with fair value gains on derivative financial instruments of £72 million caused by increasing market interest rates.

Our all-in cost of debt decreased to 3.5 per cent (HY21: 3.7 per cent) in line with continued efficiently controlled debt management.

Our interest cover increased to 10.8 times (HY21: 8.5 times) reflecting the lower adjusted finance costs.

### **Taxation**

Our adjusted effective tax rate is 21.9 per cent (2021: 23.1 per cent) and the reported effective tax rate is 17.6 per cent (2021: 10.4 per cent). The decrease in the adjusted effective tax rate was due to favourable developments in tax authority audits in several jurisdictions. The adjusted tax rate is higher than the reported rate due to one off releases of provisions for uncertain tax positions partially offset by no tax relief arising on the impairment of Russian assets. The increase in the reported effective tax rate was due to no tax relief arising on the impairment of Russian assets in 2022 and limited tax arising on the gain on the divestment of the Premium Cigar Division in 2021. We expect our adjusted effective tax rate for the year ended 30 September 2022 to be around 22 per cent. Over the medium term, we expect upward pressure on the effective tax rate.

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 an adverse impact on Group adjusted operating profit and earnings per share at average exchange rates (1.9 per cent) as sterling strengthened against the Euro (5.5 per cent). Other major currencies remained broadly flat compared to the prior year.

### **Dividend payments**

The Group paid two dividends of 48.48 pence per share in December 2021 and March 2022.

The Board has approved an interim dividend of 42.54 pence per share which will be paid in two payments of 21.27 pence per share. The first interim dividend payment will be paid on 30 June 2022 to shareholders registered on 27 May 2022. The second interim dividend payment will be paid on 30 September 2022 to shareholders registered on 19 August 2022. This interim dividend is an increase of 1 per cent, or £4 million, in line with the Group's progressive dividend policy.

### **Funding and liquidity**

During the period, we repaid one bond of £1.0 billion, from a combination of utilising excess cash together with some short term debt drawings. The denomination of our closing adjusted net debt was split approximately 74 per cent euro and 26 per cent US dollar. As at 31 March 2022, the Group had committed financing in place of around £11.7 billion, which comprised 25 per cent bank facilities and 75 per cent raised from capital markets. During the period the maturity date of our existing revolving credit facility of €3.5 billion was extended to March 2025.

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.

Over the past six months the Group, in common with other organisations, has had to manage the continuing impacts of COVID-19, as well as those arising from Russia's invasion of Ukraine. The Group's priority remains the safety and welfare of its people and our crisis committee and cross-functional Executive Leadership Team working groups continue to manage our responses to the dynamic environment. They continue to inform the Board of potential and current impacts arising, along with assurance over the continuity and sustainability of the wider business.

The wider socio-economic effects of COVID-19 and the conflict in Ukraine have started to impact businesses and consumers across all goods and services and could impact the commercial environment into the longer-term. 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 purchasing terms 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.

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. The significant pressures on all consumer markets increases the potential variability of outcomes in commercial decisions as the ability to accurately predict and quantify these risks may be reduced in comparison to previous periods.

Given the recent increase in cyber criminality combined with current geopolitical tensions, the Group increased investments in IT security in the period. The Group continuously evaluates the risk posed by cyber criminals and will continue to monitor the effectiveness of our IT security infrastructure.

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 80-93 of our 2021 Annual Report and Accounts, and covers the following areas:

- Failure to manage the impacts of regulatory change
- Failure to develop commercially sustainable NGP categories
- Inability to develop, execute, and communicate an effective ESG strategy in line with expectations of stakeholders
- Pricing, excise, or other product taxes not in line with business plan assumptions or expectations
- Product portfolio and/or interaction approach not aligned to consumer preferences
- Failure to ensure expected benefits of strategic transformation programmes
- Major incident resulting from cyber or similar technology risk
- Failure to appropriately manage litigation and investigations results in adverse judgements and/or related costs
- Management of liquidity and financing requirements
- Product supply fails to meet market demands (stock issues in market)
- 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 sustainability team along with independent external advice to best understand impacts on our global footprint.

We assess geo-political risks on the same basis as climate above. As a multi-national 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 geo-political 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**

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 or tax payments of c. £900 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 per cent from 1 June 2022.
- The additional impact of potential bad debt risks arising from a recession, of c. £200 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 and dividend payments. 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 February 2023. 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. In addition, the Group has a number of mitigating actions available that could be implemented should such a scenario arise.

Based on its review of future cashflows covering the period through to September 2023, 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 September 2023 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](http://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

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## INDEPENDENT REVIEW REPORT TO IMPERIAL BRANDS PLC

### Conclusion

We have been engaged by the Company to review the condensed consolidated set of financial statements in the Half Year Results of Imperial Brands PLC for the six months ended 31 March 2022 which comprises the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet, consolidated statement of changes in equity, consolidated cash flow statement and the notes to the financial statements. We have read the other information contained in the Half Year Results and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the six months ended 31 March 2022 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 and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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 will be prepared in accordance with UK adopted international accounting standards. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with UK adopted International Accounting Standard 34, "Interim Financial Reporting".

### Responsibilities of the directors

The directors are responsible for preparing the half-yearly financial report in accordance with the Disclosure Guidance and Transparency Rules of the United Kingdom's Financial Conduct Authority.

### Auditor's Responsibilities for the review of the financial information

In reviewing the half-yearly report, we are responsible for expressing to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report. Our conclusion is 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 and Ireland) "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Auditing Practices Board. 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  
17 May 2022

## CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

### CONSOLIDATED INCOME STATEMENT

£ million unless otherwise indicated	Notes	Unaudited	Unaudited	Audited
		6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
<b>Revenue</b>	3	<b>15,362</b>	15,568	32,791
Duty and similar items		(7,539)	(7,640)	(16,229)
Other cost of sales		(5,087)	(5,068)	(10,535)
Cost of sales		(12,626)	(12,708)	(26,764)
<b>Gross profit</b>		<b>2,736</b>	2,860	6,027
Distribution, advertising and selling costs		(968)	(1,097)	(2,118)
Russian and associated markets exit	10	(201)	-	-
Amortisation and impairment of acquired intangibles	11	(182)	(211)	(450)
Restructuring costs	4	(7)	(40)	(257)
Fair value adjustment of loan receivable		2	17	15
(Loss)/profit on disposal of subsidiaries	10	(16)	281	281
Acquisition and disposal costs		(5)	-	(17)
Excise tax provision		10	1	1
Other expenses		(168)	(174)	(336)
Administrative and other expenses		(567)	(126)	(763)
<b>Operating profit</b>	3/5	<b>1,201</b>	1,637	3,146
Investment income		908	1,071	1,060
Finance costs		(833)	(657)	(979)
Net finance income	5	75	414	81
Share of (loss)/profit of investments accounted for using the equity method		(20)	8	11
<b>Profit before tax</b>		<b>1,256</b>	2,059	3,238
Tax	7	(221)	(215)	(331)
<b>Profit for the period</b>		<b>1,035</b>	1,844	2,907
Attributable to:				
Owners of the parent		995	1,806	2,834
Non-controlling interests		40	38	73
<b>Earnings per ordinary share (pence)</b>				
- Basic	9	105.2	191.2	299.9
- Diluted	9	104.8	190.9	299.1

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
<b>Profit for the period</b>	<b>1,035</b>	1,844	2,907
<b>Other comprehensive income</b>			
Exchange movements	(96)	(917)	(680)
Exchange movements recycled to profit and loss upon disposal of subsidiaries	-	(337)	(337)
Current tax on hedge of net investments and quasi-equity loans	(9)	(130)	(105)
Deferred tax on hedge of net investments and quasi-equity loans	-	2	(12)
Items that may be reclassified to profit and loss	(105)	(1,382)	(1,134)
Net actuarial (losses)/gains on retirement benefits	(12)	6	41
Current tax relating to net actuarial (losses)/gains on retirement benefits	10	14	2
Deferred tax relating to net actuarial (losses)/gains on retirement benefits	(14)	(12)	(21)
Items that will not be reclassified to profit and loss	(16)	8	22
<b>Other comprehensive loss for the period, net of tax</b>	<b>(121)</b>	(1,374)	(1,112)
<b>Total comprehensive income for the period</b>	<b>914</b>	470	1,795
Attributable to:			
Owners of the parent	885	476	1,761
Non-controlling interests	29	(6)	34
<b>Total comprehensive income for the period</b>	<b>914</b>	470	1,795



## CONSOLIDATED BALANCE SHEET

£ million	Notes	Unaudited	Unaudited	Audited
		31 March 2022	31 March 2021	30 September 2021
<b>Non-current assets</b>				
Intangible assets	11	16,431	16,753	16,674
Property, plant and equipment		1,609	1,714	1,715
Right of use assets		232	263	242
Investments accounted for using the equity method		67	88	88
Retirement benefit assets	6	1,048	942	1,046
Trade and other receivables		74	63	62
Derivative financial instruments	12/13	179	480	391
Deferred tax assets		503	303	564
State aid tax recoverable		101	101	101
		<b>20,244</b>	<b>20,707</b>	<b>20,883</b>
<b>Current assets</b>				
Inventories		4,445	4,575	3,834
Trade and other receivables		2,284	2,780	2,749
Current tax assets		261	219	234
Cash and cash equivalents	12	588	765	1,287
Derivative financial instruments	12/13	58	86	68
Current assets held for disposal	10	231	-	35
		<b>7,867</b>	<b>8,425</b>	<b>8,207</b>
<b>Total assets</b>		<b>28,111</b>	<b>29,132</b>	<b>29,090</b>
<b>Current liabilities</b>				
Borrowings	12	(1,721)	(1,498)	(1,107)
Derivative financial instruments	12/13	(49)	(42)	(62)
Lease liabilities	12	(55)	(60)	(57)
Trade and other payables		(8,746)	(9,012)	(9,106)
Current tax liabilities		(213)	(323)	(253)
Provisions	4	(159)	(153)	(188)
Current liabilities held for disposal	10	(215)	-	(35)
		<b>(11,158)</b>	<b>(11,088)</b>	<b>(10,808)</b>
<b>Non-current liabilities</b>				
Borrowings	12	(7,979)	(9,488)	(8,715)
Derivative financial instruments	12/13	(592)	(1,037)	(984)
Lease liabilities	12	(186)	(209)	(194)
Trade and other payables		(8)	(5)	(7)
Deferred tax liabilities		(961)	(911)	(1,037)
Retirement benefit liabilities	6	(1,139)	(1,179)	(1,199)
Provisions	4	(195)	(187)	(206)
		<b>(11,060)</b>	<b>(13,016)</b>	<b>(12,342)</b>
<b>Total liabilities</b>		<b>(22,218)</b>	<b>(24,104)</b>	<b>(23,150)</b>
<b>Net assets</b>		<b>5,893</b>	<b>5,028</b>	<b>5,940</b>
<b>Equity</b>				
Share capital		103	103	103
Share premium and capital redemption		5,837	5,837	5,837
Retained earnings		(712)	(1,447)	(788)
Exchange translation reserve		106	(43)	200
<b>Equity attributable to owners of the parent</b>		<b>5,334</b>	<b>4,450</b>	<b>5,352</b>
Non-controlling interests		559	578	588
<b>Total equity</b>		<b>5,893</b>	<b>5,028</b>	<b>5,940</b>

**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
<b>At 1 October 2021</b>	<b>103</b>	<b>5,837</b>	<b>(788)</b>	<b>200</b>	<b>5,352</b>	<b>588</b>	<b>5,940</b>
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 gains on retirement benefits	-	-	10	-	10	-	10
Deferred tax relating to net actuarial gains on retirement benefits	-	-	(14)	-	(14)	-	(14)
Other comprehensive expense	-	-	(16)	(94)	(110)	(11)	(121)
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>979</b>	<b>(94)</b>	<b>885</b>	<b>29</b>	<b>914</b>
<b>Transactions with owners</b>							
Costs of employees' services compensated by share schemes	-	-	14	-	14	-	14
Dividends paid	-	-	(917)	-	(917)	(58)	(975)
<b>At 31 March 2022</b>	<b>103</b>	<b>5,837</b>	<b>(712)</b>	<b>106</b>	<b>5,334</b>	<b>559</b>	<b>5,893</b>
<b>At 1 October 2020</b>	<b>103</b>	<b>5,837</b>	<b>(2,364)</b>	<b>1,295</b>	<b>4,871</b>	<b>647</b>	<b>5,518</b>
Profit for the period	-	-	1,806	-	1,806	38	1,844
Exchange movements on assets	-	-	-	(1,316)	(1,316)	(44)	(1,360)
Exchange movements on net investment hedges	-	-	-	600	600	-	600
Exchange movements on quasi equity loans	-	-	-	(157)	(157)	-	(157)
Exchange movements recycled to profit and loss upon disposal of subsidiaries	-	-	-	(337)	(337)	-	(337)
Current tax on hedge of net investments and quasi-equity loans	-	-	-	(130)	(130)	-	(130)
Deferred tax on hedge of net investments and quasi-equity loans	-	-	-	2	2	-	2
Net actuarial gains on retirement benefits	-	-	6	-	6	-	6
Current tax relating to net actuarial gains on retirement benefits	-	-	14	-	14	-	14
Deferred tax relating to net actuarial gains on retirement benefits	-	-	(12)	-	(12)	-	(12)
Other comprehensive income/(expense)	-	-	8	(1,338)	(1,330)	(44)	(1,374)
<b>Total comprehensive income/(expense)</b>	<b>-</b>	<b>-</b>	<b>1,814</b>	<b>(1,338)</b>	<b>476</b>	<b>(6)</b>	<b>470</b>
<b>Transactions with owners</b>							
Costs of employees' services compensated by share schemes	-	-	9	-	9	-	9
Dividends paid	-	-	(906)	-	(906)	(63)	(969)
<b>At 31 March 2021</b>	<b>103</b>	<b>5,837</b>	<b>(1,447)</b>	<b>(43)</b>	<b>4,450</b>	<b>578</b>	<b>5,028</b>

## CONSOLIDATED CASHFLOW STATEMENT

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
<b>Cash flows from operating activities</b>			
Operating profit	1,201	1,637	3,146
Dividends received from investments accounted for under the equity method	-	4	4
Depreciation, amortisation and impairment	356	372	815
Loss on disposal of non-current assets	2	2	2
Loss/(profit) on disposal of subsidiary	16	(281)	(281)
Post-employment benefits	(24)	(73)	(63)
Costs of employees' services compensated by share schemes	14	11	25
Fair value adjustment of loan receivable	(2)	(17)	(15)
Movement in provisions	62	(52)	18
Operating cash flows before movement in working capital	1,625	1,603	3,651
(Increase)/decrease in inventories	(689)	(720)	70
Decrease/(increase) in trade and other receivables	240	(28)	(201)
Decrease in trade and other payables	(203)	(583)	(533)
Movement in working capital	(652)	(1,331)	(664)
Tax paid	(273)	(431)	(820)
<b>Net cash flows generated from/(used in) operating activities</b>	<b>700</b>	<b>(159)</b>	<b>2,167</b>
<b>Cash flows from investing activities</b>			
Interest received	2	-	15
Proceeds from the sale of non-current assets	23	30	50
Proceeds from sale of subsidiaries, net of cash disposed of	57	626	845
Purchase of non-current assets	(87)	(91)	(200)
Purchase of subsidiaries, net of cash acquired	(13)	-	-
<b>Net cash (used in)/generated from investing activities</b>	<b>(18)</b>	<b>565</b>	<b>710</b>
<b>Cash flows from financing activities</b>			
Interest paid	(244)	(255)	(415)
Purchase of shares by Employee Share Ownership Trusts	(1)	-	-
Lease liabilities paid	(34)	(38)	(69)
Increase in borrowings	891	856	858
Repayment of borrowings	(1,004)	(899)	(2,224)
Cash flows relating to derivative financial instruments	40	14	41
Dividends paid to non-controlling interests	(58)	(63)	(93)
Dividends paid to owners of the parent	(917)	(906)	(1,305)
<b>Net cash used in financing activities</b>	<b>(1,327)</b>	<b>(1,291)</b>	<b>(3,207)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(645)</b>	<b>(885)</b>	<b>(330)</b>
<b>Cash and cash equivalents at the start of period</b>	<b>1,287</b>	<b>1,626</b>	<b>1,626</b>
Effect of foreign exchange rates on cash and cash equivalents	(12)	24	(9)
Transferred to held for disposal	(42)	-	-
<b>Cash and cash equivalents at the end of period</b>	<b>588</b>	<b>765</b>	<b>1,287</b>

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## NOTES TO THE FINANCIAL STATEMENTS

### 1. ACCOUNTING POLICIES

#### BASIS OF PREPARATION

The financial information comprises the unaudited results for the six months ended 31 March 2022 and 31 March 2021, together with the audited results for the year ended 30 September 2021.

The comparative information shown for the year ended 30 September 2021 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 2021 were approved by the Board of Directors on 15 November 2021 and have been filed with the Registrar of Companies.

As previously reported, the financial statements of the Group for the year ending 30 September 2022 will be prepared under UK-adopted International Accounting Standards ("UK-adopted IAS"). Accordingly, this condensed set of financial statements for the six months ended 31 March 2022 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 2022 should be read in conjunction with the annual financial statements for the year ended 30 September 2021 which have been prepared in accordance with International Accounting Standards in conformity with the requirements of the Companies Act 2006 and International Financial Reporting Standards adopted pursuant to Regulation (EC) No.1606/2002 as it applies in the European Union.

Except for the adoption of the new standards and interpretations effective as of 1 October 2021, 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 2021, which are available on our website [www.imperialbrandsplc.com](http://www.imperialbrandsplc.com).

#### 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 or tax payments of c. £900 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 per cent from 1 June 2022.
- The additional impact of potential bad debt risks arising from a recession, of c. £200 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 and dividend payments. 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 February 2023. 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. In addition, the Group has a number of mitigating actions available that could be implemented should such a scenario arise.

Based on its review of future cash flows covering the period through to September 2023, 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 September 2023 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

The following amendments to the accounting standards, issued by the IASB or International Financial Reporting Interpretations Committee (IFRIC) and endorsed for use in the UK, have been adopted by the Group from 1 October 2021 with no impact on the group's consolidated results, financial position or disclosures:

- Amendments to IFRS 9, IAS 39 and IFRS 7 - Interest rate benchmark reform (phase 2) (effective in the year ending 30 September 2022)

Following the announcement of the discontinuation of GBP LIBOR at the end of 2021 and USD LIBOR discontinuation in 2023, the Group has amended its bank facility agreement to stop referencing GBP and USD LIBOR and instead reference the daily risk free rates of SONIA and SOFR respectively. In the first half of the fiscal year all GBP LIBOR derivatives have been changed to reference SONIA instead of GBP LIBOR. All USD LIBOR derivatives will be changed to reference SOFR instead of USD LIBOR during the remainder of calendar year 2022. There are no changes pending for EUR derivatives. No temporary reliefs or practical expedients were required to be taken by the Group.

## USE OF ADJUSTED MEASURES

Management believes that non-GAAP or adjusted measures provide an important comparison of business performance and reflect the way in which the business is controlled. The adjusted 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, adjusted performance measures of operating profit, net finance costs, profit before tax, tax, attributable earnings and earnings per share exclude, where applicable, acquisition and disposal costs, amortisation and impairment of acquired intangibles, restructuring costs, post-employment benefits net financing cost, fair value and exchange gains and losses on financial instruments, and related tax effects and tax matters. Reconciliations between adjusted and reported operating profit are included within note 5 to the financial statements, adjusted and reported net finance costs in note 5, adjusted and reported tax in note 7, and adjusted and reported earnings per share in note 9. There are also other adjusted reported measures which are defined below.

The adjusted measures in this report are not defined terms under IFRS and may not be comparable with similarly titled measures reported by other companies.

The items excluded from adjusted 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 measures are used by management to assess the Group's financial performance and aid comparability of results year on year.

The adjusted performance measures used by the group are as follows:

### 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. A reconciliation can be found in note 5.

### 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.

The impairment losses arising due to the revaluation of the assets of the Group's Russian operations on classification as an asset held for sale have been treated as an adjusting item as they relate to a disposal. Impairments and exit costs arising in associated markets that have been caused by the transfer of the Russian business have also been classified as adjusting items as they are linked to the disposal.

### 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. We 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.

### Presentation of Auxly Cannabis Group Inc.

As the movement in the fair value of loan receivables associated with the Auxly Cannabis Group Inc. investment has the potential to be significant the Group has disclosed a fair value movement separately on the face of the income statement.

### 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.

### 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. A reconciliation can be found in note 5. The detail of these adjustments is given below.

### Fair value gains and losses on derivative financial instruments and exchange gains and losses on borrowings

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.

We exclude 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.

### Post-employment benefits net financing cost

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.

### 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. A reconciliation can be found in note 7.

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

### ADJUSTED EARNINGS

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. In addition, adjustments have been made to present this measure on an organic basis to allow year on year comparability (see organic adjustments). Adjusted earnings per share and organic earnings per share are calculated by providing adjusted earnings and organic earnings by the weighted average number of shares. A reconciliation can be found in note 9.

### OTHER NON-GAAP MEASURES USED BY MANAGEMENT

#### TOBACCO AND NGP NET REVENUE

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 we 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. A reconciliation can be found in note 3.

#### DISTRIBUTION NET REVENUE

Distribution net revenue comprises the Distribution segment revenue less the cost of distributed products. Management considers this an important measure in assessing the performance of Distribution operations. The eliminations in note 3 all relate to sales to Distribution. A reconciliation can be found in note 3.

#### ADJUSTED OPERATING CASH FLOW

Adjusted operating cash flow 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. A reconciliation can be found in note 5.

#### 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. A reconciliation can be found in note 12.

#### CASH CONVERSION

The Group uses cash conversion as a key metric for assessing underlying cash performance. Cash Conversion is calculated as adjusted operating cash flow as a percentage of adjusted operating profit. A reconciliation can be found in note 5.

## 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 where appropriate. A reconciliation of adjusted operating profit can be found in note 5 and a reconciliation of net revenue can be found in note 3.

## FREE CASH FLOW

Free cash flow is adjusted operating profit (as defined above) 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. A reconciliation can be found in note 5.

## NET DEBT TO EBITDA (MULTIPLE)

This is defined as adjusted net debt divided by adjusted EBITDA. Adjusted net debt is measured at balance sheet foreign exchange rates, with a full reconciliation shown in note 12. Adjusted EBITDA is calculated as adjusted operating profit plus amortisation, depreciation and impairments. A reconciliation of EBITDA can be found in the RNS on page 13.

## ALL IN COST OF DEBT

This is defined as adjusted net finance costs (defined above) divided by the average net debt in the year (note 12). A reconciliation of adjusted net finance costs can be found in note 5.

## CONSTANT CURRENCY

Constant currency removes the effect of exchange rate movements on the translation of the results of our overseas operations. We translate current year results at prior year foreign exchange rates.

## 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.

The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the current financial year are discussed in note 2 of the financial statements for the year ended 30 September 2021.

Those risks particularly relevant to the current period and the remaining 6 months of the year include:

- Determination of the useful life of intangible assets
- Amortisation and impairment of intangible assets
- Income taxes
- Legal proceedings and disputes
- Provisions
- Categorisation of Russian business assets as assets and liabilities held for sale (see note 10)

## CONTROL OF LOGISTA

The Group continues to determine that it has effective control of Logista, principally by virtue of its holding 50.01% of the voting shares and the powers set out in the Relationship Framework Agreement; and that it is appropriate to consolidate this entity in line with the requirements of IFRS 10 Consolidated Financial Statements.



### 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.

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

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

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

**Americas** – United States.

**AAA** – Australia, Japan, Russia, Saudi Arabia, Taiwan and our African markets including Algeria and Morocco.

#### TOBACCO & NGP

£ million unless otherwise indicated	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Revenue	11,044	11,244	23,863
Net revenue	3,495	3,592	7,610
Operating profit	1,124	1,560	2,991
Adjusted operating profit	1,481	1,465	3,308
Adjusted operating margin %	42.4	40.8	43.5

#### RECONCILIATION FROM OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Adjusted operating profit	1,481	1,465	3,308
Russian and associated markets exit	(201)	-	-
Amortisation and impairment of acquired intangibles	(156)	(168)	(365)
Restructuring costs	(7)	(36)	(249)
Fair value adjustment of loan receivable	2	17	15
Profit on disposal of subsidiaries	-	281	281
Acquisition and disposal costs	(5)	-	-
Excise tax provision	10	1	1
Operating profit	1,124	1,560	2,991

#### DISTRIBUTION

£ million unless otherwise indicated	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Revenue	4,639	4,654	9,589
Distribution net revenue	502	533	1,069
Operating profit	79	74	148
Adjusted operating profit	121	121	258
Adjusted distribution margin %	24.1	22.7	24.1

## RECONCILIATION FROM OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Adjusted operating profit	121	121	258
Amortisation of acquired intangibles	(26)	(43)	(85)
Loss on disposal of subsidiaries	(16)	-	-
Acquisition and disposal costs	-	-	(17)
Restructuring costs	-	(4)	(8)
Operating profit	79	74	148

## REVENUE

£ million	Unaudited		Unaudited		Audited	
	6 months ended 31 March 2022		6 months ended 31 March 2021		Year ended 30 September 2021	
	Total revenue	External revenue	Total revenue	External revenue	Total Revenue	External revenue
Tobacco & NGP						
Europe	6,596	6,275	6,873	6,543	14,720	14,059
Americas	1,550	1,550	1,512	1,512	3,393	3,393
Africa, Asia & Australasia	2,898	2,898	2,859	2,859	5,750	5,750
Total Tobacco & NGP	11,044	10,723	11,244	10,914	23,863	23,202
Distribution	4,639	4,639	4,654	4,654	9,589	9,589
Eliminations	(321)	-	(330)	-	(661)	-
Total Group	15,362	15,362	15,568	15,568	32,791	32,791

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

£ million	Unaudited			Unaudited		
	6 months ended 31 March 2022			6 months ended 31 March 2021		
	Tobacco	NGP	Total	Tobacco	NGP	Total
Revenue	10,937	107	11,044	11,143	101	11,244
Duty and similar items	(7,533)	(6)	(7,539)	(7,634)	(6)	(7,640)
Sale of peripheral products	(10)	-	(10)	(12)	-	(12)
Net Revenue	3,394	101	3,495	3,497	95	3,592

£ million	Audited		
	Year ended 30 September 2021		
	Tobacco	NGP	Total
Revenue	23,664	199	23,863
Duty and similar items	(16,218)	(11)	(16,229)
Sale of peripheral products	(24)	-	(24)
Net Revenue	7,422	188	7,610

## RECONCILIATION FROM DISTRIBUTION REVENUE TO DISTRIBUTION NET REVENUE

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Revenue	4,639	4,654	9,589
Distribution cost of sales	(4,137)	(4,121)	(8,520)
Distribution Net Revenue	502	533	1,069

**TOBACCO & NGP NET REVENUE**

£ million	Unaudited			Unaudited		
	6 months ended			6 months ended		
	31 March 2022			31 March 2021		
	Tobacco	NGP	Total	Tobacco	NGP	Total
Europe	1,492	77	1,569	1,615	55	1,670
Americas	1,136	24	1,160	1,098	33	1,131
Africa, Asia & Australasia	766	-	766	784	7	791
<b>Total Tobacco &amp; NGP</b>	<b>3,394</b>	<b>101</b>	<b>3,495</b>	<b>3,497</b>	<b>95</b>	<b>3,592</b>

£ million	Audited		
	Year ended		
	30 September 2021		
	Tobacco	NGP	Total
Europe	3,425	126	3,551
Americas	2,478	56	2,534
Africa, Asia & Australasia	1,519	6	1,525
<b>Total Tobacco &amp; NGP</b>	<b>7,422</b>	<b>188</b>	<b>7,610</b>

**ADJUSTED OPERATING PROFIT AND RECONCILIATION TO PROFIT BEFORE TAX**

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Tobacco & NGP			
Europe	671	750	1,670
Americas	453	426	1,037
Africa, Asia & Australasia	357	289	601
<b>Total Tobacco &amp; NGP</b>	<b>1,481</b>	<b>1,465</b>	<b>3,308</b>
Distribution	121	121	258
Eliminations	(2)	3	7
Adjusted operating profit	1,600	1,589	3,573
Russian and associated markets exit - Tobacco & NGP	(201)	-	-
Amortisation and impairment of acquired intangibles - Tobacco & NGP	(156)	(168)	(365)
Amortisation of acquired intangibles - Distribution	(26)	(43)	(85)
Restructuring costs - Tobacco & NGP	(7)	(36)	(249)
Restructuring costs - Distribution	-	(4)	(8)
Fair value adjustment of loan receivable - Tobacco & NGP	2	17	15
Profit on disposal of subsidiaries - Tobacco & NGP	-	281	281
Loss on disposal of subsidiaries - Distribution	(16)	-	-
Acquisition and disposal costs - Tobacco & NGP	(5)	-	-
Acquisition and disposal costs - Distribution	-	-	(17)
Excise tax provision - Tobacco & NGP	10	1	1
Operating profit	1,201	1,637	3,146
Net finance income	75	414	81
Share of profit of investments accounted for using the equity method	(20)	8	11
<b>Profit before tax</b>	<b>1,256</b>	<b>2,059</b>	<b>3,238</b>

## 4. RESTRUCTURING COSTS AND PROVISIONS

### RESTRUCTURING COSTS

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Employment related	3	5	145
Asset impairments	-	24	92
Other charges	4	11	20
	7	40	257

Restructuring costs analysed by workstream:

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
2021 strategic review programme	7	27	226
Cost optimisation programme	-	8	23
Other restructuring activities	-	5	8
	7	40	257

The charge for the period of £7 million (6 months to 2021: £40 million) relates to our 2021 Strategic review programme.

Restructuring costs are included within administrative and other expenses in the consolidated income statement. All restructuring costs are treated as adjusting items.

These projects differ from everyday initiatives that are undertaken to improve the efficiency and effectiveness of the ongoing operations business. These costs are required in order to address structural issues involved in operating within the Tobacco sector that require action to both modernise and right-size the organisation, ultimately delivering an operating model suitable for the future of the business.

#### 2021 STRATEGIC REVIEW PROGRAMME

In January 2021, the Group announced the results of a Strategic Review Programme including an associated and specific time-bound restructuring programme. The Group expects the majority of the associated restructuring costs to have been incurred by September 2022. Total restructuring costs in respect of the programme are expected to be in the range of £375 million - £425 million.

Restructuring costs of £7 million (6 months to 2021: £27 million) related to the 2021 Strategic Review Programme have been incurred in the period, £7 million (6 months to 2021: £7 million) of charges in respect of the change programme itself and nil (6 months to 2021: £20 million) impairments associated with NGP assets.

2021 Strategic Review Programme cash spend for the period was £24 million (6 months to 2021: £7 million).

#### COST OPTIMISATION PROGRAMME

The cost optimisation programmes (Phase I announced in 2013 and Phase II announced in November 2016) were part of the Group strategy to optimise costs and drive operational efficiencies. The programmes were time bound projects which, given their scale, were delivered over a number of years. Phase I was concluded at the end of 2018 and Phase II was concluded at the end of 2021. Whilst both programmes are concluded there remain some ongoing cash costs.

Restructuring costs of nil (6 months to 2021: £8 million) related to the Cost optimisation programmes includes nil (6 months to 2021: £4 million) of impairments associated with tangible assets.

Phase II of the programme focused on reducing product costs and overheads. Phase II cash spend for the period was £11 million (6 months to 2021: £27 million), bringing the cumulative cash cost of the programme to £559 million as at 31 March 2022. Phase II was delivering savings of c. £320 million per annum from September 2021.

Phase I cash spend for the period was £6 million (6 months to 2021: £4 million), bringing the cumulative cash cost of the programme to £577 million as at 31 March 2022. Phase I has delivered savings of c. £305 million per annum from September 2018.

#### OTHER RESTRUCTURING

In the period, restructuring costs related to Logista were nil (6 months to 2021: £5 million). In the period other restructuring cash spend was £1 million (6 months to 2021: £8 million).

## PROVISIONS

£ million	Unaudited		
	31 March 2022		
	Restructuring	Other	Total
At 1 October 2021	251	143	394
Additional provisions charged to the consolidated income statement	12	152	164
Amounts used	(28)	(10)	(38)
Unused amounts reversed	(22)	(15)	(37)
Transferred to held for disposal (note 10)	-	(121)	(121)
Exchange movements	(5)	(3)	(8)
At 31 March 2022	208	146	354
Current	96	63	159
Non-current	112	83	195
	208	146	354

Analysed as:

£ million	Unaudited	Unaudited	Audited
	31 March 2022	31 March 2021	September 2021
Current	159	153	188
Non-current	195	187	206
	354	340	394

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 £69 million, Cost Optimisation Programmes of £130 million and other programmes of £9 million.

Within the Cost optimisation programme provisions of £68 million related to costs of consolidating the manufacturing capacity within the Group. It is expected that the Cost optimisation programme restructuring provisions will be predominantly utilised over the next 2 years.

Other provisions include £44 million relating to local employment requirements including holiday pay, £44 million to various local tax or duty requirements, £23 million of distribution requirements relating to employment and duty, and £17m relating to the impact of Russian exit on other operations. The provisions are spread throughout the Group and payment will be dependent on local statutory requirements.

## 5. ALTERNATIVE PERFORMANCE MEASURES

### RECONCILIATION FROM OPERATING PROFIT TO ADJUSTED OPERATING PROFIT

£ million	Notes	Unaudited	Unaudited	Audited
		6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Operating profit		1,201	1,637	3,146
Russian and associated markets exit	10	201	-	-
Amortisation and impairment of acquired intangibles		182	211	450
Restructuring costs	4	7	40	257
Fair value adjustment of loan receivable		(2)	(17)	(15)
Loss/(profit) on disposal of subsidiaries		16	(281)	(281)
Acquisition and disposal costs		5	-	17
Excise tax provision		(10)	(1)	(1)
Adjusted operating profit		1,600	1,589	3,573

Amortisation and impairment of acquired intangibles, profit on disposal of subsidiaries, acquisition and disposal costs and restructuring costs are discussed in further detail in note 1.

## RECONCILIATION FROM REPORTED NET FINANCE INCOME TO ADJUSTED NET FINANCE COSTS

£ million	Notes	Unaudited	Unaudited	Audited
		6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Reported net finance income		75	414	81
Fair value gains on derivative financial instruments		(688)	(487)	(508)
Fair value losses on derivative financial instruments		616	402	457
Exchange gains on financing activities		(164)	(534)	(445)
Net fair value and exchange gains on financial instruments		(236)	(619)	(496)
Interest income on net defined benefit assets		(53)	(45)	(89)
Interest cost on net defined benefit liabilities		49	44	87
Post-employment benefits net financing income		(4)	(1)	(2)
Adjusted net finance costs		(165)	(206)	(417)
Comprising				
Interest income on bank deposits		3	5	18
Interest cost on lease liabilities		(4)	(4)	(7)
Interest cost on bank and other loans		(164)	(207)	(428)
Adjusted net finance costs		(165)	(206)	(417)

## CASH CONVERSION CALCULATION

£ million unless otherwise stated	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Net cash generated from/(used in) operating activities	700	(159)	2,167
Tax	273	431	820
Proceeds from sale of non-current assets	23	30	50
Purchase of non-current assets	(87)	(91)	(200)
Restructuring cash spend	42	46	112
Adjusted operating cash flow	951	257	2,949
Adjusted operating profit	1,600	1,589	3,573
Cash Conversion %	59 %	16 %	83 %

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

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2022	6 months ended 31 March 2021	Year ended 30 September 2021
Net cash generated from/(used in) operating activities	700	(159)	2,167
Purchase of non-current assets	(87)	(91)	(200)
Net proceeds from sale of non-current assets	23	30	50
Dividends paid to non-controlling interests	(58)	(63)	(93)
Net interest paid	(242)	(255)	(400)
Free cash flow	336	(538)	1,524

## 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.

In December 2021 the Imperial Tobacco Pension Fund (ITPF) entered into an agreement to purchase a bulk annuity of c. £1.8 billion. The bulk annuity will cover around 60% of the pensioner member obligation and is funded by existing assets held in the ITPF.

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

	Unaudited	Unaudited	Audited
	31 March 2022	31 March 2021	30 September 2021
Retirement benefit assets	1,048	942	1,046
Retirement benefit liabilities	(1,139)	(1,179)	(1,199)
Net retirement benefit liabilities	(91)	(237)	(153)

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.

KEY FIGURES AND ASSUMPTIONS USED FOR MAJOR PLANS

£ million unless otherwise stated	Unaudited			Unaudited		
	6 months ended 31 March 2022			6 months ended 31 March 2021		
	ITPF	RCPD	ITGBH	ITPF	RCPD	ITGBH
Defined benefit obligation (DBO)	3,122	723	364	3,303	743	387
Fair value of scheme assets	(4,080)	-	(391)	(4,188)	-	(370)
Net defined benefit (asset)/liability	(958)	723	(27)	(885)	743	17
Principal actuarial assumptions used (% per annum)						
Discount rate	2.8	1.8	3.7	2.1	1.0	3.0
Future salary increases	3.6	3.8	n/a	3.1	2.8	n/a
Future pension increases	3.6	2.7	n/a	3.1	1.7	n/a
Inflation	3.6	2.7	2.3	3.1	1.7	2.5

£ million unless otherwise stated	Audited		
	30 September 2021		
	ITPF	RCPD	ITGBH
Defined benefit obligation (DBO)	3,404	765	403
Fair value of scheme assets	(4,386)	-	(396)
Net defined benefit (asset)/liability	(982)	765	7
Principal actuarial assumptions used (% per annum)			
Discount rate	2.1	1.1	2.7
Future salary increases	3.4	3.1	n/a
Future pension increases	3.4	2.0	n/a
Inflation	3.4	2.0	2.3

## 7. TAX

### RECONCILIATION FROM REPORTED TAX TO ADJUSTED TAX

Reported tax for the six months ended 31 March 2022 has been calculated on the basis of a forecast effective rate for the year ended 30 September 2022.

£ million	Unaudited	Unaudited	Audited
	6 months ended 31 March 2021	6 months ended 31 March 2021	Year ended 30 September 2021
Reported tax	221	215	331
Deferred tax on amortisation and impairment of acquired intangibles	8	12	31
Tax on net foreign exchange and fair value gains and losses on financial instruments	2	88	78
Tax on post-employment benefits net financing cost	-	-	1
Tax on restructuring costs	3	9	72
Tax on disposal of subsidiaries	7	6	11
Recognition of tax credits	-	-	239
Uncertain tax positions	57	-	-
Deferred tax on unremitted earnings	26	-	-
Tax on unrecognised losses	(8)	(10)	(47)
Adjusted tax charge	316	320	716

### 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 £230 million. The challenge concerns the valuation placed on the shares of Altadis Distribution France (now known as Logista France) following an intra-group transfer of 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 £230 million (2021: £234 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 a hearing date. The Group believes it is appropriate to maintain a £40 million (2021: £41 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 advice, the Group's position remains that no State Aid has been received, but following HMRC guidance an assessment of potential state aid was submitted to HMRC in July 2020. In February 2021 a charging notice for £101 million, in line with the Group's assessment, was issued to the Group by HMRC and has since been paid. Advice to date is that our appeal and that of the UK government against the Commission's decision should ultimately be successful so a current tax receivable of £101 million has been recognised as a non-current asset.

Based upon current advice the Group does not consider any provision is required in relation to any other EU State Aid investigation.



## TRANSFER PRICING

The Group has tax audits in progress, 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 £700 million (2021: £900 million). The Group holds a provision of £163 million (2021: £260 million) in respect of these items.

In August 2020 the Group notified HMRC of a potential Diverted Profits Tax (DPT) issue relating to brand rewards. In September 2020, HMRC issued a preliminary notice under the DPT regime in respect of the year ended 30 September 2016 indicating a potential liability of c. £6 million. Collaborative discussions on the issue continue and it is the Group's belief the issue is a transfer pricing one, and will be resolved as such. In November 2020, HMRC issued a final DPT notice, which has now been paid. In September 2021, further preliminary DPT notices were received in respect of the year ended 30 September 2017 indicating a potential liability of c. £4 million, which has since been paid. Based on advice, the Group continues to believe this is a transfer pricing matter. On conclusion of the transfer pricing discussions, an appropriate refund is anticipated for all DPT payments.

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. Advice to date is that our appeal should ultimately be successful.

## 8. DIVIDENDS

### DISTRIBUTIONS TO ORDINARY EQUITY HOLDERS

£ million	Unaudited	Audited	Audited
	2022	2021	2020
Paid interim of nil pence per share (2021: 90.60 pence, 2020: 89.70 pence)			
- Paid June 2020	-	-	197
- Paid September 2020	-	-	197
- Paid December 2020	-	-	453
- Paid June 2021	-	199	-
- Paid September 2021	-	199	-
- Paid December 2021	-	458	-
Interim dividend paid	-	856	847
Proposed interim of 42.54 pence per share (2021: nil, 2020: nil)			
- To be paid June 2022	201	-	-
- To be paid September 2022	201	-	-
Interim dividend proposed	402	-	-
Paid final of nil pence per share (2021: 48.48 pence, 2020: 48.01 pence)			
- Paid March 2021	-	-	454
- Paid March 2022	-	459	-
Final dividend	-	459	454
Total ordinary share dividends of 42.54 pence per share (2021: 139.08 pence, 2020: 137.71 pence)	402	1,315	1,301

The declared interim dividend for 2022 amounts to a total dividend of £402 million based on the number of shares ranking for dividend at 31 March 2022. This will be paid in two stages, one in June 2022 and one in September 2022.

The dividend paid during the half year to 31 March 2022 is £917 million (2021: £906 million).

## 9. EARNINGS PER SHARE

	<b>Unaudited</b>	Unaudited	Audited
£ million	<b>6 months ended 31 March 2022</b>	6 months ended 31 March 2021	Year ended 30 September 2021
Earnings: basic and diluted – attributable to owners of the Parent Company	<b>995</b>	1,806	2,834
<b>Millions of shares</b>			
Weighted average number of shares:			
Shares for basic earnings per share	<b>945.7</b>	944.6	945.0
Potentially dilutive share options	<b>4.1</b>	1.4	2.5
Shares for diluted earnings per share	<b>949.8</b>	946.0	947.5
<b>Pence</b>			
Basic earnings per share	<b>105.2</b>	191.2	299.9
Diluted earnings per share	<b>104.8</b>	190.9	299.1

**RECONCILIATION FROM REPORTED TO ADJUSTED EARNINGS AND EARNINGS PER SHARE**

£ million unless otherwise indicated	Unaudited		Unaudited		Audited	
	6 months ended		6 months ended		Year ended	
	31 March 2022		31 March 2021		30 September 2021	
	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	105.2	995	191.2	1,806	299.9	2,834
Russian and associated markets exit	21.3	201	-	-	-	-
Amortisation and impairment of acquired intangibles	18.4	174	21.1	199	44.3	419
Restructuring costs	0.4	4	3.3	31	19.6	185
Fair value adjustment loan receivable	(0.2)	(2)	(1.8)	(17)	(1.6)	(15)
Loss/(profit) on disposal of subsidiaries	1.0	9	(30.4)	(287)	(29.7)	(281)
Acquisition and disposal costs	0.5	5	-	-	1.8	17
Excise tax provision	(1.1)	(10)	(0.1)	(1)	(0.1)	(1)
Net fair value and exchange movements on financial instruments	(25.2)	(238)	(74.9)	(707)	(60.7)	(574)
Post-employment benefits net financing cost	(0.4)	(4)	(0.1)	(1)	(0.3)	(3)
Brand impairment in equity accounted joint venture	2.5	24	-	-	-	-
Tax on disposal of premium cigar division	-	-	-	-	(1.2)	(11)
Recognition of tax credits	-	-	-	-	(25.3)	(239)
Uncertain tax positions	(6.0)	(57)	-	-	-	-
Deferred tax on unremitted earnings	(2.7)	(26)	-	-	-	-
Tax on unrecognised losses	0.8	8	1.1	10	5.0	47
Adjustments above attributable to non-controlling interests	(1.5)	(14)	(1.8)	(17)	(4.6)	(43)
<b>Adjusted</b>	<b>113.0</b>	<b>1,069</b>	<b>107.6</b>	<b>1,016</b>	<b>247.1</b>	<b>2,335</b>
<b>Adjusted diluted</b>	<b>112.6</b>	<b>1,069</b>	<b>107.5</b>	<b>1,016</b>	<b>246.4</b>	<b>2,335</b>
Organic adjusted	113.0	1,069	107.0	1,011	246.5	2,330
Premium Cigar divestment adjusted	-	-	0.6	5	0.6	5
<b>Adjusted</b>	<b>113.0</b>	<b>1,069</b>	<b>107.6</b>	<b>1,016</b>	<b>247.1</b>	<b>2,335</b>
Organic adjusted diluted	112.6	1,069	106.9	1,011	245.8	2,330
Premium Cigar divestment adjusted diluted	-	-	0.6	5	0.6	5
<b>Adjusted diluted</b>	<b>112.6</b>	<b>1,069</b>	<b>107.5</b>	<b>1,016</b>	<b>246.4</b>	<b>2,335</b>

**10. DISPOSAL OF SUBSIDIARIES**
**PREMIUM CIGAR DIVISION**

On 27 April 2020 the Group announced that it had agreed the sale of the Premium Cigar Division ("the Division"). The share sale element of the sale of the Division completed on 29 October 2020. Further deferred consideration of €88 million (£74 million) relating to the share sale was received on 26 October 2021.

The sale of the La Romana factory in the Dominican Republic is due to complete during the Group's 2022 financial year when it is expected that €69 million (£58 million) of sales consideration will be received subject to a true up in respect of inventory values. The carrying value of the net assets of the La Romana factory total \$64 million (£49 million). This sale of the La Romana factory does not meet the recognition criteria for an asset held for sale as there is ongoing work to separate the factory for disposal.

## LOGISTA

On 2 February 2022 the Group's subsidiary Logista sold its interest in Supergroup S.A.S. for a consideration of nil. A loss on disposal of £16 million before tax and £9 million after tax has been recognised. In addition Logista sold two properties in the period that had previously been recognised as assets held for sale for consideration of £15 million (£13 million).

## RUSSIAN OPERATIONS

On 15 March 2022 the Group announced it had entered into negotiations to transfer its Russian assets and operations (the Disposal Group) to a third party. On 27 April 2022, following registration with the Russian tax authority, the Group completed the transfer of assets for a total consideration of £20 million. Disposal costs of c. £4 million are expected to be incurred. The transaction met the IFRS 5 criteria for presentation as an asset held for sale as at the 31 March 2022 balance sheet date.

### IMPAIRMENT AND PRESENTATION AS AN ASSET HELD FOR SALE

There is a requirement to reassess the carrying value of the Disposal Group immediately prior to classification as held for sale. At 31 March 2022 an impairment test was undertaken. The test involved an assessment of the level of proceeds expected to be achieved on completion of the disposal, less transaction tax and costs with a comparison of this figure to the carrying value of the net assets of the Disposal Group (as it is required to be valued at the lower of cost and its fair value less costs to sell). Since bid offers are an observable input not based on a quoted price the fair value is based on a level 2 valuation under IFRS 13.

The fair value less costs to sell was £16 million based on the sales consideration less associated disposal costs. As a result of this test an impairment of £166 million was recognised at 31 March 2022 against the carrying value of the Disposal Group. The non-current assets have been written down to zero and the current assets of the Disposal Group have been presented at their original carrying values within current assets held for sale as the balance of the impairment has been recognised as a provision within liabilities held for sale. Total net assets held for sale (after impairment) is £16 million. The actual transfer consideration has been used as the basis of the fair value and therefore no further disclosure of sensitivities has been given.

### IMPACT OF RUSSIAN EXIT ON OTHER OPERATIONS

The decision to transfer the assets of the Russian operations has implications for a limited number of Group markets that have historically been supplied by the Volgograd factory. Following a review of the impacts resulting from the decision to transfer the Russian factory it was determined that it was unviable to continue trading in these areas for a number of reasons including duty and supply chain challenges. The decision to exit operations results in a number of assets held by these markets having to be impaired. In addition certain exit costs are expected to have to be incurred ending operations. Total impairment and exit costs of £35 million are now required to be recognised. As the original decision to cease Group operations in Russia was the triggering event resulting in the impairments these provisions have been recognised as at the 31 March 2022 balance sheet date.

The Group has an investment in the Global Horizon Ventures joint venture company which is accounted for as an investment using the equity method. This entity held an intangible asset relating to royalties arising on the sales of a specific brand within Russia. Following the transfer of the Russian assets these royalties will cease and therefore the Group's share of this asset has now been fully impaired with a charge of £24 million.

The total value of all direct and indirect impairments and exit costs associated with the transfer of operations in Russia that were recognised at 31 March 2022 was £225 million. Within this charge, £201 million has been treated as an adjusting item and removed from Adjusted Operating Profit. The impairment charge of £24 million relating to the joint venture operations is recognised in the consolidated income statement within the share of profit of investments accounted for under the equity method line. This impairment has also been treated as an adjusting item and is excluded from Adjusted Earnings.

## ASSET HELD FOR DISPOSAL

The assets and liabilities classified as held for disposal are as follows:

£ million	Unaudited	Unaudited	Audited
	31 March 2022	31 March 2021	September 2021
<b>Non-current assets</b>			
Property, plant and equipment	-	-	8
Deferred tax assets	6	-	-
	6	-	8
<b>Current assets</b>			
Inventories	56	-	9
Trade and other receivables	127	-	18
Cash and cash equivalents	42	-	-
	225	-	27
<b>Total Assets</b>	<b>231</b>	-	<b>35</b>
<b>Current liabilities</b>			
Trade and other payables	(85)	-	(13)
Lease liabilities	(2)	-	-
Tax liabilities	(7)	-	(4)
Provisions	(121)	-	(18)
	(215)	-	(35)
<b>Total liabilities</b>	<b>(215)</b>	-	<b>(35)</b>
<b>Net assets</b>	<b>16</b>	-	-

## 11. INTANGIBLE ASSETS

The Group tests goodwill and intangible assets with indefinite lives for impairment annually, or more frequently if there are any indicators that impairment may have arisen. Goodwill is allocated to groups of cash-generating units (CGUs) and is monitored at a Cash Generating Unit Grouping (CGUG) level. The last goodwill impairment test was conducted as at 30 September 2021. At present there is a significant level of headroom for the recoverability of goodwill within each CGUG. The next goodwill impairment review will take place on or before the 30 September 2022. We have reviewed goodwill and indefinite life intangible assets for indicators of impairment as required by IAS 36. Following a review of the recoverable values of other intangible assets not currently subject to amortisation, no intangible assets (2021: £20 million) were identified as not being recoverable. Nil impairment charge (2021: £20 million) was therefore recognised. We have not identified any other indicators and therefore there is no requirement to undertake a full impairment test at this stage.

On 16 February 2022, the Group's subsidiary Logista acquired 70 per cent of the share capital of Speedlink Worldwide Express B.V. for a purchase consideration of €17 million (£14 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 per cent minority interest. Provisional goodwill of €16 million (£14 million) was recognised on acquisition. If new information is obtained within one year of the date of acquisition about the facts and circumstances that existed at the date of acquisition that identifies adjustments, the value of the goodwill will be revised.

## 12. NET DEBT

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

£ million							Unaudited
	Current borrowings	Lease creditors	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
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 and modifications	-	(26)	-	-	(26)	-	(26)
Exchange movements	(36)	3	(31)	155	91	(12)	79
Transferred to asset held for disposal (note 10)	-	2	-	-	2	(42)	(40)
At 31 March 2022	(1,721)	(241)	(7,979)	(404)	(10,345)	588	(9,757)

£ million							Unaudited
	Current borrowings	Lease creditors	Non-current borrowings	Derivative financial instruments	Liabilities from financing activities	Cash and cash equivalents	Total
At 1 October 2020	(1,442)	(299)	(10,210)	(816)	(12,767)	1,626	(11,141)
Reallocation of current borrowings from non-current borrowings	(1,055)	-	1,055	-	-	-	-
Cash flow	899	38	(856)	(14)	67	(885)	(818)
Change in accrued interest	56	(4)	17	2	71	-	71
Change in fair values	-	-	-	85	85	-	85
New leases and modifications	-	(20)	-	-	(20)	-	(20)
Exchange movements	44	16	506	230	796	24	820
At 31 March 2021	(1,498)	(269)	(9,488)	(513)	(11,768)	765	(11,003)

Average reported net debt during the period was £10,027 million (2021: £11,887 million).

### ADJUSTED NET DEBT

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	Unaudited	Audited
	31 March 2022	31 March 2021	September 2021
Reported net debt	(9,757)	(11,003)	(9,373)
Accrued interest	68	81	140
Lease liabilities	241	269	251
Fair value of interest rate derivatives	291	325	367
Adjusted net debt	(9,157)	(10,328)	(8,615)

The fair value of bonds is estimated to be £8,690 million (2021: £11,668 million) and has been determined by reference to market prices at the balance sheet date. The carrying value of bonds is £8,743 million (2021: £10,926 million). The fair value of all other borrowings is considered to be equal to their carrying amount.

Average adjusted net debt during the period was £9,278 million (2021: £11,062 million).

### 13. FINANCIAL INSTRUMENTS

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

							Unaudited
							31 March 2022
£ million	Fair value through income statement	Fair value through comprehensive income	Assets and liabilities at amortised cost	Total	Current	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	
<b>Total financial assets</b>	<b>280</b>	<b>-</b>	<b>2,739</b>	<b>3,019</b>	<b>2,784</b>	<b>235</b>	
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)	
<b>Total financial liabilities</b>	<b>(471)</b>	<b>(170)</b>	<b>(18,074)</b>	<b>(18,715)</b>	<b>(9,958)</b>	<b>(8,757)</b>	
<b>Total net financial liabilities</b>	<b>(191)</b>	<b>(170)</b>	<b>(15,335)</b>	<b>(15,696)</b>	<b>(7,174)</b>	<b>(8,522)</b>	

							Unaudited
							31 March 2021
£ million	Fair value through income statement	Fair value through comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-current	
Trade and other receivables	38	-	2,648	2,686	2,628	58	
Cash and cash equivalents	-	-	765	765	765	-	
Derivatives	566	-	-	566	86	480	
<b>Total financial assets</b>	<b>604</b>	<b>-</b>	<b>3,413</b>	<b>4,017</b>	<b>3,479</b>	<b>538</b>	
Borrowings	-	-	(10,986)	(10,986)	(1,498)	(9,488)	
Trade and other payables	-	-	(8,319)	(8,319)	(8,319)	-	
Derivatives	(886)	(193)	-	(1,079)	(42)	(1,037)	
Lease liabilities	-	-	(269)	(269)	(60)	(209)	
<b>Total financial liabilities</b>	<b>(886)</b>	<b>(193)</b>	<b>(19,574)</b>	<b>(20,653)</b>	<b>(9,919)</b>	<b>(10,734)</b>	
<b>Total net financial liabilities</b>	<b>(282)</b>	<b>(193)</b>	<b>(16,161)</b>	<b>(16,636)</b>	<b>(6,440)</b>	<b>(10,196)</b>	

Audited  
30  
September 2021

£ million	Fair value through income statement	Fair value through comprehensive income	Assets and liabilities at amortised cost	Total	Current	Non-current
Trade and other receivables	37	-	2,611	2,648	2,590	58
Cash and cash equivalents	-	-	1,287	1,287	1,287	-
Derivatives	459	-	-	459	68	391
<b>Total financial assets</b>	<b>496</b>	<b>-</b>	<b>3,898</b>	<b>4,394</b>	<b>3,945</b>	<b>449</b>
Borrowings	-	-	(9,822)	(9,822)	(1,107)	(8,715)
Trade and other payables	-	-	(8,373)	(8,373)	(8,373)	-
Derivatives	(832)	(214)	-	(1,046)	(62)	(984)
Lease liabilities	-	-	(251)	(251)	(57)	(194)
<b>Total financial liabilities</b>	<b>(832)</b>	<b>(214)</b>	<b>(18,446)</b>	<b>(19,492)</b>	<b>(9,599)</b>	<b>(9,893)</b>
<b>Total net financial (liabilities)</b>	<b>(336)</b>	<b>(214)</b>	<b>(14,548)</b>	<b>(15,098)</b>	<b>(5,654)</b>	<b>(9,444)</b>

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 2022	Unaudited 31 March 2021	Audited 30 September 2021
<b>Assets</b>			
Interest rate swaps	190	541	451
Forward foreign currency contracts	21	21	4
Cross-currency swaps	26	4	4
<b>Total carrying value of derivative financial assets</b>	<b>237</b>	<b>566</b>	<b>459</b>
<b>Liabilities</b>			
Interest rate swaps	(480)	(862)	(813)
Forward foreign currency contracts	(16)	(3)	(4)
Cross-currency swaps	(179)	(261)	(266)
Carrying value of derivative financial liabilities before collateral	(675)	(1,126)	(1,083)
Collateral <sup>1</sup>	34	47	37
<b>Total carrying value of derivative financial liabilities</b>	<b>(641)</b>	<b>(1,079)</b>	<b>(1,046)</b>
<b>Total carrying value of derivative financial instruments</b>	<b>(404)</b>	<b>(513)</b>	<b>(587)</b>
<b>Analysed as:</b>			
Interest rate swaps	(290)	(321)	(362)
Forward foreign currency contracts	5	18	-
Cross-currency swaps	(153)	(257)	(262)
Collateral <sup>1</sup>	34	47	37
<b>Total carrying value of derivative financial instruments</b>	<b>(404)</b>	<b>(513)</b>	<b>(587)</b>

<sup>1</sup> 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 £17 million (2021: £21 million) and would have been a £33 million (2021: £46 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 publication of the 2021 Annual Report and Accounts.

### USA STATE SETTLEMENT AGREEMENTS

In November 1998, the major US 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 is a party to the MSA and to the Mississippi, and Minnesota 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, ITG has been involved in litigation and other disputes with the Previously Settled States, Philip Morris, and Reynolds in their state courts. ITG has also been involved in litigation with Reynolds in the Delaware court that has jurisdiction over disputes under the acquisition agreement for the Acquired Brands. All cases have now been resolved with the exception of Florida which continues to be heard before the Delaware court.

The Court will hear argument on potentially dispositive motions in May 2022 with a trial, if necessary, in September 2022. Amounts at issue range from \$105 million to \$184 million through 2021 and \$17 million to \$27 million annually going forward.

### MSA PREVIOUSLY SETTLED STATES REDUCTION

The MSA contains a downward adjustment, called the Previously Settled States Reduction, which reduces aggregate payments made by Philip Morris, Reynolds, and ITGB by a specified percentage each year. The State of California, later joined by the remainder of the MSA states and by Philip Morris, challenged the application of that Reduction to ITGB for every year from 2016 forward, claiming that it cannot apply to ITGB since it is not making settlement payments to Florida, Minnesota, or Texas under their settlements. The Independent Auditor to the MSA, which initially addresses disputes related to payments, has rejected that challenge every year. It is possible that one of the parties making the challenge may seek to arbitrate the claim under the MSA. The PSS Reduction provides annual MSA payment reductions of about \$65 million.

The parties have resolved Philip Morris' related claim under the MSA, challenging ITG's right to receive a "Previously Settled States Reduction" worth about \$65 million a year, as such claim relates to Minnesota and Texas.

### OVERALL SUMMARY OF LIABILITY POSITION ASSOCIATED WITH USA STATE SETTLEMENT AGREEMENTS

The Group's legal advice is that it has a strong position on pending claims related to the Acquired Brands and the Group therefore considers that no provision is required for these matters.

### 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 in any product liability investigations in the first half of FY22.

### COMPETITION AUTHORITY INVESTIGATIONS

#### BELGIUM

On 29 May 2017, the National Competition Authority in Belgium (the BCA) conducted raids at the premises of several manufacturers and wholesalers of tobacco products. On 1 October 2021 the BCA announced that it had issued a Proposal for Decision which alleges the existence of anticompetitive practices in the tobacco industry that lasted for several years and consisted in repeated indirect exchanges of information on manufacturers' prices through wholesalers. The BCA stated that such conduct may be contrary to Article IV.1 CEL and Article 101 TFEU.

Following the parties' defence and a hearing, an infringement Decision was issued in April 2022 by the BCA Competition College imposing a fine of €7.14 million on the Company's Belgian subsidiary, payable within 30 Days of the notification of the Decision. This amount had been fully provided for in the accounts. The Company's Belgian subsidiary will pursue an appeal to the Market Court in Brussels, by submitting its detailed grounds of appeal in May 2022.

## OTHER LITIGATION

### US HELMS-BURTON LITIGATION

Imperial 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 US nationals with a cause of action and a claim for treble damages against persons who have "trafficked" in property expropriated by the Cuban government. Title III is largely untested because it did not come into effect until May 2019. Treble damages are automatically available under Helms Burton. Although the filed claim is for unquantified damages, we understand the claim could potentially reach approximately \$365 million, based on the claimants' claim to own 90% of the property, which they value at \$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 Helms-Burton, 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 UK Secretary of State for International Trade authorised Imperial to file and litigate a motion to dismiss the action.

Imperial is pursuing a motion to dismiss the filed claim and, the Claimants having been granted leave to amend their claim a second time, Imperial filed a motion to dismiss the second amended complaint in April 2022. A decision on Imperial's motion to dismiss is not expected until the third quarter of 2022 at the earliest. In the event the motion to dismiss is denied, the court has set a schedule for further proceedings, with trial commencing in July 2023.

Separately, two other groups of prospective claimants have indicated that they intend to file a lawsuit against Imperial in federal court in Miami, Florida. Neither claim has been filed. The threatened claims relate to other properties in Cuba, which the prospective claimants claim were confiscated from their ancestors by the Cuban government in the 1960s and which they claim are now used by Corporación Habanos S.A for commercial activities. The prospective claimants claim to be entitled to treble damages from Imperial.

No provision has been made for potential liabilities related to Helms-Burton claims.

### UK

In June 2020, the Group responded to a claimant law firm's allegation of human rights issues in the Malawian tobacco supply chain, which included allegations relating to child and forced labour. In December 2020, a claim was filed in the UK High Court against Imperial Brands plc, Imperial Tobacco Limited and four of its subsidiaries (the Imperial Defendants) and two entities in the British American Tobacco (BAT) group by a group of tobacco farm workers. The Imperial Defendants have acknowledged service and confirmed to the claimants that they intend to defend the claim in full. The Imperial Defendants have not yet been required to file their Defence.

The Claimants' disclosure application to be heard at the end of November 2021 was adjourned. The deadline for Imperial and BAT to file a defence has been postponed pending other case management actions and will be determined at a subsequent case management hearing. The claim is unquantified and given the early stage of the litigation a provision would not be appropriate.

### 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 128 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. To date SMT has filed retractions proceedings against 14 of these decisions.

The written reasoned judgment of the Cour de Cassation 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 rigorously defend its position. SMT is due to present further legal arguments before the Court of Appeal by June 2022.

### SPAIN

A claim has been made against the Group's subsidiary, Altadis SA, by the General Attorney of Spain (GA) seeking repayment of state aid paid out between c. 2004 – 2010 (a period prior to the Group's acquisition of Altadis, which took place in 2008). State aid was paid by the regional government of Andalusia to various insurance companies, to finance the early retirement costs of Altadis ex-employees following the termination of their employment contracts related to closure of an Altadis factory. In January 2022 the Court ordered that the claim should proceed to the next stage and that Altadis should file a bank guarantee in the sum of €27.3 million at Court (the amount claimed plus

1/3 required under Spanish law). There is no immediate requirement to pay this sum and Altadis has challenged the ruling on the guarantee. The Group does not expect this claim to succeed and no associated provision has been recognised.

## **15. POST BALANCE SHEET EVENTS**

### **COMPLETION OF THE RUSSIAN BUSINESS TRANSFER AFTER THE BALANCE SHEET DATE**

The transfer of the Russian assets and operations completed on 27 April 2022 and has been treated as a non-adjusting post balance sheet event with the transaction being accounted for in the second half of the financial year ended 30 September 2022. The sales consideration will be recognised and the net assets of the Disposal Group be derecognised. There is then a requirement to recycle the cumulative foreign exchange losses arising on the retranslation of non-sterling assets of the Disposal Group into the income statement. Given that the net assets of the Disposal Group have already been written down to their fair value loss costs to sell value as at 31 March 2022 the loss on disposal will be primarily due to these foreign exchange losses.

We estimate the associated cumulative foreign exchange losses arising on completion is in the range of £150 million - £190 million.

The Russian assets and operations contributed £54 million (31 March 2021: £61 million) of net revenue and £8 million (31 March 2021: £4 million) of operating profit before tax in the six month period and was part of the Africa, Asia and Australasia division. The business comprised Imperial Tobacco Sales and Marketing LLC a company involved in tobacco sales in Russia and Imperial Tobacco Volga LLC a company which owns the Volgograd factory which manufactures tobacco products for Russia and a small number of other countries.

### **US FOOD AND DRUG ADMINISTRATION MARKETING DENIAL ORDERS**

On 8 April 2022 the US Food and Drug Administration issued Marketing Denial Orders against a number of myblu products. We are currently seeking to overturn the decision through an appeal process. This decision has been treated as a non-adjusting post balance sheet event and consequently had not had any impact on the carrying value of associated assets as at 31 March 2022.

## **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 2022 (6 months to 2021: none) that have materially affected the financial position or performance of the group during that period.