IMPERIAL TOBACCO GROUP PLC
INTERIM REPORT
2005

Imperial Tobacco

Continuing our track record of sustained profit growth…

IMPERIAL TOBACCO, the world's fourth largest international tobacco company, manufactures, markets and sells a comprehensive range of cigarettes, tobaccos, rolling papers and cigars.

Adjusted earnings per share

49.8p

up 10% on 2004

Dividends per share

16.5p

up 10% on 2004

Adjusted operating profit

£598m

up 7% on 2004

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The consistent application of our strategy has delivered double digit earnings per share growth.

Financial Highlights

(In £'s million)	**6 months ended 31 March 2005**		6 months ended 31 March 2004
Turnover excluding duty	**1,464**	down 1%	1,472
Operating profit	**479**	up 19%	402
Adjusted operating profit[1]	**598**	up 7%	560
Pre-tax profit	**382**	up 27%	301
Adjusted pre-tax profit[1]	**499**	up 10%	454
Profit after tax	**252**	up 32%	191
Adjusted profit after tax[1]	**364**	up 10%	330

(In pence)	**6 months ended 31 March 2005**		6 months ended 31 March 2004
Basic earnings per share	**34.3**	up 31%	26.1
Adjusted earnings per share[1]	**49.8**	up 10%	45.3
Diluted earnings per share	**34.2**	up 32%	26.0
Interim dividend per share	**16.5**	up 10%	15.0

[1] Adjusted to exclude amortisation and exceptional items. Management believes that reporting results before amortisation and exceptional items (adjusted operating profit, adjusted profit before tax, adjusted profit after tax and adjusted earnings per share) provides a better comparison of underlying business performance for the period.

Chairman and Chief Executive's Statement

Derek Bonham
Chairman
(left)

Gareth Davis
Chief Executive

Our successful strategy has continued to deliver value for our shareholders with a good performance across the Group in the first half of 2005.

We remain focused on building both our core markets and our international footprint, while our broad brand portfolio ensures we are well positioned for future growth. Ongoing cost efficiencies and effective management of our cash remain integral to our strategy. It is a combination of these strategies that has delivered double digit organic earnings per share growth in the first half of the year.

FINANCIAL PERFORMANCE

Adjusted operating profit, before amortisation and exceptional items, was £598 million in the half year to 31 March 2005, up by 7 per cent and adjusted pre-tax profit grew by 10 per cent to £499 million. Reported operating profit, after amortisation and exceptional items, was £479 million (2004: £402 million). This performance translates into adjusted earnings per share of 49.8 pence, an increase of 10 per cent (2004: 45.3 pence). Basic earnings per share were 34.3 pence (2004: 26.1 pence).

DIVIDEND

Your Directors are pleased to declare an increase of 10 per cent in the interim dividend to 16.5 pence. This dividend will be paid on 5 August 2005 to shareholders on the register at the close of business on 8 July 2005.

PERFORMANCE OVERVIEW
We have seen a continuation of many of the positive trends from last year. However, some challenging trading conditions persist, with tax related cigarette volume declines in markets in Northern and Central Europe.

Our core markets, the UK and Germany, have delivered excellent improvements in profitability. Our cigarette shares in many markets across Western and Eastern Europe, the Middle East and Asia have continued to progress. Our key international cigarette brands *West* and *Davidoff* have shown further positive developments in a number of markets. With our market leadership in the profitable other tobacco products sector, we continue to benefit from the balance of our brand and product portfolio.

Within our manufacturing operations, our strategy of business simplification continues, and we delivered further improvements in both processes and systems. During the first half of the year we closed our cigarette manufacturing facility in Dublin and our filter tubes factory in Plattsburgh, as part of our ongoing initiatives to enhance productivity and improve operational efficiencies. A continued focus on our cost base is inherent across the entire business.

Our share buyback programme commenced in February 2005, with the shares acquired being held in treasury. By 31 March 2005, we had acquired 2.8 million shares.

REGULATION
We continue to manage the challenges that the fast pace of international tobacco regulation brings. Our wealth of experience of working in highly regulated environments such as the UK, Australia and Ireland, leaves us well placed to manage these challenges. We continue to seek constructive dialogue with governments and regulatory bodies in pursuit of reasonable and appropriate regulation, which gives adult consumers both the freedom and the choice to enjoy our products.

BOARD AND SENIOR MANAGEMENT CHANGES
As part of an ongoing review of Board membership, Iain Napier was promoted to Joint Vice Chairman in December 2004. We also welcomed Susan Murray to the Board as a Non-Executive Director.

Bruce Davidson, Sales and Marketing Director, resigned from the Board in February 2005 by mutual consent to pursue other opportunities. Mr Davidson's operational responsibilities are now managed by Graham Blashill, formerly Regional Director, Western Europe, who has assumed full responsibility for all the Group's Sales and Marketing operations.

OUTLOOK
Looking ahead, we believe that we are well placed to continue our successful track record as we build on our brand strengths and geographic spread. Our focus on the profitability of the business continues, ensuring our operations are efficiently structured given changing market dynamics. We will continue to pursue value creating acquisition opportunities in line with our strategic and financial criteria, with our share buyback programme ensuring an effective use of our current free cash flow.

In summary, our strategy remains unchanged and we are on course to continue to deliver sustainable growth for our shareholders.

Derek Bonham
Chairman

Gareth Davis
Chief Executive

Financial Performance

In the half year to 31 March 2005, adjusted operating profit, before amortisation and exceptional items, was £598 million, up 7 per cent on the first half of 2004.

GROUP OPERATING PERFORMANCE

	2005	2004
Turnover ex. duty	**£1,464m**	£1,472m
Adjusted operating profit[1]	**£598m**	£560m
Adjusted operating margin[1]	**40.8%**	38.0%
Amortisation	**£(104)m**	£(103)m
Exceptional items	**£(15)m**	£(55)m
Reported operating profit	**£479m**	£402m
Profit on sale of fixed assets	**£2m**	£5m
Interest	**£(99)m**	£(106)m
Profit before tax	**£382m**	£301m

[1] Results before amortisation and exceptional items

Turnover including duty was £5,342 million compared to £5,453 million last year. Turnover excluding duty was £1,464 million (2004: £1,472 million), with Group adjusted operating margins up strongly at 40.8 per cent (2004: 38.0 per cent).

We estimate that the translation impact of exchange rate movements on Group profits in the first half of 2005 was not material.

INTEREST

The net interest charge decreased to £99 million (2004: £106 million) reflecting reduced debt levels and a lower average all-in cost of debt of 5.5 per cent (2004: 5.7 per cent). This was due to higher levels of floating rate debt which benefited from lower euro interest rates. Interest cover before amortisation and exceptional items was 6.0 times (2004: 5.3 times).

PROFIT BEFORE TAX

Group adjusted profit before tax rose 10 per cent to £499 million. After amortisation and exceptional items, reported profit before tax increased by 27 per cent to £382 million (2004: £301 million).

EXCEPTIONAL ITEMS

Reported profit before tax was impacted by exceptional costs of £15 million (2004: £55 million) and profit on the sale of fixed assets of £2 million (2004: £5 million). The 2005 exceptional costs mainly relate to the closure of our Dublin factory announced in December 2004, which is expected to produce annual cost savings of around £4 million.

TAXATION

The tax charge for the half year was £130 million, representing an effective tax rate of 27.0 per cent on profit before amortisation.

EARNINGS AND DIVIDENDS

Adjusted earnings per share increased by 10 per cent to 49.8 pence (2004: 45.3 pence) and basic earnings per share increased by 31 per cent to 34.3 pence (2004: 26.1 pence).

Your Directors are pleased to declare an increase of 10 per cent in the interim dividend to 16.5 pence per share, in line with our adjusted earnings growth.

FINANCING AND LIQUIDITY

At 31 March 2005, we had reduced our net debt to £3.5 billion (2004: £3.7 billion) of which 19 per cent was denominated in sterling, 79 per cent in euros and 2 per cent in other currencies. Given the recent favourable conditions within the bank market, in February we took the opportunity to refinance our core bank facility with a new €2.25 billion, 5 year facility on improved terms.

In February we commenced a share buyback programme and by 31 March 2005 had spent £40 million, acquiring 2.8 million shares. We intend to spend up to £200 million in total by the end of this financial year and our annual free cash flow thereafter.

INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

Excluding the impact of IAS 39 on derivatives, our adjusted results under IFRS for 2004 would have been marginally different due to pensions accounting, with all other profit impacts currently assessed as being immaterial. The major impacts on net assets amount to an uplift of around half a billion pounds at 1 October 2004. We intend to restate our 2005 interim and preliminary results under IFRS in November 2005. Compliance with IFRS will make no change to the economics of our business and make no difference to our cash earnings.

Regional Performance Analysis

REGIONAL PERFORMANCE HIGHLIGHTS

	Turnover ex Duty		Operating Profit[1]	
	Half year 2005 £m	Half year 2004 £m	**Half year 2005 £m**	Half year 2004 £m
UK	**392**	392	**228**	209
Germany	**304**	293	**139**	107
Rest of Western Europe	**285**	297	**141**	151
Rest of the World	**483**	490	**90**	93
Total as adjusted	**1,464**	1,472	**598**	560

[1] Results before amortisation and exceptional items

In the UK, turnover was stable at £392 million, with operating profit up 9 per cent to £228 million. This performance reflects increases in both cigarette and roll your own market shares, the benefits of manufacturer's price increases and reduced costs more than offsetting market volume declines.

In Germany, despite a reduction in volumes, our turnover increased 4 per cent to £304 million, with operating profit up 30 per cent to £139 million. Successive duty increases have impacted cigarette market volumes, but this has been more than offset by price increases, growth in other tobacco products and cost efficiencies both in our manufacturing and trading operations.

In the Rest of Western Europe our turnover and profit were down to £285 million and £141 million respectively. Positive progress in our cigarette shares offset market volume declines, but there was a negative margin mix as the balance of sales shifted to the southern part of the region. The overall results were also impacted by a decline in our roll your own tobacco share in the Netherlands.

In the Rest of the World turnover and operating profit were down slightly to £483 million and £90 million respectively. There were good performances in a number of markets in Eastern Europe, Asia and the Middle East, offset by declines in Central Europe and duty free. The profit decline also reflects investment in Turkey ahead of brand launches.

UNITED KINGDOM

A STRONG PERFORMANCE IN THE UK HAS FURTHER CONSOLIDATED OUR MARKET LEADING POSITION IN BOTH CIGARETTE AND ROLL YOUR OWN TOBACCO IN THE FIRST HALF OF THE YEAR.

Operating profit rose by 9 per cent to £228 million, reflecting the benefits of manufacturer's price increases, our growing market shares and cost base reductions.

MARKET DYNAMICS

We estimate the overall UK cigarette market declined in the first half of the year to 51 billion cigarettes (2004: 54 billion), a decline of 6 per cent. Following a period of relative stability during our last financial year, we saw a sharper than normal decline in the UK cigarette market in the first quarter after the holiday period. In recent months however, the market has resumed a more normal decline pattern of between 3 and 4 per cent. The ultra low price cigarette sector remains highly competitive and continues to grow. The roll your own tobacco market was broadly stable and we estimate a market size of 2,900 tonnes.

In his March Budget, the Chancellor announced an inflation only duty increase for the fifth successive year, equivalent to just over 8 pence per 20 cigarettes.

OUR PERFORMANCE

Our cigarette market share continued upwards to 44.7 per cent (2004: 44.6 per cent). We have been particularly pleased with the ongoing success of *Lambert & Butler* and *Richmond* which together hold over 30 per cent of the UK cigarette market.

Within roll your own tobacco, our market share rose to 66.2 per cent (2004: 65.1 per cent), due to the continued strength of *Golden Virginia* which grew to 50.8 per cent (2004: 49.5 per cent).

OUTLOOK

In the context of a more stable market in the second half of the year we expect another positive performance in the UK.

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GERMANY

OUR FOCUS ON PROFITABILITY HAS DELIVERED STRONG RESULTS IN GERMANY.

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Operating profit grew by 30 per cent to £139 million (2004: £107 million), due to the benefits of a manufacturer's price increase and cost savings following a number of reorganisation initiatives. This profit performance is set against continuing market declines and has demonstrated our ability to adapt to changing trading conditions.

MARKET DYNAMICS

The December 2004 tax increase was the second in a year and we estimate that the total annualised tobacco market is down by 7 per cent to 140 billion cigarette equivalents (2004: 151 billion).

The cigarette market has decreased by 19 per cent to 101 billion cigarettes, with significant growth in the other tobacco products sector, up by 44 per cent compared to the same period last year. We currently estimate a market of 39 billion cigarette equivalents.

A low price branded cigarette sector was introduced last March and is now the fastest growing cigarette sector in the West of Germany.

OUR PERFORMANCE

Our cigarette performance has been encouraging with recent share increases helping to stabilise our market share in the first half of the year at 19.0 per cent (2004: 19.1 per cent).

JPS continued to deliver a strong performance now holding 1.2 per cent market share. With continued downtrading, *West* remained under pressure with a market share of 8.6 per cent (2004: 9.1 per cent). *Davidoff* delivered a robust performance at the premium end of the market, holding market share at 1.1 per cent.

In other tobacco products, our volumes grew by 44 per cent in the Singles segment, but as a result of an increasingly competitive environment and continuing downtrading, our other tobacco products market share decreased to 23.8 per cent (2004: 28.5 per cent). We have strengthened our portfolio in the Singles segment, with our newly launched value brand *Fairwind* complementing *West* and *JPS*.

In late 2003, the EU Commission referred the German government to the European Court of Justice regarding the taxation of Singles. Singles are currently, and we believe correctly, taxed as fine cut tobacco. The Commission disputes this and is seeking to have Singles taxed at the same rate as cigarettes. The case is due to be heard in the coming weeks, although it is likely to be several months before a decision is made. We believe that taxing Singles as cigarettes will encourage more cross-border trade and deprive the government of further tax revenues.

OUTLOOK

Looking ahead, with another tax increase still currently planned in September 2005, the market conditions will continue to be challenging. We will continue to focus on the profitable development of the business.

REST OF WESTERN EUROPE

IN THE REST OF WESTERN EUROPE WE MADE GOOD PROGRESS WITH SOME POSITIVE BRAND AND CIGARETTE SHARE PERFORMANCES.

These performances offset market size declines, however profits were impacted by a shift in the balance of sales from the more profitable northern markets to the southern markets and continuing pressures in roll your own tobacco in the Netherlands. Operating profit declined to £141 million (2004: £151 million).

REGIONAL DYNAMICS

Overall we estimate the annual regional cigarette market was down by 6 per cent with a stable roll your own tobacco market. There were cigarette market declines most notably in the Netherlands, Belgium, and France. In Ireland, we estimate the smoking ban has reduced the total market size by up to 5 per cent.

OUR PERFORMANCE

In the Netherlands, our cigarette market share grew to 4.3 per cent (2004: 3.1 per cent) due to the continuing success of *West*. In Ireland market share was up to 25.3 per cent (2004: 24.5 per cent), driven by *John Player Blue* and *Superkings*.

In Southern Europe, *Peter Stuyvesant* grew our cigarette share in Italy to 1.6 per cent (2004: 0.9 per cent), and in Spain, our cigarette share was up to 4.0 per cent (2004: 3.7 per cent), in part due to the success of *JPS American*. In Greece, a good performance from *Davidoff* held our cigarette share at 5.8 per cent.

Within roll your own tobacco we continue to be market leaders, selling just under half of the volumes sold in the region. We grew volumes of *Golden Virginia* in Italy and Spain. In the Netherlands, the downtrading trend within the roll your own sector has persisted, and impacted on our market share which declined to 50.1 per cent (2004: 55.2 per cent). We launched *Zilver* in the value segment in December 2004 to capture this downtrading with encouraging results so far.

OUTLOOK

Against a background of slowing cigarette market declines, we see opportunities to build on our growing cigarette shares and our market leadership in other tobacco products in this region.

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REST OF THE WORLD

IN THE REST OF THE WORLD REGION, WE HAVE DELIVERED SOME ENCOURAGING IN-MARKET PERFORMANCES.

Positive trends have continued in a number of markets including Taiwan, Russia and Australia, but pressures in Central Europe have persisted.

Operating profit was down slightly to £90 million (2004: £93 million) reflecting these trends and our increased investment in Turkey.

REGIONAL DYNAMICS

This region has good growth potential given the markets that it encompasses, with our investments focused on sustainable future growth opportunities such as Turkey.

OUR PERFORMANCE

In Asia, we increased market share in Taiwan to 11.5 per cent (2004: 11.2 per cent) with a good performance from *Boss*. In Vietnam, *Bastos* volumes were up by 11 per cent. We grew volumes in Laos as a result of expanding distribution in the north of the country and our improved manufacturing capabilities. We continue to enjoy further co-operation with our strategic alliance partners, the Yuxi Hongta Group in China. We have expanded the distribution of *West* with the brand introduced in Beijing in March 2005, complementing our existing positions in Shanghai and Kunming.

In Australia, our financial performance again improved. Our cigarette share remained stable at 17.5 per cent with a good performance from *Peter Stuyvesant* and *Superkings*.

In the Africa and the Middle East region, we delivered improvements in volumes and profits with *Davidoff* growing volumes by 16 per cent, offsetting challenges in some of the African markets including the Ivory Coast.

In Eastern Europe, good performances from *West*, *Davidoff* and *Maxim* grew our market share in Russia to 5.3 per cent (2004: 5.1 per cent). Following the opening of our new cigarette factory, we are launching into the Turkish domestic market with *Davidoff* in the premium category and *Maxim* to compete in a growing low price sector. In Ukraine, we have added to our portfolio with the launch of *Classic* cigarettes.

In Central Europe, tax-related market size pressures continue across the region with ongoing competitor activity in the ultra low price sector. We remain focused on profitability across the region and have developed our portfolio to compete effectively in the low price sector, whilst aligning our infrastructure with current market conditions.

In our duty free business, volumes have been impacted by the accession last May of ten new countries to the EU. However, we delivered a strong performance in UK duty free, with encouraging trends within the premium sector in key African and European airports.

OUTLOOK

The geographic spread of our business in this region leaves us well placed for growth and we will seek to build on our successes. Underpinning the sustainable development of the business we will continue to invest in markets such as Turkey and China.

MANUFACTURING

ACROSS OUR GLOBAL MANUFACTURING OPERATIONS, PRODUCTIVITY WAS UP BY 14 PER CENT IN THE FIRST HALF OF THE YEAR.

This strong performance was largely due to factory closures in Slovenia, Slovakia and Hungary last year and upgraded facilities in our African factories. In this context, our cigarette unit costs were down 3 per cent, a good performance given the overall volume reductions.

We continued to make progress in our business simplification programme with further reductions in blends and stock keeping units of 5 per cent and 2 per cent respectively, with further improvements expected in the second half of the year.

Demonstrating our ongoing commitment to addressing our surplus production capacity, we took further steps in right sizing our operations with the closure of our cigarette manufacturing facility in Dublin and our filter tubes factory in Plattsburgh.

Ongoing improvements in processes and systems across our manufacturing base added to our cost savings, for example, by optimising stock levels through greater transparency in the supply chain.

We will continue to focus on our strategy of business simplification with the aim of delivering improvements in quality and cost savings.

Cautionary Statement

All statements, other than statements of historical fact, included herein, are, or may be deemed to be, forward-looking statements within the meaning of section 21E of the Securities Exchange Act 1934, as amended. For a discussion of important factors that could cause actual results to differ materially from those discussed in such forward-looking statements please refer to Imperial Tobacco's annual report on Form 20-F for the fiscal year ended 30 September 2004, filed with the Securities and Exchange Commission on 21 March 2005.

Independent Review Report to Imperial Tobacco Group PLC

Introduction
We have been instructed by the Company to review the financial information which comprises the consolidated profit and loss account, the consolidated statement of total recognised gains and losses, the consolidated balance sheet, the summary consolidated cash flow statement, the notes to the interim statement and the summary of differences between UK and US generally accepted accounting principles. We have read the other information contained in the interim report and considered whether it contains any apparent misstatements or material inconsistencies with the financial information.

Directors' responsibilities
The interim report, including the financial information contained therein, is the responsibility of, and has been approved by the Directors. The Directors are responsible for preparing the interim report in accordance with the Listing Rules of the Financial Services Authority which require that the accounting policies and presentation applied to the interim figures should be consistent with those applied in preparing the preceding annual accounts except where any changes, and the reasons for them, are disclosed.

Review work performed
We conducted our review in accordance with guidance contained in Bulletin 1999/4 issued by the Auditing Practices Board for use in the United Kingdom. A review consists principally of making enquiries of Group management and applying analytical procedures to the financial information and underlying financial data and, based thereon, assessing whether the accounting policies and presentation have been consistently applied unless otherwise disclosed. A review excludes audit procedures such as tests of controls and verification of assets, liabilities and transactions. It is substantially less in scope than an audit performed in accordance with United Kingdom Auditing Standards and therefore provides a lower level of assurance than an audit. Accordingly we do not express an audit opinion on the financial information. This report, including the conclusion, has been prepared for and only for the Company for the purpose of the Listing Rules of the Financial Services Authority and for no other purpose. We do not, in producing this report, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our prior consent in writing.

Review conclusion
On the basis of our review we are not aware of any material modifications that should be made to the financial information as presented for the six months ended 31 March 2005.

PricewaterhouseCoopers LLP
Chartered Accountants
Bristol
26 April 2005

Notes:

(a) The maintenance and integrity of the Imperial Tobacco Group PLC website is the responsibility of the Company; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the interim report since it was initially presented on the website.

(b) Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

Consolidated Profit and Loss Account

for the six months ended 31 March 2005

(In £'s million)	Notes	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Turnover	2	**5,342**	5,453	11,005
Duty in turnover	2	**(3,878)**	(3,981)	(7,973)
Costs and overheads less other income		**(985)**	(1,070)	(2,147)
Operating profit	2	**479**	402	885
Group operating profit before amortisation and exceptional items		**598**	560	1,218
Amortisation		**(104)**	(103)	(204)
Exceptional items	3	**(15)**	(55)	(129)
Profit on disposal of fixed assets	3	**2**	5	7
Profit on ordinary activities before interest and taxation		**481**	407	892
Net interest		**(99)**	(106)	(204)
Profit on ordinary activities before taxation		**382**	301	688
Taxation	4	**(130)**	(110)	(238)
Profit on ordinary activities after taxation		**252**	191	450
Equity minority interests		**(3)**	(2)	(5)
Profit attributable to shareholders		**249**	189	445
Dividends		**(120)**	(109)	(362)
Retained profit for the period		**129**	80	83
Earnings per ordinary share – Basic	5	**34.3p**	26.1p	61.4p
– Adjusted (before amortisation and exceptional items)	5	**49.8p**	45.3p	101.6p
– Diluted	5	**34.2p**	26.0p	61.2p
Dividends per ordinary share – Interim		**16.5p**	15.0p	
– Total for 2004				50.0p

All activities derive from continuing operations. There is no difference between the profit as shown above and that calculated on an historical cost basis.

Consolidated Statement of Total Recognised Gains and Losses

for the six months ended 31 March 2005

(In £'s million)	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Profit attributable to shareholders	**249**	189	445
Exchange movements on retranslation of net investments and related borrowings	**12**	(71)	(31)
Total recognised gains for the period	**261**	118	414

Consolidated Balance Sheet

at 31 March 2005

(In £'s million)	*Notes*	**31 March 2005**	31 March 2004	30 September 2004
Fixed assets				
Intangible assets		**3,453**	3,552	3,547
Tangible assets		**636**	638	651
Investments		**6**	6	7
		4,095	4,196	4,205
Current assets				
Stocks		**1,113**	1,113	864
Debtors		**982**	930	1,021
Investments		**47**	64	77
Cash		**268**	333	262
		2,410	2,440	2,224
Creditors: amounts falling due within one year		**(2,527)**	(2,177)	(2,556)
Net current (liabilities)/assets		**(117)**	263	(332)
Total assets less current liabilities		**3,978**	4,459	3,873
Creditors: amounts falling due after more than one year		**(3,277)**	(3,866)	(3,267)
Provisions for liabilities and charges		**(460)**	(486)	(470)
Net assets		**241**	107	136
Capital and reserves				
Called up share capital		**73**	73	73
Share premium account		**964**	964	964
Profit and loss account	*8*	**(815)**	(949)	(919)
Equity shareholders' funds		**222**	88	118
Equity minority interests		**19**	19	18
		241	107	136

Reconciliation of movements in shareholders' funds

(In £'s million)	*Notes*	**31 March 2005**	31 March 2004	30 September 2004
Profit attributable to shareholders		**249**	189	445
Dividends		**(120)**	(109)	(362)
Retained profit for the period		**129**	80	83
Payments for the purchase of own shares	*8*	**(40)**	–	–
Credit in respect of employee share schemes		**5**	2	9
Exchange movements on goodwill previously written off		**(2)**	37	17
Other net exchange movements		**12**	(71)	(31)
Net addition to shareholders' funds		**104**	48	78
Opening shareholders' funds		**118**	40	40
Closing shareholders' funds		**222**	88	118

Summary Consolidated Cash Flow Statement

for the six months ended 31 March 2005

(In £'s million)	*Notes*	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Net cash inflow from operating activities	*6*	**508**	495	1,241
Returns on investments and servicing of finance		**(31)**	(35)	(212)
Taxation		**(91)**	(55)	(236)
Capital expenditure and financial investment		**(27)**	15	(48)
Acquisitions				
Payments to acquire businesses		**–**	(12)	(27)
Deferred consideration in respect of prior year acquisitions		**–**	(387)	(420)
Net cash outflow from acquisitions		**–**	(399)	(447)
Equity dividends paid		**(254)**	(217)	(326)
Net cash inflow/(outflow) before management of liquid resources and financing		**105**	(196)	(28)
Management of liquid resources		**33**	–	(8)
Financing		**(134)**	216	(19)
Increase/(decrease) in cash in the period		**4**	20	(55)

Reconciliation of net cash flow to movement in net debt

(In £'s million)	*Notes*	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Increase/(decrease) in cash in the period		**4**	20	(55)
Cash outflow/(inflow) from decrease/(increase) in debt		**95**	(218)	19
Cash (inflow)/outflow from (decrease)/increase in liquid resources		**(33)**	–	8
Change in net debt resulting from cash flows		**66**	(198)	(28)
Currency and other movements		**–**	160	90
Deferred consideration		**–**	385	418
Movement in net debt in the period		**66**	347	480
Opening net debt		**(3,588)**	(4,068)	(4,068)
Closing net debt	*7*	**(3,522)**	(3,721)	(3,588)

Notes to the Interim Statement

1 Basis of preparation of the accounts

The results for the six months ended 31 March 2005 and 31 March 2004 are unaudited. The figures for the year ended 30 September 2004 are taken from the statutory accounts of Imperial Tobacco Group PLC, which have been delivered to the Registrar of Companies and upon which an unqualified audit report was given. The accounting policies are as stated in the Annual Report and Accounts for the year ended 30 September 2004.

2 Segmental information (by destination)

The geographical analysis of turnover, duty in turnover, turnover excluding duty and operating profit was as follows:

(In £'s million)	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Turnover			
UK	**2,298**	2,368	4,776
Germany	**1,258**	1,248	2,478
Rest of Western Europe	**712**	760	1,556
Rest of the World	**1,074**	1,077	2,195
International	**3,044**	3,085	6,229
	5,342	5,453	11,005
Duty in turnover			
UK	**1,906**	1,976	3,983
Germany	**954**	955	1,888
Rest of Western Europe	**427**	463	922
Rest of the World	**591**	587	1,180
International	**1,972**	2,005	3,990
	3,878	3,981	7,973
Turnover excluding duty			
UK	**392**	392	793
Germany	**304**	293	590
Rest of Western Europe	**285**	297	634
Rest of the World	**483**	490	1,015
International	**1,072**	1,080	2,239
	1,464	1,472	3,032

Notes to the Interim Statement

2 Segmental information (by destination) (continued)

(In £'s million)	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Operating profit			
UK	**228**	209	454
Germany	**139**	107	237
Rest of Western Europe	**141**	151	329
Rest of the World	**90**	93	198
International	**370**	351	764
Trading operations	**598**	560	1,218
Amortisation	**(104)**	(103)	(204)
Exceptional items	**(15)**	(55)	(129)
	479	402	885

3 Exceptional items

The profit on disposal of fixed assets relates to the sale of land and buildings no longer required by the business.

Exceptional operating costs of £15m are in respect of the closure of our Dublin and Plattsburgh factories and relate primarily to termination of employment and fixed asset write-downs.

4 Taxation

Taxation has been calculated on the basis of an estimated pre-amortisation effective tax rate of 27.0% for the full year. This compares with an effective pre-amortisation tax rate of 27.1% for the 2004 half year and 26.9% for the year ended 30 September 2004.

Notes to the Interim Statement

5 Earnings per share

(In pence)	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Earnings per share			
Basic	**34.3**	26.1	61.4
Adjustment for amortisation and exceptional items	**15.5**	19.2	40.2
Adjusted	**49.8**	45.3	101.6
Diluted	**34.2**	26.0	61.2
(In £'s million)			
Earnings			
Basic	**249**	189	445
Adjustment for amortisation and exceptional items	**112**	139	291
Adjusted	**361**	328	736

Basic earnings per share are calculated using the weighted average number of ordinary shares outstanding during the period.

Adjusted earnings per share are calculated before tax-effected exceptional items of £9m, tax-effected amortisation of intangibles of £3m, and goodwill amortisation of £100m, since the Directors consider that this provides a better comparison of underlying business performance.

Diluted earnings per share have been calculated by taking into account the weighted average number of shares that would be issued on conversion into ordinary shares of options held under employee share schemes.

(Number)	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Weighted average number of shares outstanding during the period			
Basic	**725,165,927**	724,066,990	724,263,415
Effect of share options	**3,533,169**	3,319,217	3,328,630
Diluted	**728,699,096**	727,386,207	727,592,045

Notes to the Interim Statement

6 Reconciliation of operating profit to net cash flow from operating activities

(In £'s million)	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Operating profit	**479**	402	885
Depreciation and amortisation	**151**	139	310
(Decrease)/increase in provisions for liabilities and charges	**(10)**	23	(33)
(Increase)/decrease in stocks	**(246)**	(147)	121
Increase in debtors	**(16)**	(4)	(18)
Increase/(decrease) in creditors	**150**	82	(24)
Working capital cash (outflow)/inflow	**(112)**	(69)	79
Net cash inflow from operating activities	**508**	495	1,241

7 Analysis of net debt

(In £'s million)	**Cash**	**Current asset investments**	**Loans due within one year**	**Loans due after one year**	**Total**
As at 30 September 2004	262	77	(719)	(3,208)	(3,588)
Cash flow	4	(33)	156	(61)	66
Exchange movements	2	3	–	(5)	–
As at 31 March 2005	**268**	**47**	**(563)**	**(3,274)**	**(3,522)**

8 Profit and loss account

During the period the Company initiated a share buyback programme purchasing 2,820,000 ordinary shares in Imperial Tobacco Group PLC for a total cost of £40m. The shares, representing 0.4% of issued share capital, have not been cancelled but are held in a treasury shares reserve within the profit and loss account reserve and represent a deduction from equity shareholders' funds.

Summary of Differences Between UK and US Generally Accepted Accounting Principles ("GAAP")

The accompanying consolidated financial information has been prepared in accordance with accounting principles generally accepted in the United Kingdom ("UK GAAP"). Such principles differ in certain respects from generally accepted accounting principles in the United States ("US GAAP"). A summary of principal differences and additional disclosures applicable to the Group is set out below.

(In £'s million)	Explanation reference	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Profit attributable to shareholders under UK GAAP		**249**	189	445
US GAAP adjustments:				
Pensions	(i)	**(2)**	2	3
Amortisation of goodwill	(ii)	**100**	100	196
Amortisation of brands/trade marks/licences	(ii)	**(50)**	(50)	(99)
Deferred taxation	(iii)	**38**	4	57
Mark to market adjustments due to non designation of hedge accounting per SFAS 133	(iv)	**(40)**	(28)	(50)
Employee share schemes charge to the profit and loss account	(vi)	**(3)**	(1)	(9)
Net income under US GAAP		**292**	216	543

(In pence)	Explanation reference	**6 months ended 31 March 2005**	6 months ended 31 March 2004	Year ended 30 September 2004
Amounts in accordance with US GAAP				
Basic net income per ordinary share	(vii)	**40.3**	29.8	75.0
Basic net income per ADS	(vii)	**80.6**	59.6	150.0
Diluted net income per ordinary share	(vii)	**40.1**	29.7	74.6
Diluted net income per ADS	(vii)	**80.2**	59.4	149.2

(In £'s million)	Explanation reference	**31 March 2005**	31 March 2004	30 September 2004
Equity shareholders' funds under UK GAAP		**222**	88	118
US GAAP adjustments:				
Pensions	(i)	**344**	346	343
Goodwill, less accumulated amortisation of £(486)m (2004: £(290)m)	(ii)	**(741)**	(911)	(839)
Brands/trade marks/licences, less accumulated amortisation of £311m (2004: £212m)	(ii)	**2,717**	2,740	2,762
Deferred taxation	(iii)	**(896)**	(961)	(932)
Mark to market adjustments due to non designation of hedge accounting per SFAS 133	(iv)	**(77)**	(15)	(37)
Proposed dividend	(v)	**118**	109	253
Employee share schemes	(vi)	**(12)**	(2)	(9)
Shareholders' funds under US GAAP		**1,675**	1,394	1,659

Summary of Differences Between UK and US Generally Accepted Accounting Principles (“GAAP”)

(i) Pensions

Under UK GAAP, pension costs are accounted for under the rules set out in Statement of Standard Accounting Practice No. 24 (SSAP 24). Its objectives and principles are broadly in line with those set out in the US accounting standard for pensions, Statement of Financial Accounting Standard No. 87, “Employers’ Accounting for Pensions” (SFAS 87). However, SSAP 24 is less prescriptive in the application of the actuarial method and assumptions to be applied in the calculation of pension costs.

Under US GAAP, the annual pension cost comprises the estimated cost of benefits accruing in the period as determined in accordance with SFAS 87. Under SFAS 87, a pension asset representing the excess of pension scheme assets over benefit obligations has been recognised in the balance sheet.

(ii) Business combinations

Both UK and US GAAP require the purchase consideration relating to a business combination to be allocated to the net assets acquired at their fair value on the date of acquisition.

Intangible assets

Under UK GAAP fair values are assigned to identifiable intangible assets only if the identifiable intangibles are capable of being disposed of or settled separately, without disposing of a business of the entity.

Under US GAAP, identifiable intangible assets are separately valued and amortised over their useful lives. The separately identifiable intangible assets included in the US GAAP balance sheet are principally comprised of brand rights, which are being amortised over periods between 25 to 30 years.

Goodwill amortisation

Under UK GAAP, goodwill arising and separately identifiable and separable intangible assets acquired on acquisitions made on or after 27 September 1998 are capitalised and amortised over their useful life, not exceeding a period of 20 years. Prior to 27 September 1998, all goodwill and separately identifiable and separable intangible assets were written off to reserves on acquisition.

The Company adopted SFAS No. 142, “Goodwill and Other Intangible Assets” (SFAS 142) with effect from 1 July 2001 and accordingly goodwill arising on acquisitions after this date are not amortised. For purchase transactions prior to 1 July 2001, goodwill was capitalised and amortised over its useful life. From 29 September 2002, in accordance with SFAS 142, the Company no longer amortises goodwill but rather tests such assets for impairment on an annual basis or where there is an indicator of impairment.

The Company completed an annual impairment review under SFAS 142 at 30 September 2004 and no impairment of goodwill was indicated. For the purposes of the annual impairment review, goodwill has been allocated to the following reporting units of the Group: Manufacturing, UK Sales and Marketing and International Sales and Marketing.

(iii) Deferred taxation

Under UK GAAP, deferred taxation is provided in full on all material timing differences. Deferred tax assets are recognised where their recovery is considered more likely than not.

US GAAP requires deferred taxation to be provided in full, using the liability method. In addition, US GAAP requires the recognition of the deferred tax consequences of differences between the assigned values and the tax bases of the identifiable intangible assets, with the exception of non tax-deductible goodwill, in a purchase business combination. Consequently, the deferred tax liability attributable to identifiable intangible assets has been recognised and is being amortised over the useful economic lives of the underlying intangible assets.

Summary of Differences Between UK and US Generally Accepted Accounting Principles ("GAAP")

(iv) Derivative financial instruments

The Group has entered into certain swap transactions with contractual maturities exceeding those of the underlying debt being hedged, in anticipation of there being additional floating rate debt when the existing debt matures. Under UK GAAP, derivative financial instruments that reduce exposures on anticipated future transactions may be accounted for using hedge accounting.

US GAAP requires the Group to record all derivatives on the balance sheet at fair value. The Group has decided not to satisfy the SFAS No. 133 "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133) requirements to achieve hedge accounting for its derivatives, where permitted, and accordingly movements in the fair value of derivatives are recorded in the profit and loss account.

(v) Proposed dividends

Under UK GAAP, dividends paid and proposed are shown on the face of the profit and loss account as an appropriation of the current period's earnings. Proposed interim dividends are provided on the basis of recommendation by the Directors.

Under US GAAP, interim dividends are recorded in the period in which they are formally declared.

(vi) Employee share schemes

Under UK GAAP, the cost of employee share schemes is charged to the profit and loss account using the quoted market price of shares at the date of grant less the exercise price of the share options granted. The charge is accrued over the vesting period of the shares.

Under US GAAP, the compensation cost is recognised for the difference between the exercise price of the share options granted and the quoted market price of the shares at the date of grant or measurement date and accrued over the vesting period of the options. For option plans which contain performance criteria, compensation cost is remeasured at each period end until all performance criteria have been met.

(vii) Net income per ordinary share

Basic net income per ordinary share has been computed using US GAAP net income and weighted average ordinary shares. Diluted net income per ordinary share has been calculated by taking into account the weighted average number of shares that would be issued on conversion into ordinary shares of options held under employee share schemes. There would be no significant dilution of earnings if outstanding share options were exercised.

Each American Depositary Share (ADS) represents two Imperial Tobacco Group PLC ordinary shares.

(viii) Current asset classification

Included within current asset debtors in the UK GAAP balance sheet at 31 March 2005 are £1m debtors (31 March 2004: £2m; 30 September 2004: £2m) due after more than 12 months which would be classified as long term assets in the US GAAP balance sheet.

Shareholder Information

Financial Calendar

Ex-dividend date for interim dividend	6 July 2005
Interim dividend record date	8 July 2005
Interim dividend payable	5 August 2005

Shareholder Enquiries

Enquiries about personal shareholdings – including change of address, loss of certificates, payment of dividends, amalgamation of accounts and certificate consolidation – should be directed to Lloyds TSB Registrars, The Causeway, Worthing, West Sussex BN99 6DA, tel: 0870 241 3932 (from outside the UK: +44 (0) 121 415 7009) (text phone for shareholders with hearing difficulties: 0870 600 3950).

ADR Enquiries

Enquiries on ADR holdings should be directed to the Depositary for American Depositary Receipts, Citibank Shareholder Services, PO Box 43077, Providence, RI 02940-3077, USA. Telephone toll free in the USA, 1 877 CITI-ADR (1 877 248 4237). E-mail: citibank@shareholders-online.com, website: www.citigroup.com/adr

General Enquiries

General enquiries on the Company should be made to the Company Secretary at: Imperial Tobacco Group PLC, PO Box 244, Upton Road, Bristol BS99 7UJ, tel: 0117 963 6363, e-mail: info@uk.imptob.com.

Online Information

Information on Imperial Tobacco Group PLC is available on our website: www.imperial-tobacco.com

The portfolio service from Lloyds TSB Registrars gives you access to more information on your investments including balance movements, indicative share prices and information on recent dividends. For more details on this and practical help on transferring shares or updating your details, visit www.shareview.co.uk. By visiting this site you can also register to receive information from the Company electronically. If registering for the first time you will need your shareholder reference, which can be found on your share certificate or dividend voucher.

Dividend Reinvestment Plan (DRIP)

Imperial Tobacco Group PLC has set up a DRIP to enable shareholders to use their cash dividend to buy further shares in the market. Further information can be obtained from Lloyds TSB Registrars, PO Box 699, Worthing, West Sussex, BN99 6YY, tel: 0870 241 3018.

International Direct Investment Program

Imperial Tobacco Group PLC American Depositary Shares have been included in the Citibank International Direct Investment Program which provides registered holders and interested investors with a convenient way to purchase and sell Imperial Tobacco Group PLC American Depositary Shares.

To obtain further information about the International Direct Investment Program, please call Citibank N.A., the administrator and sponsor, at 1 800 808 8010 (toll free in the USA).

Individual Savings Account (ISA)

Investors in Imperial Tobacco Group PLC ordinary shares may take advantage of a low cost ISA, dedicated to Imperial Tobacco Group shares and operated by Lloyds TSB Bank plc. Details of the ISA can be obtained from Lloyds TSB Registrars, ISA Team, The Causeway, Worthing, West Sussex BN99 6UY, tel: 0870 242 4244.

Share Dealing Facilities

A low cost, execution only, postal dealing service for the purchase and sale of Imperial Tobacco Group PLC shares has been set up by Hoare Govett Limited. Commission is 1 per cent with a minimum charge of £12. For details please contact: Hoare Govett Limited, 250 Bishopsgate, London EC2M 4AA, tel: 0207 578 8300. This service is restricted to UK residents only and transactions are limited to €15,000 (approximately £10,000). Hoare Govett Limited is authorised and regulated by the Financial Services Authority.

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