



PRESS RELEASE

IMPERIAL TOBACCO GROUP PLC INTERIM MANAGEMENT STATEMENT

Ahead of the Annual General Meeting to be held later today Imperial Tobacco Group PLC confirms that the overall financial position and operational performance of the Group for the financial year to 30 September 2012 is in line with the Board's expectations.

Performance Overview

- Underlying* sales momentum with good progress in emerging markets and EU gains
- Underlying* stick equivalent volumes down 1 per cent, with tobacco net revenues up 3 per cent reflecting strengthening price/mix
- Specific factors impacted reported stick equivalent volumes, down 7 per cent with tobacco net revenues down 1 per cent

Total tobacco supporting sales growth momentum

- Good performance from key strategic brands; stick equivalent volumes up 3 per cent and net revenues up 10 per cent
- Luxury Cuban cigar volumes up 14 per cent in emerging markets
- Snus volumes up 76 per cent

* Excluding the impacts of Syria, Spain, USA and Ukraine referred to below

Summarising today's announcement Alison Cooper, Chief Executive, will say:

"Our continued focus on realising opportunities from our total tobacco portfolio supported by innovation and price optimisation has delivered underlying tobacco net revenue growth of 3 per cent in the first quarter.

"Combined stick equivalent volumes of our key strategic brands *Davidoff*, *Gauloises Blondes*, *West* and *JPS* were up 3 per cent and net revenues up 10 per cent with our focus on consumer relevant innovation and new formats driving growth in these brands in cigarette in emerging markets and fine cut tobacco in the EU.

"Delivering the planned acceleration in our underlying sales momentum whilst continuing to realise cost and cash opportunities remain our priorities such that we are well placed to create further value for our shareholders this year."



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Trading Update

The following relates to the three months to 31 December 2011 unless otherwise stated. Tobacco net revenues exclude the impact of foreign exchange.

Underlying stick equivalent volumes declined one per cent but reported stick equivalent volumes were down seven per cent, against a strong comparator. Three per cent of the decline was due to the ongoing impact of international sanction compliance in Syria and double digit market volume declines in Spain. A further three per cent of the decline relates to trade stock levels around a price increase in the USA and distributor destocking in Ukraine.

Tobacco net revenues declined by 1 per cent before adjusting for these factors having seen a material benefit from strengthening price/mix. Underlying tobacco net revenues increased 3 per cent.

Supporting our sales growth agenda, we have been optimising our revenue investments, reallocating the investment focus across our footprint to maximise our returns.

The cash we generate continues to be applied to capital investments behind our sales growth agenda, our buy back programme (amounting to £320m of shares from inception in May 2011 to the end of December 2011) and dividends, which we intend to grow ahead of the growth in adjusted earnings per share.

EU Markets

Consumers in the EU continue to seek value reflected in further gains in our value cigarette shares in a number of markets and strong fine cut tobacco growth in JPS and Route 66.

In the UK and Germany, innovative new products and gains in our value portfolio continue to support our strong positions in cigarette and fine cut tobacco.

In Spain, market stick equivalent double digit volume declines continued through the quarter, but we currently expect the rate of decline to slow in the remainder of the year. Our portfolio initiatives continue to support growth in our fine cut tobacco share and an improving trend in our cigarette share performance.

Across the EU we continue to focus on balancing market share and profitability and, having built significant fine cut tobacco positions particularly in Central Europe, have ceded share in some markets in order to further build our long term category margins through price optimisation.



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Non-EU Markets

In non-EU markets, we delivered good growth in key emerging markets, particularly in Asia-Pacific and Africa and Middle East. *Davidoff*, *West* and *JPS* are driving growth in Asia-Pacific and *Gauloises Blondes* continues to make strong gains in Africa and Middle East.

In Eastern Europe, we delivered strong growth in new cigarette formats. Results were impacted primarily due to distributor destocking in Ukraine although we grew market share for the year to December.

In the USA, the market remains highly competitive with first quarter volumes impacted by trade buying patterns around our October price increase. The integration of our cigarette and mass market cigar businesses is progressing as planned.

We continue to capitalise on the considerable growth potential of our luxury Cuban cigar portfolio with excellent performances in Russia and China driving emerging market volumes up 14 per cent.

Logistics

In Logistics the operating environment remains challenging, particularly in Spain, and we continue to focus on cost management, business integration and development of new services to maximise profitability.

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Copies of our announcements are available on our website: www.imperial-tobacco.com.