

**IMPERIAL TOBACCO GROUP PLC**

**Interim Management Statement following the 3 months ended 31 December 2012**

Ahead of the Annual General Meeting to be held later today Imperial Tobacco Group PLC issues this update on trading following the three months to 31 December 2012. All comments relate to this period unless otherwise stated. Tobacco net revenue is reported in constant currency terms.

**Quality Growth through Total Tobacco**

- Tobacco net revenue up over 2 per cent, with price mix improvement of 3.5 per cent
- Stick equivalent volumes down 1 per cent
- Q1 growth across total tobacco portfolio:
  - +12 per cent net revenue and +10 per cent volume growth in key strategic brands
  - +9 per cent net revenue and +9 per cent volume growth in fine cut tobacco
  - +40 per cent net revenue and +33 per cent volume growth in snus
  - Stable net revenue and +3 per cent volume growth in premium cigar

**Half Year and Full Year Outlook**

The macro environment continues to be challenging; towards the end of the first quarter and into January, market trends have worsened in a number of key markets including in the EU and Russia. In the EU we estimate that the legal stick equivalent market size is currently down around 5 per cent with the legal cigarette market size down around 7 per cent.

We are confident in our strategic focus and are continuing to increase investment behind our key total tobacco assets and geographies. Given our ongoing investment and the European market pressures we expect first half adjusted operating profit to be down year on year. Our full year results remain in line with our expectations, reflecting the benefits from an acceleration of a cost optimisation programme designed to fund our continued investments and offset the current European market pressures; we expect that around 55 per cent of adjusted operating profits will be delivered in the second half.

Alison Cooper, Chief Executive, said:

“Our strategic focus continues to deliver further quality growth across our total tobacco portfolio, including excellent results from our key strategic brands Davidoff, Gauloises Blondes, West and JPS and in fine cut tobacco.

“The growth momentum in key markets in Africa and the Middle East and Asia-Pacific is being offset by the current adverse market dynamics in Europe, with increasing levels of illicit trade. This reinforces the importance of our two focus areas for 2013: further investing behind our key total tobacco assets and geographies; and accelerating our cost optimisation programme, providing funds for investment and mitigation for the full year given the current European environment.

“Challenging environments also present opportunities; our focus on the consumer, our total tobacco portfolio and new consumer experiences are key to realising those opportunities and continuing to drive sustainable quality growth.”

## Performance Overview

Our consumer insights are driving portfolio investments and innovation initiatives to support the development of our total tobacco brands and new consumer experiences to deliver sales growth across our regions.

Our total stick equivalent volumes declined by 1 per cent and tobacco net revenue grew by over 2 per cent, with positive momentum in key markets in our Rest of World region offset by declines in EU volumes.

## Key Strategic Brands

Our key strategic brands *Davidoff*, *Gauloises*, *West* and *JPS* performed well. We grew combined net revenues by 12 per cent and increased volumes by 10 per cent.

Whilst maintaining momentum behind our key strategic brands we're also progressing plans to realise the growth potential of other key brand assets in our portfolio that have strong resonance with consumers.

## Fine Cut Tobacco

We grew both revenues and stick equivalent volumes by 9 per cent, achieving strong growth in make your own tobacco in Western and Central Europe. In Poland, a new law came into effect on 1 January prohibiting the sale of non-duty paid tobacco leaf, which should improve market volumes following the significant decline last year.

## Premium cigars and snus

In our premium cigar division, we grew volumes by 3 per cent driven by the success of Montecristo mini cigars, launched last year, although trade destocking in our handmade cigar business impacted revenues in the first quarter. Our snus business in Scandinavia has a long track record of growth which we continued to build on, increasing revenues by 40 per cent and volumes by 33 per cent.

## Market Performance

Our EU performance was impacted by further declines in legal market size with rising illicit trade, in what remains a competitive and tough economic environment. On an annual basis we have increased cigarette shares in a number of markets including Spain, Greece, Italy and Portugal and increased fine cut tobacco shares in Germany, Hungary and Poland, whilst also addressing share pressure in some markets, including the UK.

In the USA, our market share was stable against the final quarter of 2012, and our mass market cigar volumes increased as we continued to progress our plans to strengthen our position in this market.

In Russia, part of our Rest of World region, we have been increasing our investment behind our key strategic brands, though our volumes have been impacted by weaker than expected market demand.

The performance of our key strategic brands enabled us to consolidate or improve on the cigarette share gains we made elsewhere in our Rest of World region last year.

In Australia all tobacco products have been sold in plain packaging since 1 December 2012. In the first few weeks we have seen no significant change in consumption trends and we are continuing to develop strategic initiatives that will support the long-term growth of our portfolio.

### **Logistics**

Our logistics business remains resilient in difficult economic conditions and we continue to focus on cost management and developing new business opportunities to maximise profitability.

### **Enquiries**

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Copies of our announcements are available on our website: [www.imperial-tobacco.com](http://www.imperial-tobacco.com).