

Interim Management Statement

Q1 SHOWS STRATEGIC PROGRESS AND CONFIRMS OUTLOOK FOR FULL YEAR

Imperial Tobacco today updates the market on trading following the three months to 31 December 2013. All comments, unless otherwise stated, relate to underlying performance, which specifically excludes the impact of the stock optimisation programme. All net revenue development is reported at constant exchange.

	Q1 Reported	Reported % change	Underlying % change
Tobacco Net Revenue £m	1,564	-6	+1
Growth Brands SE bn	29	-12	+2

- Growth Brands continue to outperform the market with volumes growing 2% in total, 8% in Growth Markets. Six of the ten Growth Brands increased volume. Growth Brands were 43% of volume in Q1 (+3% points versus Q1 2013) and generated 39% of tobacco net revenue (39%).
- Growth Markets increased tobacco net revenue by 3% and Returns Markets have been resilient, performing broadly in line with the industry with tobacco net revenue growth of 1%.
- The Company made good progress with its stock optimisation programme and has significantly reduced trade inventories in a number of markets notably in Iraq.
- There has been no material change in the market environment compared to the expectation at the time of the Company's full year results in November 2013 with industry volume across the Company's footprint declining at close to 5%.

Alison Cooper, Chief Executive, said:

"We continue to implement our strategy, strengthening the sustainability and quality of our sales growth. We are focusing on driving our Growth Brands and targeting opportunities in our Growth Markets, complemented by resilience in our Returns Markets. The quality of our business continues to improve with encouraging results from our Growth Brands which have outperformed the market. The quarter has also seen significant progress with our stock optimisation programme, reducing trade stocks and improving our flexibility and speed to market.

"These results are in line with our expectations. We will continue driving our strategy this year, stepping up our investments behind quality growth. There is further stock optimisation work to be done, whilst our cost optimisation programme is on track and will contribute towards our investment plans. A reasonable working assumption for the full year continues to be for modest growth in EPS at constant exchange rates and for at least a 10% increase in dividends."

Trading Review

Total volume performance at -5% was broadly in line with the industry, while there has been strong price/mix growth resulting in tobacco net revenue growth of 1%. Reflecting the success of the Stock Optimisation programme, total reported volume in the quarter was down 11%.

Growth Brands: Generating High Quality Growth

Growth Brand volumes grew 2% and tobacco net revenue grew 2%. Growth Brands did particularly well in Growth Markets, increasing volume by 8%. JPS grew strongly in Australia, UK and Italy whilst Gauloises Blonde performed well in the Middle East, more than compensating for lower demand in Morocco due to changing formats. Davidoff growth in Greece and share growth in Saudi were offset by market conditions in Russia. West volumes were affected by market conditions in Russia and Turkey but performed strongly in Taiwan. USA Gold improved share across its key focus states in the quarter. Bastos in Vietnam, Fine in Africa, News in France and Parker & Simpson in several new markets all increased volume on last year.

Specialist Brands: Total Tobacco Focus

Specialist Brand tobacco net revenue grew 1% with good performances from snus and both premium and mass market cigars, somewhat offset by fine cut tobacco due to declines in UK and Spain.

Growth Markets: Maintaining Growth Momentum

Tobacco net revenue grew by 3% with strong growth in many markets, particularly in Russia, the Middle East and Indochina. In Russia, soft volume due to market decline was more than offset by strong pricing and mix. In the US, volume was impacted by market declines but market share improved in the quarter and profitability increased.

Returns Markets: Resilient Performance

Tobacco net revenue grew by 1%, reflecting good performances in a number of our Returns North markets, including Australia and Germany offset by industry declines which impacted the UK and Poland. Industry declines also affected our performance in our key Returns South markets.

Logistics

Comparable performance has been good with sales ahead of last year adjusting for the timing of excise tax increases. Growth has come from the non-tobacco business, more than compensating for the impact of declines in tobacco volume.

Full Year Outlook

At the time of the Full Year 2013 results in November, the Company indicated that a reasonable working assumption for Financial Year 2014 was for modest growth in EPS at constant exchange rates, given the Company's commitment to increasing investment behind its growth strategy and implementing its stock optimisation programme to reduce trade inventories and deliver a shorter, more flexible route to market in a number of countries. There has been no change in the Company's full year expectation for modest EPS growth at constant exchange accompanied by at least a 10% increase in dividend.

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.

Notes to Editors

Imperial Tobacco Group PLC is a multi-national tobacco company, with international strength in cigarettes and world leadership in fine cut tobacco, premium cigars, rolling papers and tubes. The Group has 46 manufacturing sites and around 35,000 employees and operates in over 160 markets.

In 2013, the Company realigned its geographic footprint into Growth Markets and Returns Markets and now manages markets based on the strategic role they play, rather than their geographic proximity.

Growth Markets are characterised by large profit and/or volume pools. We tend to have shares below 15 per cent and see considerable opportunities for share and profit growth over the long term. Our main Growth Markets include the USA and selected markets in the EU, Eastern Europe, Asia, and the Middle East. We measure the performance of our Growth Markets against market share and revenue metrics and our quality of growth by the progress our Growth Brands are making.

In Returns Markets we have relatively large shares, mostly above 15 per cent. Our objective is to maximise profit, whilst actively managing our market share. Our main Returns Markets include UK, Germany, and other markets in the EU, Australia, Eastern Europe and Africa. We measure the performance of our Returns Markets against market share and revenue metrics and our quality of growth by the progress our Growth Brands are making.

Investor Contacts

Tom Corran	Director of Investor Communications	+44 (0)117 933 7510
Jo Brewin	Investor Relations Manager	+44 (0)117 933 7549



PRESS RELEASE

Media Contacts

Alex Parsons Director of Group Communications

+44 (0)7967 467 241

Conference call

Imperial Tobacco Group PLC will be holding a conference call for investors and investment analysts with senior management following the publication of our Interim Management Statement on 13 February 2014. The call will be hosted by Alison Cooper, Chief Executive and Oliver Tant, Group Finance Director, and will commence at 09:00am GMT. Dial in and replay details are available on the Company's website.

09:00 AM GMT on Thursday 13 February 2014

Conference Call ID: 4655366

Start time: 09:00 GMT (please dial in 10 minutes before start time)

Conference Title: Imperial Tobacco Interim Management Statement

Leader: Alison Cooper

Conference call access numbers:

Location	Local number	Toll-Free
Australia	61-2-9374-0291	1800 730 002
Austria	43-268-2205-6208	0800-1025-1553
Belgium	32-2290-1608	0800-50747
Denmark	45-3271-4672	80-88-49-19
Finland	358-969-379-458	0800-117-013
France	33-1-55-69-5751	0800-945-104
Germany	49-69-5899-90706	0800-101-1958
Hong Kong	852 3009-5027	800-908-530
Ireland	353-1436-4236	1800-943-037
Italy	39-023-0350-9038	800-149-070
Japan	81-36-404-0431	00531 440 034
Luxembourg	352-3420-808-068	800-23922
Netherlands	31 20 794 8504	0800-265-8528
Singapore	65 6823-2087	800-448 1303
South Africa	27-21-4276556	0800-99-1273
Spain	34-9-1788-9582	900-800-638
Sweden	46-8-5052-0204	0200-125-762
Switzerland	41-2-2592-7091	0800-000-596
United Kingdom	44-208-515-2301	0800-358-5271



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USA	1-480-629-9835	1-877-941-0844
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Replay Numbers (available for one week)

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DE English +49 69 58 99 90 568
DE German +49 69 58 99 90 567
FR English +33 1 70 99 3295
FR French +33 1 70 99 3294
NL Dutch +31 45 799 0028
NL English +31 45 799 0029
UK C/Paid 44 20 7959 6720
UK Freephone 08003589369

Americas

Americas Access Code: 4655366
Mexico Toll Free 01-877-876-7805
UK Local +44 207 154 2833
UK Toll Free 0800 358 3474
US Local +1 303 590 3030
US Toll Free 1-800-406-7325

A replay of the call will be available at www.imperial-tobacco.com from later today.