

IMPERIAL TOBACCO GROUP PLC INTERIM MANAGEMENT STATEMENT

Imperial Tobacco Group PLC (**Imperial Tobacco**) confirms that the overall performance and financial position of the Group for the financial year to 30 September 2009 remains in line with the Board's expectations.

Summarising today's announcement Gareth Davis, Chief Executive, said:

"We have delivered another good performance in our third quarter, driving sales throughout our enlarged geographic footprint and achieving further volume and share growth across our regions.

"The versatility of our balanced portfolio is enabling us to benefit from the growth in value cigarette and fine cut tobacco brands in mature markets, whilst continuing to develop our mainstream and premium cigarette brands in emerging markets.

"Despite the challenges of the wider operating environment, we anticipate another successful year, with the Altadis integration progressing well and with our cash conversion expected to exceed 100%. In addition, we have further diversified our funding base and maturity profile with two successful bond issues in June. Our focus on building sales, underpinned by efficiently managing our cost base and minimising working capital, should ensure that we continue to create sustainable value for our shareholders."

Trading update

The following highlights of our trading performance relate to the nine months to 30 June 2009 unless otherwise stated. All market volumes and market shares are based on Imperial Tobacco estimates.

UK

In the UK for the 12 months to June, the annual duty paid cigarette market declined by 1 per cent to 45.0 billion. The rate of market decline has slowed in recent months due to fewer purchases of UK brands abroad as the impact of a weaker economy and currency reduced overseas travel. These trends also benefited duty paid fine cut tobacco volumes which grew by 15 per cent for the 12 months to June to 4,250 tonnes.

Our strategy of balancing profit and share continues in the UK. Our cigarette market share for the nine months to June was 45.3 per cent (June 2008: 45.9 per cent). JPS Silver, launched in November in the economy sector, continues to make excellent progress achieving a June spot share of 3 per cent and, along with Windsor Blue, we continue to grow share in the economy sector.

In the nine months to June our fine cut tobacco share was 58.5 per cent (June 2008: 62.1 per cent). Golden Virginia Yellow, launched in March in the economy sector, has grown to a June spot share of over 1 per cent, and along with our other value brand, Gold Leaf, is benefiting from downtrading within the segment. Our overall fine cut volumes for the nine months increased 10%.

Germany

In Germany for the 12 months to June, cigarette market volumes were down 1 per cent at 86.4 billion. In June 2009, we increased the price of our cigarette brands and some fine cut tobacco products, including a 20 euro cent increase on all packs of 17 cigarettes. In mid-July, prices were raised proportionately following the increase in the minimum pack size from 17 to 19 cigarettes.

Volumes of other tobacco products for the 12 months to June rose by 1 per cent to 35.6 billion cigarette equivalents with the benefit of downtrading. In mid-July, the minimum pack size was raised to 30 grams with prices increased proportionately.

Our cigarette share in the nine months to June was stable at 27.4 per cent with JPS continuing to grow share to 8.4 per cent. Davidoff and Gauloises Blondes maintained their respective market shares and West's share is stabilising. Our market share of other tobacco products excluding cigarillos was 20.3 per cent (June 2008: 20.9 per cent) with our make your own products performing well.

Spain

In Spain, cigarette market volumes in the 12 months to June declined by an estimated 4 per cent to 86.1 billion. Various factors have impacted the market including trade de-stocking, reduced travel retail volumes and further downtrading into fine cut tobacco. In June, taxes were raised on all tobacco products and the minimum incidence of duty was increased for cigarettes and a minimum incidence of duty was implemented on fine cut tobacco. We passed on the increase in taxes to consumers in full in almost all cases. At the same time, we further increased the prices of most of our cigarette brands. Market fine cut tobacco volumes for the year to June grew by more than 50 per cent to 5,050 tonnes as a result of downtrading from cigarettes but the changes in the tax regime could curtail this growth.

Our share of the domestic blonde cigarette market for the nine months to June was 30.6 per cent (June 2008: 30.8 per cent) with Ducados Rubio and Nobel performing well. Whilst we continue to lead the dark segment the anticipated decline of the segment continued and, coupled with declines in travel retail, resulted in an overall share for the nine months of 36.5 per cent (June 2008: 37.4 per cent).

Adjusting for brand divestments, our fine cut tobacco volumes grew 44 per cent for the nine months to June with Fortuna growing share rapidly. Although we have ceded share to lower priced domestic brands, prices of these have materially increased post the implementation of minimum incidence of duty in June, narrowing the price differential to high value brands.

Rest of EU

Rest of EU regional cigarette market volumes were down 5 per cent in the 12 months to June predominantly as a result of significant duty increases in Poland and Czech Republic, which have led to growing cross-border flows from the east. Excluding Poland and Czech Republic, regional market volumes were down 2 per cent. Regional fine cut volumes were buoyant due to downtrading but regional cigar volumes are still being affected by smoking bans and the economic situation.

In France, cigarette market volumes rose 2 per cent to 54.3 billion for the 12 months to June following a reduction in cross-border flows and the diminishing impact of restrictions on smoking in public places. For the nine months to June our leading blonde brands, Gauloises Blondes, News and JPS had either growing or stable shares with our total blonde share increasing to 23.7 per cent (June 2008: 23.5 per cent). Our total cigarette market share for the nine months to June was 28.7 per cent (June 2008: 29.1 per cent) with the decline being attributable to falling dark cigarette volumes, where we retain leadership.

In Ireland, significant duty increases in October and April have caused a 10 per cent decline in the duty paid cigarette market with cross-border flows, particularly from Northern Ireland, rising to an estimated 25 per cent of consumption. Elsewhere, we made cigarette share gains in a number of markets including Austria, Czech Republic, Estonia, Finland, Greece, Hungary, Norway, Portugal and Sweden.

Americas

In the USA, the significant increase in Federal Excise Taxes (FET) on all tobacco products on 1 April 2009 has impacted the market. Cigarette market volumes for the three months to 30 June 2009 are estimated to be down by more than 10 per cent compared to the same period last year. Recent competitor promotional activity has meant that the rate of downtrading to existing discount brands is slower than initially expected.

We saw cigar wholesalers and retailers build stocks ahead of the FET increase and in the last three months they have scaled back their purchases. However, post FET, data for the 12 weeks to mid-June shows consumer off-take to have been positive against the same period last year primarily due to increased promotional activity from some industry participants.

In June, a Bill was passed appointing the Food and Drug Administration (FDA) as regulator of the USA tobacco industry, excluding cigars. User fees, which are not expected to have a material effect on our Americas cost base, will be levied on all cigarette manufacturers with immediate effect based on market shares. We have extensive experience of operating in highly regulated markets and are confident of continuing to successfully develop our business under the regulatory authority of the FDA.

In the nine months to June 2009, our estimated cigarette share was stable at 4.2 per cent with the last quarter seeing some impact from the increased promotional activity of our competitors. Our premium brand Davidoff, has made encouraging progress in urban areas and we launched a Slims variant in March. We have recently extended Fortuna distribution into New York, California and Chicago.

Our fine cut tobacco business has proved to be resilient post the FET increase following our move to the production of expanded tobacco.

Following an extensive review of our USA cigar cost base, in June we announced the closure of our Havatampa cigar factory in Brandon, Florida with the regrettable loss of 495 jobs. The USA cigar market is still in transition post FET but our recent sales are benefiting from our business adopting normalised promotional activities. Our premium and natural wrapper products continue to perform well and we believe that

our strength in the large cigar segment and the high quality of our brand portfolio leaves us well placed to compete effectively in the market.

Rest of the World

In our Rest of the World region, we continued to grow volumes and shares in the majority of our markets in the nine months to June.

Our cigarette brands performed strongly in the region with Davidoff volumes up 21 per cent, Gauloises up 10 per cent, Gitanes up 33 per cent and Fine up 25 per cent.

We are maintaining our growth momentum in Africa and the Middle East, whilst in Eastern Europe we are seeing our value brands increase share with Maxim in Russia benefiting from continued downtrading and Classic in Ukraine performing particularly well.

In Asia Pacific we grew share in New Zealand, Cambodia and Laos. Our market shares in Australia and Taiwan are stabilising and we remain on track to improve profitability on last year.

Logistics

Tobacco logistics will benefit from the recent duty and price increases in Spain whilst other logistics continues to be impacted by the difficult economic climate. Our logistics team continues to mitigate the impact of the weaker economy by actively managing the cost base.

Debt refinancing

Following the February bond issues, in June we continued to successfully diversify our funding base and lengthen our maturity profile by placing a three year Euro bond for €1.25 billion and a ten year Sterling bond for £500 million.

Our guidance for the average cost of net debt for the current financial year remains at 5.5 per cent.

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