

RNS
25 March 2009 at 7am

Trading Update

Imperial Tobacco Group's anticipated overall performance for the financial year to 30 September 2009 remains in line with management's expectations.

Imperial Tobacco will hold a presentation for analysts and investors at 11.30am today to discuss regulatory matters.

Altadis Integration

We continue to make good progress with integration and recently concluded our consultations in Germany and Spain. This successfully brings to a close all negotiations required to implement the European integration projects. We remain on track to deliver the previously announced operational efficiencies of approximately €180 million by the end of this financial year, of which approximately €80m will have been realised by the end of March. Our estimates of €300 million by the end of our 2010 financial year rising to €400 million by the end of 2012 are unchanged.

Trading Patterns

The change in timing of the UK budget from March to April is expected to alter the pattern of our UK profitability in 2009 resulting in a partial shift in performance from the first to the second half with no overall impact on the full year.

We anticipate a better than expected performance in our Rest of the World region being offset by the Rest of European Union, particularly in Poland, The Netherlands and travel retail.

Following the enactment of the State Children's Health Insurance Program Bill in the USA in early February, significant increases in Federal Excise Tax (FET) rates on all tobacco products will be introduced on 1 April 2009. In advance of this, Imperial Tobacco has selectively increased prices of its products.

Significant industry-wide cigarette destocking in March in light of the impending increase in the FET rate is expected to result in a shift in our USA volumes from March into April.

With our strong presence in the discount cigarette sector combined with the relative positioning of our cigar portfolio, we currently estimate the overall effect on our USA results for the 2009 financial year to be broadly neutral.

A combination of factors has resulted in a temporary increase in our working capital in the first half of the year. These factors include pre-production ahead of duty increases in Central Europe and a temporary disruption in Logistics trading patterns in Spain following price changes earlier in the year. We expect these working capital increases to unwind in the second half of the year.

Financing

In February, we issued a €1.5 billion bond with an 8.375 per cent coupon maturing on 17 February 2016 and a £1.0 billion bond at a 9 per cent coupon maturing on 17 February 2022. These issuances provided sufficient funds to repay early the €2 billion bank facility maturing in July 2009 as well as provide additional finance alongside our ongoing cash generation in anticipation of debt maturities in July 2010.

Dividend

To ensure consistency for 2009 and future years it is our intention that the interim dividend per share will represent one-third of the prior year's full dividend. The Group's overall policy of progressive dividends based on underlying earnings growth remains unchanged.

Half Year Comparative Numbers

Following the change in reporting segments for the current financial year, we have restated the segmental and geographical analysis of our 2008 Interim results as follows. These include the results of Altadis from 25 January 2008, the date of acquisition.

(£m)	Net Revenue H1 08	Adjusted Profit from Operations ⁽¹⁾ H1 08
UK	430	291
Germany	285	124
Spain	113	40
Rest of EU	530	210
Americas	181	63
Rest of the World ⁽²⁾	587	169
Tobacco	2,126	897
Logistics ⁽³⁾	150	28
Eliminations		(7)
Group		918

⁽¹⁾ Results are adjusted and presented on our usual basis

⁽²⁾ Morocco logistics operations have been reclassified from Logistics to Tobacco

⁽³⁾ Distribution fees

A live audio webcast will be available on www.imperial-tobacco.com from 11.30am. An archive of the audio webcast and the presentation and script will also be available during the afternoon.

Interim results for the year ended 30 September 2009 will be announced on Tuesday 12 May 2009.

ENDS

ENQUIRIES

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