

FINAL

**IMPERIAL TOBACCO GROUP PLC
INTERIM MANAGEMENT STATEMENT**

Ahead of the Annual General Meeting to be held later today, Imperial Tobacco Group PLC (**Imperial Tobacco**) confirms that the overall performance and financial position of the Group for the financial year to 30 September 2010 is in line with the Board's expectations.

Summarising today's announcement Gareth Davis, Chief Executive, will say:

"We have made a good start to the year with trading in line with our expectations despite the weak economic environment.

"Cigarette volumes have been particularly strong in our Rest of European Union region and we have also maintained our growth momentum in our Rest of the World region with further cigarette share gains in Africa, the Middle East and Asia Pacific. Davidoff has grown share in its top five markets in our first quarter whilst both West and JPS have also performed well.

"In fine cut tobacco we delivered strong volume growth in the UK, Germany and our Rest of European Union region.

"We have increased prices across our portfolio in a number of markets since the start of the financial year including in the UK, Spain and France.

"In logistics we are showing improved results with the benefit of cost saving initiatives.

"Our ongoing focus on working capital and cash generation will enable us to further strengthen our balance sheet by continuing to reduce debt. This has been recognised with Moody's recently changing their credit rating outlook from "negative" to "stable". Our emphasis on cost optimisation and synergy delivery will continue and further advances in productivity will help in offsetting further world leaf inflation. Our focus on sales and the effective use of high levels of cash generation will ensure that we remain on track to create further sustainable shareholder value."

The following highlights of our trading performance relate to the three months ended 31 December 2009 unless otherwise stated. All market volumes and market shares are based on Imperial Tobacco estimates.

UK

In the UK for the year to December, the annual duty paid cigarette market increased by 1 per cent to 45.5 billion whilst duty paid fine cut tobacco market volumes grew by 21 per cent to 4,650 tonnes.

Our average cigarette share for the year to December was 45.2 per cent (year to September 2009: 45.3 per cent). On a monthly spot basis our share has been on an upward trend since July 2009 and stood at 45.6 per cent in December with JPS Silver reaching a spot share of 3.7 per cent. In the year to December our fine cut tobacco share was 57.1 per cent (year to September 2009: 58.0 per cent). We

FINAL

achieved strong volume growth with Gold Leaf and Golden Virginia Yellow continuing to perform well in the value segment. Last month we increased the recommended retail price of a pack of 20 cigarettes by an average of 27 pence, partly reflecting the rise in VAT on 1 January.

Further to yesterday's announcement of the UK government's Tobacco Control Strategy, we remain strongly opposed to the plain packaging of tobacco products. There is no credible evidence that young people start smoking or adult smokers continue to smoke because of tobacco packaging. Making all tobacco products available in the same generic plain packaging will further fuel the growth in illicit trade and undermine the government's plans to increase investment in tackling smuggling and counterfeiting.

Germany

In Germany, for the year to December, cigarette market volumes declined by 2 per cent to 85.5 billion and other tobacco products grew by 11 per cent to 37.8 billion cigarette equivalents.

Our cigarette share in the year to December was 27.1 per cent (year to September 2009: 27.3 per cent) impacted by competitor activity surrounding the move in the minimum pack size from 17 to 19 cigarettes. JPS reached a share of 8.6 per cent (year to September 2009: 8.5 per cent) and in November we launched a soft pack variant which helped drive the brand's December cigarette spot share to 9.0 per cent. Our share of other tobacco products was stable at 19.6 per cent.

Spain

In Spain, cigarette market volumes declined by an estimated 10 per cent to 80.7 billion in the year to December whilst fine cut tobacco market volumes grew 30 per cent to 5,150 tonnes. Since the duty on fine cut tobacco rose disproportionately to cigarettes in June 2009, the rate of growth has declined considerably and we have reduced our stock levels as a result. Our blonde cigarette share for the year to December was 30.1 per cent (year to September 2009: 30.6 per cent) with Ducados Rubio performing well. In January we increased the price of the majority of our brands by 15 cents per pack. We retained our leading position in fine cut tobacco in spite of ongoing weakness in travel retail volumes with Origenes doing well following its launch in October. In cigars, we saw some improvement in volumes in our first quarter.

Rest of European Union

In our Rest of European Union region, French cigarette market volumes for the year to December rose by 3 per cent to 55.0 billion and our domestic blonde cigarette share was stable at 23.9 per cent. In November, we increased the prices of all our cigarette and fine cut tobacco brands by an average of 6 per cent and 7.5 per cent respectively.

Despite the difficult economic backdrop, elsewhere in the region we grew volumes in both cigarette and fine cut tobacco. Our performance in the EU accession countries in Central Europe was particularly strong with cigarette and fine cut tobacco share increases in the majority of markets.

FINAL

Americas

In the USA, cigarette market volumes in the year to December declined by an estimated 9 per cent, largely as a result of the substantial increase in Federal Excise Taxes (FET) in April 2009. Our cigarette share was 4.1 per cent (year to September 2009: 4.2 per cent) and we raised prices by 60 cents a carton in October. Cigar volumes continue to be impacted by the FET increase but this has been largely mitigated with the benefit of price increases.

Rest of the World

Although our Rest of the World regional volumes were temporarily affected by supply chain disruption in the Middle East, we continued to build sales and achieved cigarette share gains in the majority of markets.

In Africa and the Middle East we grew cigarette share in almost all of our markets. Fine improved volumes in the region with Gauloises Blondes performing well in Morocco.

In Eastern Europe, we improved our cigarette share in most markets with Davidoff performing particularly well and Maxim continuing its positive momentum in Russia.

In Australia, JPS reached a spot share of 1.2 per cent in December following its launch in May 2009 whilst in Asia, we grew both cigarette volumes and shares in all our key markets in the region.

Our premium Cuban cigar business continues to show signs of recovery especially in Asia Pacific and some Western European countries.

We have enhanced our growth potential in Asia with two agreements, signed in January:

- (i) A licence for the manufacture and sale of Davidoff in South Korea by KT&G; and
- (ii) A framework agreement to establish a collaboration in cigars between China Tobacco Chuanyu Industrial Corporation and Imperial's American cigar business, Altadis USA.

Logistics

Our Logistics business made a good start to the year despite the continued macro-economic difficulties in Spain.

Enquiries

Gerry Gallagher (Director of Investor Communications)
Telephone: +44 (0) 117 933 7014

FINAL

John Nelson-Smith (Investor Relations Manager)

Telephone: +44 (0) 117 933 7032

Alex Parsons (Head of Corporate Communications)

Telephone: +44 (0) 117 933 7241

Simon Evans (Group Press Officer)

Telephone: +44 (0) 117 933 7375