

**Ceylon Tobacco Company PLC**  
**Review of Performance for the 9 months ended 30th September 2010**

		<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>Variance</u></b>
Gross Revenue	Rs. Mn	46,261	42,840	+ 3,421
Profit After Tax	Rs. Mn	2,702	2,094	+ 608

Sustained vigilance of the law enforcement authorities resulted in seizure of 53 million counterfeit and smuggled cigarettes worth Rs.779mn till September 2010. More than 1,400 raids were conducted in first 9 months of 2010 versus 1,190 last year to help protect the government revenue base.

Government Revenue (comprising all Levies, Duties and Taxes) grew by Rs.4.6bn to Rs.40.9bn, driven by excise-led price increase and an improved brand mix. Provincial Council Tax grew by Rs. 0.14bn to Rs.2.4bn. The volumes continued to remain stable as a result of improved economic conditions.

The company continued to pursue productivity improvements and investments in its key brands. A better brand mix and sales value supported by lower costs have helped increase profit after tax by Rs.608mn for the nine months ending September 2010.

Our flagship Corporate Social Responsibility Initiative, Sustainable Agricultural Development Program (SADP) has benefited more than 8,000 families. The SADP now supports 2,500 families in Eastern Province by helping them improve agricultural skills. Over 1,350 families have now graduated after having achieved the objectives of the Programme.

**Dividend for 3<sup>rd</sup> Quarter**

A 3<sup>rd</sup> interim dividend of Rs. 5.0 per share was declared on 11<sup>th</sup> Nov 2010 and will be paid on 30th November 2010.

The Board is optimistic that a satisfactory return for shareholders will be achieved for the year ending 31<sup>st</sup> December 2010.

Ceylon Tobacco Company PLC Income Statement												
	Group				Variance Rs.Mn	Company				Group Audited year ended 31.12.09 Rs.Mn	Company Audited year ended 31.12.09 Rs.Mn	
	Unaudited Quarter End Sep-10 Rs. Mn	Unaudited Quarter End Sep-09 Rs. Mn	Unaudited 9 months to Sep-10 Rs.Mn	Unaudited 9 months to Sep-09 Rs.Mn		Unaudited Quarter End Sep-10 Rs. Mn	Unaudited Quarter End Sep-09 Rs. Mn	Unaudited 9 months to Sep-10 Rs.Mn	Unaudited 9 months to Sep-09 Rs.Mn			
<b>Gross Revenue</b>	15,489	14,537	46,261	42,840	3,420	15,489	14,537	46,261	42,840		58,079	58,079
Government Levies												
Excise	10,250	9,704	30,703	28,925	1,778	10,250	9,704	30,703	28,925		38,703	38,703
VAT	1,658	1,556	4,959	4,637	322	1,658	1,556	4,959	4,637		6,141	6,141
TT	-	-	-	1	(1)	-	-	-	1		1	1
SRL	152	146	458	434	24	152	146	458	434		580	580
NBT	108	101	322	199	123	108	101	322	199		300	300
	12,167	11,506	36,441	34,196	2,245	12,167	11,506	36,441	34,196		45,726	45,726
<b>Net Revenue</b>	3,321	3,031	9,819	8,645	1,175	3,321	3,031	9,819	8,645		12,354	12,354
Other operating income	-	-	-	88	(88)	-	-	-	88		93	93
Raw materials used	(492)	(767)	(1,657)	(1,968)	311	(492)	(767)	(1,657)	(1,968)		(2,387)	(2,387)
Employee benefits expenses	(301)	(287)	(895)	(814)	(81)	(301)	(287)	(895)	(814)		(1,235)	(1,235)
Depreciation and amortisation expenses	(49)	(51)	(149)	(151)	2	(49)	(51)	(149)	(151)		(202)	(202)
Other operating expenses	(944)	(656)	(2,700)	(2,650)	(49)	(944)	(656)	(2,700)	(2,650)		(2,003)	(2,003)
Net interest income	73	103	179	343	(164)	73	103	179	343		416	416
<b>Profit before income tax</b>	1,608	1,373	4,597	3,492	1,106	1,608	1,373	4,597	3,493		7,035	7,035
Income tax expense	660	540	1,895	1,399	496	660	540	1,895	1,399		2,920	2,920
<b>Profit after tax</b>	948	833	2,702	2,094	609	948	833	2,702	2,094		4,115	4,115
<b>Earnings Per Share</b>	5.06	4.45	14.43	11.18		5.06	4.45	14.43	11.18		21.97	21.96

GROUP	Stated Capital	Capital Reserves	Retained Profit	Total
Balance as at 1st January 2009	1,873	15	788	2,676
Profit after tax			2,094	2,094
2008 Final dividend			(399)	(399)
1st interim dividend			(468)	(468)
2nd interim dividend			(749)	(749)
<b>Balance as at 30th September 2009</b>	1,873	15	1,266	3,154
Balance as at 1st January 2010	1,873	15	1,471	3,359
Profit after tax			2,702	2,702
2009 Final dividend			(1,068)	(1,068)
1st interim dividend			(618)	(618)
2nd interim dividend			(1,105)	(1,105)
<b>Balance as at 30th September 2010</b>	1,873	15	1,382	3,270

COMPANY	Stated Capital	Capital Reserves	Retained Profit	Total
Balance as at 1st January 2009	1,873	15	790	2,678
Profit after tax			2,094	2,094
2008 Final dividend			(399)	(399)
1st interim dividend			(468)	(468)
2nd interim dividend			(749)	(749)
<b>Balance as at 30th September 2009</b>	1,873	15	1,268	3,156
Balance as at 1st January 2010	1,873	15	1,473	3,361
Profit after tax			2,702	2,702
2009 Final dividend			(1,068)	(1,068)
1st interim dividend			(618)	(618)
2nd interim dividend			(1,105)	(1,105)
<b>Balance as at 30th September 2010</b>	1,873	15	1,384	3,272

The information for the nine months to 30th September 2010 is presented in the same format used for the year ended 31st December 2009. Information published for the nine months to 30th September 2009 has been reclassified to conform with the current presentation where applicable.

**Ceylon Tobacco Company PLC**

**Balance Sheet**

	Group		Company		Group	Company
	Unaudited as at Sep-10 Rs. Mn	Unaudited as at Sep-09 Rs. Mn	Unaudited as at Sep-10 Rs. Mn	Unaudited as at Sep-09 Rs. Mn	Audited as at 31.12.09 Rs. Mn	Audited as at 31.12.09 Rs. Mn
<b>Non-current assets</b>						
Property, Plant and Equipment	1,417	1,499	1,417	1,499	1,532	1,532
Intangible assets	14	21	14	21	20	20
Investments in subsidiaries	-	-	1	1	-	1
Receivables	179	183	179	183	197	197
<b>Total non-current assets</b>	<b>1,611</b>	<b>1,703</b>	<b>1,611</b>	<b>1,704</b>	<b>1,749</b>	<b>1,750</b>
Inventories	1,938	1,870	1,938	1,870	2,325	2,325
Trade & other receivables	1,014	894	1,017	896	926	928
Cash and cash equivalents	6,928	4,984	6,926	4,984	5,766	5,766
<b>Total current assets</b>	<b>9,881</b>	<b>7,748</b>	<b>9,882</b>	<b>7,750</b>	<b>9,017</b>	<b>9,018</b>
<b>Total assets</b>	<b>11,491</b>	<b>9,451</b>	<b>11,493</b>	<b>9,453</b>	<b>10,766</b>	<b>10,768</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Stated capital	1,873	1,873	1,873	1,873	1,873	1,873
Capital reserves	15	15	15	15	15	15
Retained earnings	1,382	1,266	1,384	1,268	1,471	1,473
<b>Total Equity</b>	<b>3,270</b>	<b>3,154</b>	<b>3,272</b>	<b>3,156</b>	<b>3,359</b>	<b>3,361</b>
<b>Non-current liabilities</b>						
Provision for employee benefits	5	6	5	6	5	5
Deferred taxation	130	246	130	246	130	130
<b>Total non-current liabilities</b>	<b>136</b>	<b>252</b>	<b>136</b>	<b>252</b>	<b>136</b>	<b>136</b>
<b>Current liabilities</b>						
Trade & other payables	6,501	5,207	6,501	5,207	4,903	4,903
Current taxation	1,541	736	1,541	736	1,313	1,313
Dividend payable	-	-	-	-	993	993
Unclaimed dividends	44	42	44	42	42	42
Bank overdraft	-	61	-	61	21	21
<b>Total current liabilities</b>	<b>8,086</b>	<b>6,045</b>	<b>8,086</b>	<b>6,046</b>	<b>7,271</b>	<b>7,271</b>
Total Liabilities	<b>8,221</b>	<b>6,298</b>	<b>8,221</b>	<b>6,298</b>	<b>7,407</b>	<b>7,407</b>
<b>Total equity and liabilities</b>	<b>11,491</b>	<b>9,451</b>	<b>11,493</b>	<b>9,453</b>	<b>10,766</b>	<b>10,768</b>
<b>Net assets per share - (Rs.)</b>	<b>17.46</b>	<b>16.84</b>	<b>17.47</b>	<b>16.85</b>	<b>17.93</b>	<b>17.94</b>
<b>Market Value of Shares</b>						
<b>Price Movement for the quarter</b>			<b>Sep-10</b>	<b>Sep-09</b>		
- Highest Price - Rs. Cts.			399.90	193.00		
- Lowest Price - Rs. Cts.			300.00	112.50		
- Last traded Price - Rs. Cts.			361.00	180.00		

The Income Statement, Balance Sheet and Cash flow Statement as at 30th September 2010 are drawn up from the unaudited accounts of the Company and its Subsidiaries, in accordance with the accounting policies in the Annual Report for the year ended 31st December 2009. They provide the information required by the Colombo Stock Exchange.

Signed on behalf of the Board,

.....  
**Mustanser Ali Khan**  
 Managing Director & CEO

.....  
**Atif Hasan**  
 Finance Director

11th November 2010

**Ceylon Tobacco Company PLC**  
**Cash flow Statement**

	Group		Company		Group	Company
	Unaudited 9 months to Sep-10 Rs. Mn	Unaudited 9 months to Sep-09 Rs. Mn	Unaudited 9 months to Sep-10 Rs. Mn	Unaudited 9 months to Sep-09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn
<b>Cash flows from operating activities</b>						
Cash generated from operations (refer B)	6,483	3,870	6,481	3,870	6,619	6,619
Interest paid	(3)	-	(3)	-	(2)	(2)
Income taxes paid	(1,667)	(2,041)	(1,667)	(2,041)	(3,101)	(3,101)
Gratuity paid	-	-	-	-	(1)	(1)
Net cash from operating activities	4,813	1,829	4,811	1,830	3,514	3,515
<b>Cash flows from investing activities</b>						
Purchase of Property, Plant & Equipment	(31)	(75)	(31)	(75)	(189)	(189)
Purchase of intangible assets	-	-	-	-	(13)	(13)
Proceeds from disposal of Property, Plant & Equipment	3	4	3	4	4	4
Interest received	182	343	182	343	419	419
Net Cash from Investing Activities	154	272	154	272	221	220
<b>Cash Flows from financing activities</b>						
Dividends paid	(3,784)	(2,516)	(3,784)	(2,516)	(3,327)	(3,327)
Net cash used in financing activities	(3,784)	(2,516)	(3,784)	(2,516)	(3,327)	(3,327)
Net increase in cash & cash equivalents	1,183	(414)	1,181	(414)	408	408
Cash & cash equivalents at the beginning of year	5,745	5,337	5,745	5,338	5,337	5,337
<b>Cash &amp; Cash Equivalents at the end of the period (refer A)</b>	<b>6,928</b>	<b>4,923</b>	<b>6,926</b>	<b>4,923</b>	<b>5,745</b>	<b>5,745</b>
<b>A. Analysis of Cash &amp; Cash Equivalents at the end of the period</b>						
Cash and cash equivalents	6,928	4,984	6,926	4,984	5,766	5,766
Bank overdraft	-	(61)	-	(61)	(21)	(21)
	6,928	4,923	6,926	4,923	5,745	5,745

	Group		Company		Group	Company
	Unaudited 9 months to Sep-10 Rs. Mn	Unaudited 9 months to Sep-09 Rs. Mn	Unaudited 9 months to Sep-10 Rs. Mn	Unaudited 9 months to Sep-09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn
<b>B. Cash generated from operations</b>						
Profit before income tax	4,597	3,493	4,597	3,493	7,035	7,035
Depreciation & amortisation expenses	149	151	149	151	202	202
Interest income	(182)	(343)	(182)	(343)	(419)	(419)
Interest expense	3	-	3	-	2	2
Property, Plant & Equipment and Intangible assets write off	-	1	-	1	44	44
Provision for obsolete inventories and doubtful debts	-	-	-	-	29	29
Profit on disposal of Property, Plant & Equipment	(2)	(4)	(2)	(4)	(4)	(4)
Operating Profit before Working Capital changes	4,565	3,298	4,565	3,298	6,890	6,890
(Increase)/Decrease in Inventories	387	701	386	702	275	275
(Increase)/Decrease in trade & other receivables	(70)	65	(71)	65	(38)	(37)
Increase/(Decrease) in trade & other payables	1,600	(194)	1,600	(194)	(508)	(508)
	6,483	3,870	6,481	3,870	6,619	6,619

**Ceylon Tobacco Company PLC**  
**Notes to the Financial Statements**

**Note 1**

There has been no material change in the nature of contingent liabilities since 31st December 2009.

**Note 2**

Except for the declaration of the third interim dividend of Rs 5.00 per share amounting to Rs.937 million (less tax of approximately Rs. 94 million) declared on 11th November 2010 and payable on 30th November 2010, there are no other material events occurring after the balance sheet date as at 30th September 2010 that require adjustments or disclosure in the interim financial statements.

**Note 3**

**Computation of % of Public Shareholding**

	30-Sep-10	30-Jun-10	31-Dec-09
	<u>No of Shares</u>	<u>No of Shares</u>	<u>No of Shares</u>
<b>Parent Company</b>	157,590,931	157,590,931	157,590,931
British American Tobacco Holdings (SL) BV	<u>157,590,931</u>	<u>157,590,931</u>	<u>157,590,931</u>
<b>Directors shareholding (including spouses &amp; children)</b>			
Mr. J D Bandaranayake	178,335	178,335	178,335
Mr.V P Malalasekera	7,564	7,564	7,564
Mr.S C Ratnayake	644	644	644
Mr. M A Khan (MD & CEO)	-	-	-
	<u>186,543</u>	<u>186,543</u>	<u>186,543</u>
Parent Company	157,590,931	157,590,931	157,590,931
Subsidiaries or Associate Companies of Parent	-	-	-
Subsidiaries or Associate Companies	-	-	-
10% or more holding	-	-	-
Directors shareholding (including spouses & children)	186,543	186,543	186,543
Public Holding	<u>29,546,277</u>	<u>29,546,277</u>	<u>29,546,277</u>
	<u>187,323,751</u>	<u>187,323,751</u>	<u>187,323,751</u>
Public Holding as a % of Issued Share Capital		<u>15.77%</u>	<u>15.77%</u>

**Note 4**

**20 largest shareholders**

Name	30-Sep-10		30-Jun-10		31-Dec-09	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
British American Tobacco Holdings(Sri Lanka) BV	157,590,931	84.13	157,590,931	84.13	157,590,931	84.13
FTR Holdings SA	15,585,910	8.32	15,585,910	8.32	15,585,910	8.32
Pershing LLL SA Averbach Grauson & Co.	1,549,600	0.83	1,549,600	0.83	1,547,300	0.83
Belmont Agents Limited	1,000,000	0.53	1,000,000	0.53	1,000,000	0.53
Deutsche Bank AG-National Equity Fund	500,000	0.27	500,000	0.27	500,000	0.27
Mr.Channa Nalin Rajamoney	389,300	0.21	325,500	0.17	325,500	0.17
Mr Yonmerrannage Simon Hewage Indra Kumar Silva	362,200	0.19	362,200	0.19	362,200	0.19
Mrs Jasbinderjit Kaur Piara Singh	290,600	0.16	290,600	0.16	290,600	0.16
RBC Dexia Investor Services Bank S.A.	285,800	0.15	124,700	0.07	-	0.00
Miss Neesha Harnam	252,300	0.13	252,300	0.13	252,300	0.13
Harnam Holdings SDN BHD	203,900	0.11	203,900	0.11	203,900	0.11
Aviva NDB Insurance PLC A/c No. 7	196,800	0.11	216,400	0.12	152,700	0.08
HSBC INTL NOM Ltd - SSBT-DEU	195,600	0.10	195,600	0.10	195,600	0.10
Mr William Ryan Herbert Perera	180,440	0.10	180,440	0.10	180,440	0.10
Mr. Duleep Fairlie George Dalpethado	159,276	0.09	159,276	0.09	164,676	0.09
HSBC INTL NOM Ltd -UBS AG	150,000	0.08	150,000	0.08	150,000	0.08
COCO Lanka PLC	150,000	0.08	159,700	0.09	170,000	0.09
Aviva NDB Insurance PLC A/c No. 3	148,500	0.08	198,500	0.11	260,000	0.14
DFCC Bank A/C NO.1	144,467	0.08	136,467	0.07	136,467	0.07
Mr Jayampathi Divale Bandaranayake	144,244	0.08	144,244	0.08	144,244	0.08
Sub Total	179,479,868	95.81	179,326,268	95.73	179,212,768	95.67
Others	7,843,883	4.19	7,997,483	4.27	8,110,983	4.33
Total Shares	<u>187,323,751</u>	<u>100</u>	<u>187,323,751</u>	<u>100.00</u>	<u>187,323,751</u>	<u>100.00</u>