

**Ceylon Tobacco Company PLC**  
**Review of Performance for the 3 months ended 31 March 2010**

<b><u>Revenue</u></b>		<b><u>2010</u></b>	<b><u>2009</u></b>	<b><u>Variance</u></b>
Gross Revenue	Rs. Mn	14,472	13,663	+ 809
Profit After Tax	Rs. Mn	637	493	+ 144

The law enforcement authorities continued their momentum in protecting the Government's revenue base. 298 raids were conducted in the first three months of the year compared to 165 raids in the same period last year. This resulted in the seizure of 17 million counterfeit and smuggled cigarettes valued at more than Rs. 250 million.

Government Revenue (comprising all Levies, Duties and Taxes) for the three months increased by Rs. 475 million to Rs. 11.9 billion due to the excise-led price increase and an improved brand mix. Provincial Council Tax also grew by Rs. 30 million to Rs. 770 million.

The Company continued to invest in its key brands, which has resulted in a satisfactory performance to date. The aggressive cost management activities have continued to generate additional productivity savings to offset the higher tobacco leaf prices. These activities, coupled with a better brand mix and sales value have resulted in a growth of Rs. 144 million in Profit After Tax for the period.

1,216 families have now graduated from the Company's flagship Corporate Social Responsibility initiative, the Sustainable Agricultural Development Programme (SADP). This is from a total of 7,415 families, of whom 1,700 are from the Eastern Province.

**Dividend for 1<sup>st</sup> Quarter**

A 1<sup>st</sup> Interim Dividend of Rs.3.30 per share was declared on 12 May 2010 and will be paid on 26 May 2010.

The Board is cautiously optimistic in achieving a satisfactory return to Shareholders for the year ending 31 December 2010.

Ceylon Tobacco Company PLC							
Income Statement							
	Group		Variance	Company		Group Audited year ended 31.12.09	Company Audited year ended 31.12.09
	Unaudited 3 months to Mar-10	Unaudited 3 months to Mar-09		Unaudited 3 months to Mar-10	Unaudited 3 months to Mar-09		
	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn	Rs.Mn
<b>Gross Revenue</b>	14,472	13,663	809	14,472	13,663	58,079	58,079
Government Levies							
Excise	9,598	9,324	274	9,598	9,324	38,703	38,703
VAT	1,549	1,490	59	1,549	1,490	6,141	6,141
TT	-	-	-	-	-	1	1
SRL	144	140	4	144	140	580	580
NBL	100	21	79	100	21	300	300
	11,391	10,975	416	11,391	10,975	45,726	45,726
Net Revenue	3,081	2,688	393	3,081	2,688	12,354	12,354
Other operating income	-	66	(66)	-	66	93	93
Raw materials used	(566)	(377)	(189)	(566)	(377)	(2,387)	(2,387)
Employee benefits expense	(236)	(207)	(29)	(236)	(207)	(1,235)	(1,235)
Depreciation and amortisation expenses	(50)	(51)	1	(50)	(51)	(202)	(202)
Other operating expenses	(1,193)	(1,404)	211	(1,193)	(1,404)	(2,003)	(2,003)
Net interest income	45	114	(69)	45	114	416	416
Profit before income tax	1,081	829	252	1,081	829	7,035	7,035
Income tax expense	444	336	108	444	336	2,920	2,920
<b>Profit after tax</b>	<b>637</b>	<b>493</b>	<b>144</b>	<b>637</b>	<b>493</b>	<b>4,115</b>	<b>4,115</b>
<b>Earnings per share</b>	<b>3.40</b>	<b>2.63</b>		<b>3.40</b>	<b>2.63</b>	<b>21.97</b>	<b>21.96</b>

GROUP	Share Capital	Capital Reserves	Retained Profit	Total
Balance as at 1st January 2009	1,873	15	788	2,676
Profit after tax			493	493
2008 Final dividend			(399)	(399)
Balance as at 31st March 2009	1,873	15	882	2,770
Balance as at 1st January 2010	1,873	15	1,471	3,359
Profit after tax			637	637
2009 Final dividend			(1,068)	(1,068)
Balance as at 31st March 2010	<b>1,873</b>	<b>15</b>	<b>1,040</b>	<b>2,928</b>

COMPANY	Share Capital	Capital Reserves	Retained Profit	Total
Balance as at 1st January 2009	1,873	15	790	2,678
Profit after tax			493	493
2008 Final dividend			(399)	(399)
Balance as at 31st March 2009	1,873	15	884	2,772
Balance as at 1st January 2010	1,873	15	1,473	3,361
Profit after tax			637	637
2009 Final dividend			(1,068)	(1,068)
Balance as at 31st March 2010	<b>1,873</b>	<b>15</b>	<b>1,042</b>	<b>2,930</b>

The information for the three months to 31st March 2010 is presented in the same format used for the year ended 31st December 2009. Information published for the three months to 31st March 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 Mar-10 Rs. Mn	Unaudited as at Mar-09 Rs. Mn	Unaudited as at Mar-10 Rs. Mn	Unaudited as at Mar-09 Rs. Mn	Audited as at 31.12.09 Rs. Mn	Audited as at 31.12.2009 Rs. Mn
<b>Non-current assets</b>						
Property, Plant and Equipment	1,486	1,546	1,486	1,545	1,532	1,532
Intangible assets	18	18	18	18	20	20
Investments in subsidiaries	-	-	1	1	-	1
Receivables	188	184	188	184	197	197
<b>Total non-current assets</b>	<b>1,692</b>	<b>1,748</b>	<b>1,692</b>	<b>1,748</b>	<b>1,749</b>	<b>1,750</b>
Inventories	2,374	2,228	2,374	2,228	2,325	2,325
Trade & other receivables	1,040	885	1,042	887	926	928
Cash and cash equivalents	6,390	8,220	6,390	8,220	5,766	5,766
<b>Total current assets</b>	<b>9,804</b>	<b>11,333</b>	<b>9,806</b>	<b>11,335</b>	<b>9,017</b>	<b>9,018</b>
<b>Total assets</b>	<b>11,496</b>	<b>13,081</b>	<b>11,498</b>	<b>13,083</b>	<b>10,766</b>	<b>10,768</b>
<b>Equity and liabilities</b>						
<b>Equity</b>						
Stated capital (187.3Mn Ordinary Shares)	1,873	1,873	1,873	1,873	1,873	1,873
Capital reserves	15	15	15	15	15	15
Retained earnings	1,040	882	1,042	884	1,471	1,473
<b>Total equity</b>	<b>2,928</b>	<b>2,770</b>	<b>2,930</b>	<b>2,772</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>135</b>	<b>252</b>	<b>135</b>	<b>252</b>	<b>136</b>	<b>136</b>
<b>Current Liabilities</b>						
Trade & other payables	6,534	8,121	6,534	8,121	4,903	4,903
Current taxation	1,717	1,396	1,717	1,396	1,313	1,313
Dividend payable	-	399	-	399	993	993
Unclaimed dividends	44	33	44	33	42	42
Bank overdraft	138	109	138	109	21	21
<b>Total current liabilities</b>	<b>8,433</b>	<b>10,058</b>	<b>8,433</b>	<b>10,058</b>	<b>7,271</b>	<b>7,271</b>
<b>Total liabilities</b>	<b>8,568</b>	<b>10,310</b>	<b>8,568</b>	<b>10,310</b>	<b>7,407</b>	<b>7,407</b>
<b>Total equity and liabilities</b>	<b>11,496</b>	<b>13,081</b>	<b>11,498</b>	<b>13,083</b>	<b>10,766</b>	<b>10,768</b>
<b>Net assets per share</b>	<b>15.63</b>	14.79	<b>15.64</b>	14.80	17.93	17.94
<b>Market Value of Shares</b>						
<b>Price Movement for the quarter</b>			<b>Mar-10</b>	<b>Mar-09</b>		
- Highest Price - Rs. Cts.			270.00	100.00		
- Lowest Price - Rs. Cts.			191.00	69.00		
- Last traded Price - Rs. Cts.			250.00	96.00		

The Income Statement, Balance Sheet and Cash Flow Statement as at 31st March 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,

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**Mustanser Ali Khan**  
 Managing Director & CEO

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**Bruce Jalleh**  
 Finance Director

12th May 2010

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

	Group		Company		Group	Company
	Unaudited 3 months to Mar-10 Rs. Mn	Unaudited 3 months to Mar-09 Rs. Mn	Unaudited 3 months to Mar-10 Rs. Mn	Unaudited 3 months to Mar-09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn
<b>A. Cash flows from operating activities</b>						
Cash generated from operations (refer B)	2,564	3,895	2,564	3,895	6,619	6,619
Interest paid	(3)	-	(3)	-	(2)	(2)
Income taxes paid	(38)	(318)	(38)	(318)	(3,101)	(3,101)
Gratuity paid	-	-	-	-	(1)	(1)
Net cash from operating activities	2,523	3,577	2,524	3,577	3,514	3,515
<b>Cash flows from investing activities</b>						
Purchase of Property, Plant & Equipment	(2)	(18)	(2)	(18)	(189)	(189)
Purchase of intangible assets	-	-	-	-	(13)	(13)
Proceeds from sale of Property, Plant & Equipment	-	-	-	-	4	4
Interest received	47	114	47	114	419	419
Net cash from investing activities	45	96	45	96	221	220
<b>Cash flows from financing activities</b>						
Dividends paid	(2,061)	(899)	(2,061)	(899)	(3,327)	(3,327)
Net cash used in financing activities	(2,061)	(899)	(2,061)	(899)	(3,327)	(3,327)
Net increase in cash & cash equivalents	507	2,774	507	2,774	408	408
Cash & Cash Equivalents at the beginning of year	5,745	5,337	5,745	5,337	5,337	5,337
Cash & Cash Equivalents at the end of the period	6,252	8,111	6,252	8,111	5,745	5,745
<b>A. Analysis of Cash &amp; Cash Equivalents at the end of the period</b>						
Cash and cash equivalents	6,390	8,220	6,390	8,220	5,766	5,766
Bank overdraft	(138)	(109)	(138)	(109)	(21)	(21)
	6,252	8,111	6,252	8,111	5,745	5,745

	Group		Company		Group	Company
	Unaudited 3 months to Mar-10 Rs. Mn	Unaudited 3 months to Mar-09 Rs. Mn	Unaudited 3 months to Mar-10 Rs. Mn	Unaudited 3 months to Mar-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	1,080	829	1,080	829	7,035	7,035
Depreciation and amortisation expenses	50	51	50	51	202	202
Interest income	(47)	(114)	(47)	(114)	(419)	(419)
Interest expense	3	-	3	-	2	2
Property, Plant & Equipment and Intangible assets write off	-	-	-	-	44	44
Provision for obsolete inventories / doubtful debts	-	-	-	-	29	29
Profit on disposal of Property, Plant & Equipment	-	-	-	-	(4)	(4)
Operating Profit before Working Capital changes	1,086	766	1,086	766	6,890	6,890
(Increase)/Decrease in Inventories	(49)	344	(49)	344	275	275
(Increase)/Decrease in Debtors	(105)	73	(105)	73	(38)	(37)
Increase/(Decrease) in Creditors	1,632	2,712	1,632	2,712	(508)	(508)
	2,564	3,895	2,564	3,895	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 first interim dividend of Rs 3.30 per share amounting to Rs. 618 million (less tax of approximately Rs. 62 million) declared on 12th May 2010 and payable on 26th May 2010, there are no other material events occurring after the balance sheet date as at 31st March 2010 that require adjustments or disclosure in the interim financial statements.

**Note 3**

**Computation of % of Public Shareholding**

	31-Mar-10	31-Dec-09
	<u>No of Shares</u>	<u>No of Shares</u>
<b>Parent Company</b>	157,590,931	157,590,931
British American Tobacco Holdings (SL) BV	<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
Mr.V P Malalasekera	7,564	7,564
Mr.S C Ratnayake	410	410
Mr. M A Khan (MD & CEO)	-	-
	<u>186,309</u>	<u>186,309</u>
Parent Company	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)	186,309	186,309
Public Holding	<u>29,546,511</u>	<u>29,546,511</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**

	31-Mar-10		31-Dec-09	
Name	No. of Shares	%	No. of Shares	%
British American Tobacco Holdings(Sri Lanka) BV	157,590,931	84.13	157,590,931	84.13
FTR Holdings SA	15,585,910	8.32	15,585,910	8.32
Pershing LLL SA Averbach Grauson & Co.	1,549,600	0.83	1,547,300	0.83
Belmont Agents Limited	1,000,000	0.53	1,000,000	0.53
Deutsche Bank AG-National Equity Fund	500,000	0.27	500,000	0.27
Mr Yonmerrannage Simon Hewage Indra Kumar Silva	362,200	0.19	362,200	0.19
Mr.Channa Nalin Rajamoney	325,500	0.17	325,500	0.17
Mrs Jاسبinderjit Kaur Piara Singh	290,600	0.16	290,600	0.16
Miss Neesha Harnam	252,300	0.13	252,300	0.13
Harnam Holdings SDN BHD	203,900	0.11	203,900	0.11
HSBC INTL NOM Ltd - SSBT-DEU	195,600	0.10	195,600	0.10
Aviva NDB Insurance PLC A/c No. 3	186,000	0.10	260,000	0.14
Aviva NDB Insurance PLC A/c No. 7	185,400	0.10	152,700	0.08
Mr William Ryan Herbert Perera	180,440	0.10	180,440	0.10
The Ceylon Chamber of Commerce A/c No. 2	175,000	0.09	252,300	0.13
COCO Lanka PLC	170,000	0.09	170,000	0.09
Mr. Duleep Fairlie George Dalpethado	163,376	0.09	164,676	0.09
HSBC INTL NOM Ltd -UBS AG	150,000	0.08	150,000	0.08
Mr Jayampathi Divale Bandaranayake	144,244	0.08	144,244	0.08
DFCC Bank A/C NO.1	136,467	0.07	136,467	0.07
Sub Total	<u>179,347,468</u>	<u>95.74</u>	<u>179,465,068</u>	<u>95.80</u>
Others	7,976,283	4.26	7,858,683	4.20
Total Shares	<u>187,323,751</u>	<u>100.00</u>	<u>187,323,751</u>	<u>100.00</u>