

Ceylon Tobacco Company PLC
Review of Performance for the 6 months ended 30th June 2010

<u>Revenue</u>		<u>2010</u>	<u>2009</u>	<u>Variance</u>
Gross Revenue	Rs. Mn	30,772	28,303	+ 2,469
Profit After Tax	Rs. Mn	1,754	1,262	+ 492

The vigilance of the law enforcement authorities over counterfeit and smuggled cigarettes has continued to protect the Government's revenue base. In the first half of 2010, 868 raids have been conducted. This has resulted in the seizure of 35 million counterfeit and smuggled cigarettes with a market value of over Rs. 500 million.

Government Revenue (comprising all Levies, Duties and Taxes) for the six months was Rs. 25.6 billion, an increase of Rs. 1.5 billion due to the effect of excise-led price increases and an improved brand mix. Provincial Council Tax grew by Rs. 100 million to Rs. 1.6 billion. The improving economic conditions this year has resulted in volumes stabilising.

The productivity improvements continued to drive operating costs lower. This, coupled with a better brand mix and sales value have driven the growth in profit after tax by Rs. 492 million for the six months to June 2010.

The Sustainable Agricultural Development Programme (SADP) continues to make a positive impact on the more than 7,000 families involved. Over 1,200 families have now graduated after having achieved the objectives of the Programme. In addition, 500 individuals are being provided agricultural skills within the Programme in order to enhance their future livelihood.

Dividend for 2nd Quarter

A 2nd interim dividend of Rs. 5.90 per share was declared on 6th Aug 2010 and will be paid on 26th August 2009.

The Board is optimistic that a satisfactory return for shareholders will be achieved for the year ending 31st 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 Jun-10 Rs. Mn	Unaudited Quarter End Jun-09 Rs. Mn	Unaudited 6 months to Jun-10 Rs.Mn	Unaudited 6 months to Jun-09 Rs.Mn		Unaudited Quarter End Jun-10 Rs. Mn	Unaudited Quarter End Jun-09 Rs. Mn	Unaudited 6 months to Jun-10 Rs.Mn	Unaudited 6 months to Jun-09 Rs.Mn		
	Gross Revenue	16,300	14,640	30,772		28,303	2,469	16,300	14,640		
Government Levies											
Excise	10,855	9,897	20,453	19,221	1,231	10,855	9,897	20,453	19,221	38,703	38,703
VAT	1,752	1,591	3,301	3,081	220	1,752	1,591	3,301	3,081	6,141	6,141
TT	-	-	-	1	(1)	-	-	-	1	1	1
SRL	162	148	306	288	18	162	148	306	288	580	580
NBT	113	77	214	98	116	113	77	214	98	300	300
	12,882	11,713	24,273	22,689	1,584	12,882	11,713	24,273	22,689	45,726	45,726
Net Revenue	3,418	2,927	6,499	5,614	885	3,418	2,927	6,499	5,614	12,354	12,354
Other operating income	-	22	-	88	(88)	-	22	-	88	93	93
Raw materials used	(599)	(824)	(1,165)	(1,201)	36	(599)	(824)	(1,165)	(1,201)	(2,387)	(2,387)
Employee benefits expenses	(358)	(320)	(594)	(527)	(67)	(358)	(320)	(594)	(527)	(1,235)	(1,235)
Depreciation and amortisation expenses	(50)	(50)	(100)	(101)	1	(50)	(50)	(100)	(101)	(202)	(202)
Other operating expenses	(565)	(590)	(1,758)	(1,992)	234	(565)	(590)	(1,758)	(1,992)	(2,003)	(2,003)
Net interest income	61	127	106	240	(134)	61	127	106	240	416	416
Profit before income tax	1,907	1,292	2,989	2,121	868	1,907	1,292	2,989	2,121	7,035	7,035
Income tax expense	791	523	1,235	859	376	791	523	1,235	859	2,920	2,920
Profit after tax	1,116	769	1,754	1,262	492	1,116	769	1,754	1,262	4,115	4,115
Earnings Per Share	5.96	4.11	9.36	6.74		5.96	4.11	9.36	6.74	21.97	21.96

GROUP	Share Capital	Capital Reserves	Retained Profit	Total
Balance as at 1st January 2009	1,873	15	788	2,676
Profit after tax			1,262	1,262
2008 Final dividend			(399)	(399)
1st interim dividend			(468)	(468)
Balance as at 30th June 2009	1,873	15	1,183	3,071
Balance as at 1st January 2010	1,873	15	1,471	3,359
Profit after tax			1,754	1,754
2009 Final dividend			(1,068)	(1,068)
1st interim dividend			(618)	(618)
Balance as at 30th June 2010	1,873	15	1,539	3,427

COMPANY	Share Capital	Capital Reserves	Retained Profit	Total
Balance as at 1st January 2009	1,873	15	790	2,678
Profit after tax			1,262	1,262
2008 Final dividend			(399)	(399)
1st interim dividend			(468)	(468)
Balance as at 30th June 2009	1,873	15	1,185	3,073
Balance as at 1st January 2010	1,873	15	1,473	3,361
Profit after tax			1,754	1,754
2009 Final dividend			(1,068)	(1,068)
1st interim dividend			(618)	(618)
Balance as at 30th June 2010	1,873	15	1,541	3,429

The information for the six months to 30th June 2010 is presented in the same format used for the year ended 31st December 2009. Information published for the six months to 30th June 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 Jun-10 Rs. Mn	Unaudited as at Jun-09 Rs. Mn	Unaudited as at Jun-10 Rs. Mn	Unaudited as at Jun-09 Rs. Mn	Audited as at 31.12.09 Rs. Mn	Audited as at 31.12.09 Rs. Mn
Non-current assets						
Property, Plant and Equipment	1,443	1,531	1,443	1,531	1,532	1,532
Intangible assets	17	25	17	25	20	20
Investments in subsidiaries	-	-	1	1	-	1
Receivables	192	189	192	189	197	197
Total non-current assets	1,652	1,745	1,652	1,746	1,749	1,750
Current assets						
Inventories	1,804	2,188	1,804	2,188	2,325	2,325
Trade & other receivables	962	950	964	951	926	928
Cash and cash equivalents	6,975	7,463	6,974	7,463	5,766	5,766
Total current assets	9,740	10,601	9,741	10,602	9,017	9,018
Total assets	11,392	12,346	11,393	12,348	10,766	10,768
Equity and liabilities						
Equity						
Stated capital	1,873	1,873	1,873	1,873	1,873	1,873
Capital reserves	15	15	15	15	15	15
Retained earnings	1,539	1,183	1,541	1,185	1,471	1,473
Total Equity	3,427	3,071	3,429	3,073	3,359	3,361
Non-current liabilities						
Provision for employee benefits	5	6	5	6	5	5
Deferred taxation	130	246	130	246	130	130
Total non-current liabilities	136	252	136	252	136	136
Current liabilities						
Trade & other payables	5,817	7,828	5,817	7,828	4,903	4,903
Current taxation	1,968	1,104	1,968	1,104	1,313	1,313
Dividend payable	-	-	-	-	993	993
Unclaimed dividends	45	32	45	32	42	42
Bank overdraft	-	59	-	59	21	21
Total current liabilities	7,829	9,023	7,829	9,023	7,271	7,271
Total Liabilities	7,965	9,275	7,965	9,275	7,407	7,407
Total equity and liabilities	11,392	12,346	11,393	12,348	10,766	10,768
Net assets per share - (Rs.)	18.30	16.39	18.31	16.40	17.93	17.94
Market Value of Shares						
Price Movement for the quarter			Jun-10	Jun-09		
- Highest Price - Rs. Cts.			335.00	123.00		
- Lowest Price - Rs. Cts.			249.00	96.00		
- Last traded Price - Rs. Cts.			302.75	114.00		

The Income Statement, Balance Sheet and Cash flow Statement as at 30th June 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

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Bruce Jalleh
 Finance Director

6th August 2010

Ceylon Tobacco Company PLC
Cash flow Statement

	Group		Company		Group	Company
	Unaudited 6 months to Jun-10 Rs. Mn	Unaudited 6 months to Jun-09 Rs. Mn	Unaudited 6 months to Jun-10 Rs. Mn	Unaudited 6 months to Jun-09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn
Cash flows from operating activities						
Cash generated from operations (refer B)	4,389	4,786	4,389	4,785	6,619	6,619
Interest paid	(3)	-	(3)	-	(2)	(2)
Income taxes paid	(579)	(1,132)	(579)	(1,132)	(3,101)	(3,101)
Gratuity paid	-	-	-	-	(1)	(1)
Net cash from operating activities	3,807	3,654	3,807	3,653	3,514	3,515
Cash flows from investing activities						
Purchase of Property, Plant & Equipment	(8)	(60)	(8)	(60)	(189)	(189)
Purchase of intangible assets	-	-	-	-	(13)	(13)
Proceeds from disposal of Property, Plant & Equipment	-	-	-	-	4	4
Interest received	109	240	109	240	419	419
Net Cash from Investing Activities	101	180	101	180	221	220
Cash Flows from financing activities						
Dividends paid	(2,679)	(1,766)	(2,679)	(1,766)	(3,327)	(3,327)
Net cash used in financing activities	(2,679)	(1,766)	(2,679)	(1,766)	(3,327)	(3,327)
Net increase in cash & cash equivalents	1,229	2,068	1,229	2,067	408	408
Cash & cash equivalents at the beginning of year	5,745	5,337	5,745	5,338	5,337	5,337
Cash & Cash Equivalents at the end of the period (refer A)	6,975	7,404	6,974	7,404	5,745	5,745
A. Analysis of Cash & Cash Equivalents at the end of the period						
Cash and cash equivalents	6,975	7,463	6,974	7,463	5,766	5,766
Bank overdraft	-	(59)	-	(59)	(21)	(21)
	6,975	7,404	6,974	7,404	5,745	5,745

	Group		Company		Group	Company
	Unaudited 6 months to Jun-10 Rs. Mn	Unaudited 6 months to Jun-09 Rs. Mn	Unaudited 6 months to Jun-10 Rs. Mn	Unaudited 6 months to Jun-09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn	Audited Year ended 31.12.09 Rs. Mn
B. Cash generated from operations						
Profit before income tax	2,989	2,121	2,989	2,121	7,035	7,035
Depreciation & amortisation expenses	100	101	100	101	202	202
Interest income	(109)	(240)	(109)	(240)	(419)	(419)
Interest expense	3	-	3	-	2	2
Property, Plant & Equipment and Intangible assets write off	-	-	-	-	44	44
Provision for obsolete inventories and doubtful debts	-	-	-	-	29	29
Profit on disposal of Property, Plant & Equipment	-	-	-	-	(4)	(4)
Operating Profit before Working Capital changes	2,982	1,982	2,982	1,982	6,890	6,890
(Increase)/Decrease in Inventories	521	383	521	384	275	275
(Increase)/Decrease in trade & other receivables	(31)	4	(31)	4	(38)	(37)
Increase/(Decrease) in trade & other payables	917	2,417	917	2,415	(508)	(508)
	4,389	4,786	4,389	4,785	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 second interim dividend of Rs 5.90 per share amounting to Rs.1,105 million (less tax of approximately Rs. 110 million) declared on 6th August 2010 and payable on 26th August 2010, there are no other material event: occurring after the balance sheet date as at 30th June 2010 that require adjustments or disclosure in the interim financial statements.

Note 3

Computation of % of Public Shareholding

	30-Jun-10	31-Mar-10	31-Dec-09
	<i>No of Shares</i>	<i>No of Shares</i>	<i>No of Shares</i>
Parent Company	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>
Directors shareholding (including spouses & children)			
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	410	410
Mr. M A Khan (MD & CEO)	-	-	-
	<u>186,543</u>	<u>186,309</u>	<u>186,309</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	186,309	186,309
Public Holding	<u>29,546,277</u>	<u>29,546,511</u>	<u>29,546,511</u>
	<u><u>187,323,751</u></u>	<u><u>187,323,751</u></u>	<u><u>187,323,751</u></u>
Public Holding as a % of Issued Share Capital	<u>15.77%</u>	<u>15.77%</u>	<u>15.77%</u>

Note 4

20 largest shareholders

Name	30-Jun-10		31-Mar-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 Yonmerrannage Simon Hewage Indra Kumar Silva	362,200	0.19	362,200	0.19	362,200	0.19
Mr.Channa Nalin Rajamoney	325,500	0.17	325,500	0.17	325,500	0.17
Mrs Jasbinderjit Kaur Piara Singh	290,600	0.16	290,600	0.16	290,600	0.16
Miss Neesha Harnam	252,300	0.13	252,300	0.13	252,300	0.13
Aviva NDB Insurance PLC A/c No. 7	216,400	0.12	185,400	0.10	152,700	0.08
Harnam Holdings SDN BHD	203,900	0.11	203,900	0.11	203,900	0.11
Aviva NDB Insurance PLC A/c No. 3	198,500	0.11	186,000	0.10	260,000	0.14
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
COCO Lanka PLC	159,700	0.09	170,000	0.09	170,000	0.09
Mr. Duleep Fairlie George Dalpethado	159,276	0.09	163,376	0.09	164,676	0.09
HSBC INTL NOM Ltd -UBS AG	150,000	0.08	150,000	0.08	150,000	0.08
Mr Jayampathi Divale Bandaranayake	144,244	0.08	144,244	0.08	144,244	0.08
DFCC Bank A/C NO.1	136,467	0.07	136,467	0.07	136,467	0.07
RBC Dexia Investor Services Bank S.A.	124,700	0.07	-	0.00	-	0.00
Sub Total	<u>179,326,268</u>	<u>95.73</u>	<u>179,172,468</u>	<u>95.65</u>	<u>179,212,768</u>	<u>95.67</u>
Others	7,997,483	4.27	8,151,283	4.35	8,110,983	4.33
Total Shares	<u><u>187,323,751</u></u>	<u>100</u>	<u><u>187,323,751</u></u>	<u>100.00</u>	<u><u>187,323,751</u></u>	<u>100.00</u>