

Summary of performance for the 3 months ended 31 March 2016

Ceylon Tobacco Company's contribution to the Government through its value chain during the first quarter of 2016, in the form of Excise Tax, Corporate Tax and other levies, increased by 20% over the same period last year to Rs. 25.6 billion, driven primarily by higher prices as a result of the Excise led price increase experienced in October 2015 and relatively stable volumes during the first 3 months of 2016.

Top line growth for the 3 months ended 31 March was spearheaded by mainstream and premium segments in the company's brand portfolio. CTC remains committed to investing in the Company's key brands with a predominant focus on infusing value into the mainstream brand, John Player Gold Leaf. However, under regulated and low taxed products such as "Beedi" still remains a key threat to Government revenue from the tobacco industry.

Law enforcement agencies continued to effectively curtail the spread of unauthorized and illicit tobacco products. A total of 472 raids uncovered 2.3 million illegal cigarettes at a market value of Rs. 76 million during the first 3 months of 2016.

The Company's Profit after Tax stood at Rs. 3.06 billion for the three months ended 31 March 2016.

CTC's flagship CSR initiative, the Sustainable Agricultural Development Programme (SADP) continued to focus on alleviating poverty and empowering the livelihoods of families in rural Sri Lanka. The total number of families supported by the Company as at March 2016 stood at 18,464, comprising of 71,285 beneficiaries in 16 districts.

Dividends

The Directors recommend a first interim dividend of Rs. 15.60 per share to be paid by the 30 May 2016.

STATEMENT OF FINANCIAL POSITION

(all amounts in Sri Lanka Rupees millions)

| | 31 March | 31 December |
|--|-------------------|--------------------|
| | 2016 | 2015 |
| | Un Audited | Audited |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 2,098 | 2,063 |
| Intangible assets | 7 | 9 |
| Net surplus asset on retirement benefit plan | 531 | 531 |
| Receivables (staff loans) | 130 | 138 |
| Total non-current assets | 2,766 | 2,741 |
| Current assets | | |
| Inventories | 2,915 | 3,532 |
| Trade and other receivables | 1,393 | 1,020 |
| Cash and cash equivalents | 16,587 | 11,378 |
| Total current assets | 20,895 | 15,930 |
| Total assets | 23,661 | 18,671 |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Stated capital | 1,873 | 1,873 |
| Retained earnings | 3,376 | 1,013 |
| Total equity attributable to equity holders | 5,249 | 2,886 |
| Non-current liabilities | | |
| Non current payables | - | - |
| Deferred tax liabilities | 496 | 408 |
| Total non-current liabilities | 496 | 408 |
| Current liabilities | | |
| Trade and other payables | 12,836 | 10,374 |
| Current taxation | 4,212 | 3,872 |
| Dividends payable | 693 | 937 |
| Unclaimed dividends | 175 | 195 |
| Total current liabilities | 17,916 | 15,378 |
| Total liabilities | 18,412 | 15,786 |
| Total equity and liabilities | 23,661 | 18,671 |
| Net Asset Per Share | 28.02 | 15.41 |

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007.

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Shigeki Endo
Finance Director
Date : 10 May 2016

The Board of Directors is responsible for the preparation and presentation of these financial statements.
Approved and signed for and on behalf of the Board of Directors:

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Michael Koest
Managing Director
Date : 10 May 2016

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Shigeki Endo
Finance Director
Date : 10 May 2016

STATEMENT OF COMPREHENSIVE INCOME

(all amounts in Sri Lanka Rupees millions)

| | 3 months ended 31 March | |
|--|--------------------------------|----------------------------|
| | 2016 Un Audited | 2015 Un Audited |
| Gross Revenue | 29,572 | 25,916 |
| Government Levies | (22,177) | (19,563) |
| Net Revenue | 7,395 | 6,353 |
| Other operating income | 13 | - |
| Raw material used | (909) | (780) |
| Employee benefit expense | (268) | (299) |
| Depreciation & Amortisation expense | (55) | (50) |
| Other operating expenses | (1,006) | (1,012) |
| Net interest income | 138 | 106 |
| Profit before income tax | 5,308 | 4,318 |
| Income tax expense | (2,252) | (1,828) |
| Profit for the period | 3,056 | 2,490 |
| Other Comprehensive Income | | |
| Remeasurement of defined benefit obligation | - | (54) |
| Total comprehensive income for the period | 3,056 | 2,436 |
| Earnings Per Share (basic and diluted) | 16.31 | 13.29 |

I certify that these financial statements have been prepared in compliance with the requirements of the Companies Act, No. 07 of 2007

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Shigeki Endo
Finance Director
Date : 10 May 2016

STATEMENT OF CASH FLOWS

(all amounts in Sri Lanka Rupees millions)

| | 3 months ended 31 March | |
|--|-------------------------|--------------------|
| | 2016 Un Audited | 2015 Un Audited |
| A. Cash Flows from Operating Activities | | |
| Cash generated from Operations | 7,928 | 5,956 |
| Interest paid | - | - |
| Interest received | 138 | 106 |
| Gratuity paid | - | - |
| Income Tax paid | (1,824) | (1,487) |
| Super Gain Tax paid | - | - |
| Net Cash from Operating Activities | 6,242 | 4,575 |
| Cash Flows from Investing Activities | | |
| Purchase of Property, Plant & Equipment | (89) | (28) |
| Proceeds from sale of Property, Plant & Equipment | 14 | - |
| Net Cash used in Investing Activities | (75) | (28) |
| Cash Flows from Financing Activities | | |
| Dividends paid | (937) | (814) |
| Unclaimed dividends paid | (21) | (5) |
| Net cash used in Financing Activities | (958) | (819) |
| Net Increase in Cash & Cash equivalents | 5,209 | 3,728 |
| Cash & Cash Equivalents at the beginning of year | 11,378 | 9,010 |
| Increase/ Decrease in cash | 5,209 | 3,728 |
| Cash & Cash Equivalents at the end of the period | 16,587 | 12,738 |
| B. Analysis of Cash & Cash Equivalents at the end of the period | | |
| Cash in hand & Bank balances | 16,587 | 12,738 |
| Short term investments | - | - |
| Bank overdraft | - | - |
| Total Cash | 16,587 | 12,738 |
| C. Cash generated from Operations | | |
| Profit before Tax | 5,308 | 4,318 |
| Depreciation & amortisation expense | 55 | 50 |
| Interest income | (138) | (106) |
| Actuarial loss/(gain) on defined benefit obligation | - | 49 |
| Gain on disposal of property, plant and equipment | (12) | - |
| Provision for obsolete Inventories and Doubtful Debts | 2 | 2 |
| Operating Profit before changes in Working Capital | 5,215 | 4,313 |
| Movement in Working Capital | | |
| (Increase)/ Decrease in Inventories | 618 | (93) |
| (Increase)/ Decrease in Trade & Other Receivables | (367) | (1,313) |
| Increase/ (Decrease) in Trade & Other Payables | 2,462 | 3,049 |
| | 7,928 | 5,956 |

STATEMENT OF CHANGES IN EQUITY

(all amounts in Sri Lanka Rupees millions)

| | Stated Capital | Retained Earnings | Total |
|---|-------------------|----------------------|--------------|
| Balance at January 2015 | 1,873 | 2,025 | 3,898 |
| Profit for the period | | 2,490 | 2,490 |
| Other comprehensive income | | (54) | (54) |
| Total comprehensive income for the period | | 2,436 | 2,436 |
| Transactions with owners of the Company, recognised directly in equity | | | |
| Write back of unclaimed dividends | | - | - |
| Dividends | | - | - |
| Total transactions with shareholders | | 0 | 0 |
| Balance at 31 March 2015 | 1,873 | 4,461 | 6,334 |
| | | | |
| Balance at January 2016 | 1,873 | 1,013 | 2,886 |
| Profit for the period | | 3,056 | 3,056 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the period | | 3,056 | 3,056 |
| Transactions with owners of the Company, recognised directly in equity | | | |
| Write back of unclaimed dividends | | - | - |
| Dividends | | (693) | (693) |
| Total transactions with shareholders | | (693) | (693) |
| Balance at 31 March 2016 | 1,873 | 3,376 | 5,249 |
| | | | |

NOTES TO THE INTERIM FINANCIAL STATEMENTS

1 General Information

Ceylon Tobacco Company PLC is a Public Limited Company domiciled in Sri Lanka. The principal operations of the Company are manufacturing, marketing and selling cigarettes. The registered office of business is 178, Srimath Ramanathan Mawatha, Colombo 15. The ultimate holding company of Ceylon Tobacco Company PLC is British American Tobacco PLC through British American Tobacco Holding (Sri Lanka) BV.

2 Basis of Preparation

The condensed interim financial statements of Ceylon Tobacco Company PLC are for the three months ended 31 March 2016. They have been prepared in accordance with LKAS 34, Interim Financial Reporting. These interim financial statements have been prepared in accordance with the SLFRS standards and IFRIC interpretations issued and effective as at the time of preparing these statements. The condensed interim financial statements do not include all of the information required for full annual financial statements.

3 Summary of Significant Accounting Policies

The accounting policies adopted are consistent with those of the previous financial year.

4 Comparatives

Comparatives are provided for the same period last year and for the statement of financial position at the date of the last published annual report (31 December 2015).

5 Contingent Liabilities

There have been no material changes to the contingent assets or contingent liabilities since the last annual reporting period.

6 Market Price per Share

For the 3 months ended 31 March

| | 2016 | 2015 |
|-------------|-------------|-------------|
| | Rs. | Rs. |
| Highest | 1,042.00 | 1,124.00 |
| Lowest | 950.00 | 990.00 |
| Last Traded | 1,011.90 | 999.50 |

NOTES TO THE INTERIM FINANCIAL STATEMENTS contd

7 20 Largest Shareholders of the Company

| Name of the Shareholder | 31-Mar-16 | | 31-Dec-15 | |
|---|--------------------|---------------|--------------------|---------------|
| | No. of Shares | % Holding | No. of Shares | % Holding |
| 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. | 1,654,700 | 0.88 | 1,654,700 | 0.88 |
| HSBC INTL NOM Ltd - SSBT-Wasatch Frontier | 1,107,059 | 0.59 | 1,150,959 | 0.61 |
| HSBC INTL NOM LTD-State Street London | 844,693 | 0.45 | 737,546 | 0.39 |
| HSBC INTL NOM LTD - SSBT-BMO Incestments 11 (Ireland) | 695,159 | 0.37 | - | 0.00 |
| HSBC INT NOM LTD - Coupland Cardiff Funds PLC | 437,070 | 0.23 | 437,070 | 0.23 |
| RBC Investor Services Bank-COELI SICAV | 414,236 | 0.22 | 358,461 | 0.19 |
| Mrs Jasbinderjit Kaur Piara Singh | 312,063 | 0.17 | 312,063 | 0.17 |
| CB NY S/A Wasatch Frontier | 275,490 | 0.15 | 283,590 | 0.15 |
| Miss Neesha Harnam | 233,000 | 0.12 | 238,000 | 0.13 |
| Harnam Holdings SDN BHD | 230,043 | 0.12 | 230,043 | 0.12 |
| HSBC INTL NOM LTD-JPMCB-Long Term Economic Fund | 222,215 | 0.12 | - | 0.00 |
| HSBC INTL NOM LTD-JPMCB-New Emeging Markets | 212,415 | 0.11 | 251,466 | 0.13 |
| HSBC INTL NOM Ltd - SSBT-Deutsche Bank | 195,600 | 0.10 | 195,600 | 0.10 |
| Bank of Ceylon No 1 Account | 180,678 | 0.10 | 230,778 | 0.12 |
| HSBC INTL NOM Ltd - SSBT-Julius Baer | 150,000 | 0.08 | 150,000 | 0.08 |
| HSBC INTL NOM Ltd - UBS AG - Singapore | 150,000 | 0.08 | 150,000 | 0.08 |
| HSBC INTL NOM Ltd-Parametric Emerging Markets | 136,697 | 0.07 | 133,931 | 0.07 |
| HSBC INTL NOM LTS- Morgan Stanley & Co Intl PLC | 117,724 | 0.06 | 247,549 | 0.13 |
| Sub Total | 180,745,683 | 96.49 | 179,938,597 | 96.06 |
| Others | 6,578,068 | 3.51 | 7,385,154 | 3.94 |
| Total Shares | 187,323,751 | 100.00 | 187,323,751 | 100.00 |

8 Computation of % of Public Shareholding

| | 31-Mar-16 | 31-Dec-15 |
|--|-----------------------|--------------------|
| | Parent Company | |
| British American Tobacco Holdings (SL) BV | 157,590,931 | 157,590,931 |
| | 157,590,931 | 157,590,931 |
| Directors shareholding (including spouses & children) | | |
| Mr. S C Ratnayake | 644 | 644 |
| Mr. M Koest | - | - |
| Mr. S Endo | - | - |
| Mr. S J Iqbal | - | - |
| Mr. D Weerakkody | - | - |
| Ms. M P Perera | - | - |
| Mr. K Allen | - | - |
| | 644 | 644 |
| 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) | 644 | 644 |
| Public Holding | 29,732,176 | 29,732,176 |
| | 187,323,751 | 187,323,751 |
| Public Holding as a % of Issued Share Capital | 15.87 | 15.87 |
| Number of shareholders holding the Public Holding | 3,572 | 3,614 |
| Market Capitalisation of Public Holding (Rs. Million) | 30,086 | 29,509 |