



MULLER & PHIPPS (CEYLON) PLC

27th May 2020

Mr. Renuke Wijayawardhane
Chief Regulatory Officer
Colombo Stock Exchange
04-01, West Block
World Trade Centre
Colombo 1.

Dear Sir,

DISCLOSURE REGARDING IMPACT OF COVID-19 on MULLER & PHIPPS CEYLON PLC

We refer to the circular no. 06-04-2020 dated 20th April 2020, issued by the Colombo Stock Exchange.

We wish to make the following disclosures with regard to the impact of the COVID-19 outbreak on Muller & Phipps Ceylon PLC and its subsidiary;

1.0 The Impact of COVID-19 on the Business/Operations

Our business operations were impacted by the curfew restrictions imposed as a measure to control the spread of COVID-19 pandemic. Consequently, our Pharma Distribution activities were disrupted in certain districts for the last one and half months.

Our businesses encountered numerous other challenges. A steep depreciation of the Sri Lankan Rupee against the United States Dollar resulted in additional cash outlays for settlement of our import bills which fell due in the months of March and April. On the other hand, we encountered considerable delays in collection of our debts.

2.0 Response to the Impact of the COVID-19

With all safety measures, we gradually started our distribution channels strictly under the safety guidelines issued by the Government of Sri Lanka. Steps have been taken to continue work from home with secured access to operating systems and reduce the number of employees in the work place whose physical presence is not essential.

All possible measures are being taken to conserve cash and cut costs to mitigate the group's financial impact of the COVID-19 pandemic. As such, the Group is in discussions with lending Institutions to avail

ourselves of moratorium reliefs. Steps have been taken to defer salaries, allowances and fees of all Directors and Executive staff members from April onwards until the businesses return to normalcy. We have put all new recruitments on hold and all existing employment contracts will be reviewed. The new product launches, advertising expenditure and major capital expenditure have been deferred until the fresh strategic plans are made available. Every possible effort is taken to reduce operational and fixed overheads and renegotiate terms of supply contracts and rent contracts.

3.0 Expectation of the future impact of COVID-19 on the Company's future operations and financial conditions

It is expected that the current situation would have a negative impact on the revenue and profits of the Group at least in the 1st half of the financial year 2020/21. However, we are of the view that the COVID-19 impact on our Pharmaceutical product segment will not be long-term. Hence, we do not expect a significant impact on our future revenue of pharmaceutical products when the curfew is lifted and the pandemic is put under control.

We expect that the adverse impact on the profitability and cash flow would be mitigated by planned cost reduction, cash conservation measures, conscious working capital management, productivity improving steps, the new ways of doing business and financial assistance offered by our lending partners. The current disruption will be seen and used as an opportunity to improve productivity in our value chain.

It's yet premature to precisely comment on the impact of the pandemic on the Group's business. However, it is likely to influence our global supply chains, consumer purchasing power, future exchange rate behavior and cost of capital as the phenomenon is global and multifaceted. We are vigilant on economic and social variables and will continue to monitor and assess impact and likelihood of both risks and opportunities.

Yours faithfully

MULLER & PHIPPS (CEYLON) PLC


R C A Welikala
Director