

19th May 2020



Mr. Renuke Wijayawardhane
The Chief Regulatory Officer
Colombo Stock Exchange
#04-01, West Block
World Trade Center
Echelons Square
Colombo 01

Dear Sir,

RE: CORPORATE DISCLOSURE REGARDING THE IMPACT OF COVID 19 ON THE BUSINESS OPERATIONS AS PER CSE CIRCULAR NO. 06-04-2020

We, LAUGFS Gas PLC ("Company") with reference to your Circular dated 20th April 2020, hereby make the following disclosure with regard to impact of the ongoing COVID 19 pandemic on the business operations of the Company, as required by the said circular:

The impact of COVID-19 pandemic on the business/operations of the Listed Company.

The domestic segment of the LPG downstream business was affected by the operational aspect especially due to the sudden placement of the curfew. However, primary distribution from the filling plant to the redistribution locations have been managed despite many obstacles. With continuous changes happening in the curfew pass releasing mechanism, the Company and bulk resellers (distributors) were facing many inconveniences. The secondary distribution from distributors to resellers have also been adversely impacted.

In most of the areas, retail shops remained closed and most of the LPG retail shops were reluctant to open due to the health risk. Due to the prevailing situation in the country business partners find it hard to service debt, and as a result, the overall cash infusion has got affected.

Commercial segment is one of the highly contributing segments for the entire revenue and sales portfolio of the Company. With the situation that prevailed, the entire segment was impacted as most of the eateries, restaurants and hotels were not operating.

As a result of imposing of the curfew in country, most of the industrial operations were idling for days. As a result, the Company's main revenue and volume contributor the bulk segment has got affected significantly.

The entire operation of the Company including each part of the value chain was hit by the ongoing situation. Especially when sourcing the labour requirement, entire operation faced several challenges. The filling plant operated with the optimum manpower involvement and transport and

other required facilities had to be provided more than the average. Most of the distributors faced the same problem when sourcing manpower and had to pay additional wages for their work and commitments. All distributors operated with their optimum level and special hygiene and safety measures have been taken on instructions provided by the Company. The entire operation of the Company has been running in line with provided guidelines by respective health and security authorities.

The Listed Company's response to the impact of the COVID – 19 pandemics.

The Company converted its entire manual operation into several automated operations which involve less human intervention. The Company introduced a hotline number with more than 50 call center agents to manage customer orders and also established a new online platform to reduce the customer waiting time. More than 50 special vehicles were deployed for delivery purposes. A new mobile gas store concept has been introduced where customer purchases are facilitated at their doorstep. A three-wheeler delivery operation has been introduced for urgent and fast deliveries. Strategically important and organizations with high national interest have been served using high capacity road tankers.

An emergency response team was formed with the participation of all respective departments within the Company with a view of handling this situation by regular daily monitoring of operations where most of the management decisions were taken based on the situational requirements. In addition, several innovative approaches have been taken with the support of new designs and processes in order to provide swift and solid solutions to the customer. Based on such initiatives taken, many new avenues were created for the retail customer to purchase their LPG cylinders at their doorstep and introduced cashless LPG cylinder order placement to reduce the physical interaction which was much needed at this time.

Further, a new LPG retail model was introduced by converting the traditional reselling location to a mobile selling points. The mobile gas store visited all high density areas to provide required LPG cylinders to customers. Even in lockdown areas, new refilling locations and refilling methodologies were introduced to the customer to fulfil their LPG requirements.

The Listed Company's expectation of the future impact of COVID – 19 on the company's future operations and the financial condition.

To support the ongoing operations and to ensure the business continuity of the Company and customer demand fulfilment, a moratorium was requested from banks as per the guidelines issued by the CBSL to manage loan capital and instalment payments which is yet to be confirmed. As a financial precautionary measure, all capital expenditures have been deferred until the Company's financial performance is back to normal. Several planned business promotions were also deferred to reduce the financial impact from promotional expenses.

Certain operational cost reductions were also put in place, such as salary reductions, and sales-related operational expenses were closely monitored and controlled to reduce the cost of sales further, and all cost savings were directed to expand the home delivery and other customer service level improvement activities to ensure customer satisfaction and volume achievement.

Company has taken several steps to further improve its operational efficiency. The new home delivery concept was introduced to have multiple home delivery dedicated dealers island-wide with special delivery fleets and permission to carry delivery service in identified high-density areas. Newly produced and modified vehicles were deployed to facilitate delivery in all rural and suburban areas. The new business model has been introduced to keep additional stocks with the delivery facility in identified geographical locations to facilitate the customer in any given situation. As another long-term strategy, the company has initiated to affiliate with a leading delivery partner to deliver LPG to the customer doorstep. New online ordering platform and call center operation improvement will take place to increase the overall customer experience. Company will further research on new customer behavior pattern as a result of this prevailing situation, and will take more proactive actions to be more agile and flexible to facilitate the customer demand and requirement.

Thank you.

Yours faithfully,

LAUGFS Gas PLC

A handwritten signature in black ink, consisting of a series of loops and a long horizontal stroke at the end.

W. K. H. Wegapitiya
Group Chairman