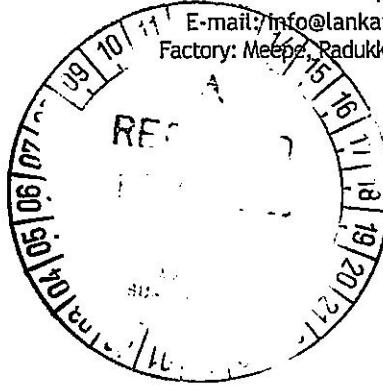


11th May 2020

Mr. Renuke Wijeyawardhane
Chief Regulatory Officer
Colombo Stock Exchange
World Trade Center
Colombo 01



Dear Sir,

CORPORATE DISCLOSURE REGARDING COVID – 19 IMPACT ON BUSINESS OPERATIONS**Background**

In order to mitigate the spread of the Covid-19 virus the Government of Sri Lanka imposed a police curfew on the 20th of March 2020 for the entire country. Although the curfew was lifted and re-imposed in certain Provinces, the Western Province continues to remain on lockdown due to the increase in number of patients.

Impact to the Business

The Company's manufacturing units and main offices are located in the Western Province; therefore, the Company was unable to operate the business in full force. This had a negative impact on the cash flow and profitability especially since this period is usually considered a peak season for sales. This has similarly impacted the suppliers and other stakeholders of the Company.

Response of the Company

The company has responded by taking the following measures to mitigate the risk:

1. Deferring and restructuring debt re-payments to manage cash flow
2. Deferring payments to business partners to manage company cash flow
3. Obtaining approval from Government authorities to operate factories to meet export orders
4. Reducing and controlling non-priority costs
5. Servicing customers in non-curfew areas
6. Continuously reviewing operations to reduce financial and operational risks
7. Implementing health and safety measures to all stakeholders



Future Business Operations

In comparison to the last financial year the Company expects a 30% reduction in turnover which would reflect in lower profits.

The Company is confident it has the resources and capability to withstand the negative effects and uncertainty this pandemic has created.

The Board together with the Management is focused on minimizing the financial impact and ensuring long term business continuity by critically analysing operations in order to reduce costs and create safe and effective work platforms to restart business operations as soon as possible.

The Company sees a significant benefit in the ban imposed on importing tiles and tile accessories into the country. This ban is expected to have a positive effect on the Company's operations in the medium term and may help minimize the impact of Covid-19 provided the Government continues to impose the ban.

Given the uncertainty of our environment the Company is currently unable to quantify the financial impact of the pandemic. However, the Management will work closely with the auditors and regulators to reflect the impact of Covid-19 on its financial statements in order to disclose the said impact to its investors and stakeholders in a timely manner.

Yours faithfully,
LANKA WALLTILES PLC


J A P M Jayasekera
MANAGING DIRECTOR