



Full Year 2018 Results

High inflation outpaces price increases and drives LE 114.3m net loss

Alexandria, 28th February 2019 –Lecico Egypt announces its consolidated results for the fourth quarter of 2018. Revenue rose 2% to LE 656.3 million. The Company reported an operating loss (EBIT) of LE 19.4 million compared to an operating profit of LE 45.8 million in 4Q 2017. Lecico reported a net loss of LE 92.9 million compared to a net profit of LE 10.1 million in the same period last year.

For the full year, revenue rose 12% to LE 2,705.5 million. Operating profit (EBIT) down 17% to LE 150.7 million (margin down 2 percentage points to 5.6%) including exceptional income of LE 76.5 million. Lecico reported a net loss of LE 114.3 million compared to a net profit of LE 37.2 million in 2017.

Lecico Egypt Chairman, Gilbert Gargour, commented “Lecico continues to suffer from cost inflation and interest rates in the high teens. Inflation at that level is difficult to pass on to price particularly in an economy that is not growing rapidly.

“Interest rates at that level are very costly to Lecico and contribute largely to the slow economic growth. Under continued austerity measures and high inflation, the local market slowed in the second half of the year and this in turn increased competition resulting in a 3.7% drop in revenue from local markets compared to the first half of the year, despite price increases.

“We are as a consequence looking at extraordinary ways in which to improve our current position. As part of our continued focus on controlling costs and cash flow, Lecico Egypt exited its Italian joint venture Stile at the end of 2018. We have also decided to tackle a similar situation in Lecico Lebanon which has also seen a sharp deterioration in revenues and is now a significant contributor to our net losses despite its small size.

“Our management has spent significant time reviewing the actions that we need to take and preparing a comprehensive restructuring plan for that business. Our first priority is to generate cash from reduced working capital and restructure our cost base. We envisage that while there will be some one-time costs upon its implementations its outcome would be positive in future years.

“The restructuring of Lebanon and the continued focus on cost and cash efficiency in exports will be an important part of turning around performance in coming years. I can only reassure you that your management is working very hard, and in my view quite effectively in order to surmount these difficult times and circumstances.

“We thank you all for your support.”

Taher Gargour, Lecico Egypt CEO, added, “The main negative factor impacting our numbers in the quarter was the slowdown in volumes and the drop in average price of exports.

“In 2019, we expect to increase production year-on-year and continue raising prices – starting with a 3.5% price increase in Egypt in January. We also expect improvement in operational efficiency and further costs reduction programs. However, we face significant headwinds from inflation and exchange rates.

“I am pleased however that despite operational pressures over 2018 and in the fourth quarter in particular, we were able to reduce working capital to generate LE 29 million in net cash flows. This is a significant achievement for us as debt reduction remains a key factor in the sustainability of our business and the return to long term profitability.

“I hope we can continue to reduce inventories and receivables and I believe the restructuring of our Lebanese operations will provide a significant source of cash. We should see stock come down sharply as Lecico Lebanon destocks and the sale of land will significantly reduce our overall debt. The conditions of the Lebanese market mean we cannot expect a land sale in the immediate future nor predict the value of the sale.

“Looking forward in 2019 and excluding any one-off costs from restructuring, we are forced to weather the cyclical negatives of Egypt. In the meantime, we will try to defend and rebuild margins by growing volumes; unlocking efficiency gains and cutting costs; pushing up prices; and unlocking working capital and assets. Through these efforts, we will continue to work towards the best possible result despite our challenges.”

AGM

Lecico will hold its AGM on Sunday, March 31st 2019 at 8:30 am in the Imperial Ballroom at the Hilton Alexandria Corniche (544 El Geish Street, Sidi Bishr, Alexandria).

The Full Statements for the period with analysis are available on Lecico’s Web site.

About Lecico

Lecico (Stock symbols: LCSW.CA; LECI.EY) is a leading producer of export-quality sanitary ware in the Middle East and one of the largest tile producers in Egypt, with over 50 years of experience in the industry and decades of experience as an exporter to developed markets.

Lecico benefits from significant cost advantages in labour, energy and investment costs resulting from its economies of scale and location in Egypt and Lebanon. Lecico's marketing strategy is to use its cost advantages to target the mass market with high quality pieces at competitive prices.

Lecico exports over half its sanitary ware production and has a significant presence in the United Kingdom and other European markets. Most of the Company's exports are done under the Lecico brand, although it also produces for other European brands.

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