Second Quarter 2018 Results

Revenue growth and land sale offset inflationary pressure and fx losses

Alexandria, 14th August 2018 –Lecico Egypt announced consolidated results for the second quarter of 2018. Revenue rose 20% to LE 705 million. Operating profit (EBIT) rose 71% to LE 81.8 million (margin rose 3.5 percentage points to 11.6%) including an exceptional income of LE 51 million from the sale of land. Net profit decreased 64% to LE 4.9 million (margin decreased 1.6 percentage points to 0.7%).

For the first six months, revenue rose 20% to LE 1,358 million. Operating profit (EBIT) rose 64% to LE 164.8 million (margin rose 3.3 percentage points to 12.1%) including exceptional income of LE 76.5 million. Net profit decreased 8% to LE 29.3 million (margin fell 0.7 percentage points to 2.2%).

Lecico Egypt Chairman, Gilbert Gargour, commented "Revenue growth in the quarter has been offset by weaker margins due to lower production and high inflation.The lack of adjustment in the Pound for high inflation and rates are also impacting profitability. Results were boosted by exceptional income,without this our operating profits would have been significantly lower and we would have a bottom line loss.

"We face further challenges in the third quarter: another bump in inflation in late June and early July; weakness in the Euro and Sterling against the Egyptian Pound; and the Eid holiday which will shut down Middle Eastern markets for a week in August.

"We will try to offset these pressures with increased sanitary ware production and a local price increase. We will do our best to maximize returns in the coming quarters. We are still working to rebuild results to sustainable levels after the shocks of the past few years and despite short-term challenges."

Taher Gargour, Lecico Egypt CEO, added, "We expect production to increase in the coming quarters, but the inflation spike expected in July will offset some of the economies of scale and we continue to face currency pressures.We increased local prices in July and we plan to reduce our finance expenses by reducing cash and switching borrowing to foreign currency. Hopefully these actions and further opportunistic price increases we can offset the margin drop seen in the second quarter but it will remain challenging to do so.

"We had negative cash flows for the quarter despite a reduction in inventories. I am confident we can continue to reduce inventories but I am not pleased that receivables rose in the quarter despite increased focus on collection. We will have to work hard to meet our target of reducing receivables and inventory in absolute values in 2018 as sales grow.

“Overall, the quarter was challenging and the impact of high inflation and high interest rates remain a stronger headwind that anticipated. We will focus on continued sales growth, combined with cost reduction and working capital improvement. I hopethat we can improve on this quarter’s results – excluding exceptionals - in the quarters ahead.”

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.

For additional information, please contact:

Taher G. Gargour
Telephone: +203 518 0011
Fax: +203 518 0029

Visit our website at: www.lecico.com

Forward-looking statements

This release may contain certain “forward-looking statements”, relating to the Company’s business, which can be identified by the use of forward-looking terminology such as “will”, “planned”, “expectations”, “forecast” or similar expressions, or by discussions of strategy, plans or intentions. Such statements may include descriptions of investments planned or currently under development by the company and the anticipated impact of these investments. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.