Second Quarter 2019 Results

Slow sales in the region and diseconomies of scale drive increased losses

Alexandria, 20th August 2019 –Lecico Egypt announced consolidated results for the second quarter of 2019. Revenue fell 15% to LE 599.5 million. The Company reported an operating loss (EBIT) of LE 32.1 million compared to an operating profit of LE 81.8 million in 2Q 2018 which included an exceptional gain of LE 50.9 million. Lecico reported a net loss of LE 86.9 million compared to a net profit of LE 4.9 million in 2Q 2018.

For the first six months, revenue was down 9% to LE 1,236.6 million. Operating profit (EBIT) dropped 99% to LE 2.4 million compared to an operating profit (EBIT)of LE 164.8 million in first half of 2018 which included LE 76.4 million exceptional gains. (margin down 11.9 percentage points to 0.2%). Lecico reported a net loss of LE 114.9 million compared to a net profit of LE 29.3 million in the same period last year.

Lecico Egypt Chairman, Gilbert Gargour, commented "Results in the quarter worsened as regional weakness and a stronger pound squeezed revenues and margins came under pressure as we reduced production. Continued high interest rates in Egypt are the most important cause of our poor results. Besides augmenting costs, they have strangled demand, which continues to suffer from overcapacity."

"Management continues to work hard but real improvements have been negated by macro-economic weaknesses. Restructuring efforts in Lebanon are now almost six months along. Production and staff have been reduced and destocking has begun. This is costly at this stage and approximately half of our losses are due to exceptional costs.

"We continue to be optimistic. The austerity and related macro-economic factors will ease and Egypt will be an excellent market and production base again as it has been for most of our history. We must be patient while working relentlessly."

Taher Gargour, Lecico Egypt CEO, added, "We saw continued pressure on demand and lower prices quarter-on-quarter. Lower sales have also forced us to reduce production to control stocks with a subsequent increase in unit production costs eating into our margins.

"We have seen as a result an increase in net debt. We will double our push on inventory and receivables control to help offset this and are targeting a 25% reduction in stocks.

"In conclusion, we saw a deterioration due to an accelerating slowdown in sales which put pressure on margins and cash flows. We are taking action on many fronts to offset this but we are forced to weather the cyclical negatives of Egypt's economic reforms."

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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