Full Year 2018 Results

Alexandria, 28th February 2019 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2018.

Highlights

4Q 2018

- Lecico revenue up 2% to LE 656.3 million (57.5% from sanitary ware)
- Sanitary ware revenue down 7% to LE 377.7 million, volumes down 1% to 1.3 million pieces (67.8% exports)
- Tile revenue up 16% to LE 250.3 million, volumes up 14% to 6.5 million square meters (17.2% exports)
- Brassware revenue up 37% to LE 28.3 million, sales volume up 35% to 35,100 pieces
- EBIT loss of LE 19.4 million compared to LE 45.8 million in 4Q 2017
- Net loss of LE 92.9 million compared to net profit of LE 10.1 million in 4Q 2017

FY 2018

- Lecico revenue up 12% to LE 2,705.5 million (59.8% from sanitary ware)
- Sanitary ware revenue up 8% to LE 1,617.2 million, volumes up 5% to 5.3 million pieces (65.5% exports)
- Tile revenue up 21% to LE 1,002.4 million, volumes up 11% to 25.7 million square meters (17.9% exports)
- Brassware revenues up 10% to LE 86 million, sales volume are flat at 108,000 pieces
- EBIT profit of LE 150.7 million compared to EBIT profit of LE 181.9 million in 2017
- Net loss of LE 114.3 million compared to 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. We have had some success in pushing up prices in the local market but find it difficult to do so in the export market particularly as the Egyptian Pound has stabilized against foreign currencies.

"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. The business, which was started in 2009, has been making small losses in Euros that now translate into significant Egyptian pound losses of LE 10 million.

"We have also decided to tackle a similar situation in Lecico Lebanon which has also seen a sharp deterioration in revenues and volumes as real estate and economic activity in the country has slowed sharply in the past few years. The subsidiary is now a significant contributor to our net losses despite its small size in overall sales. In 2018, Lecico Lebanon had a net loss of LE 55 million. As a result, we have decided to take action.

"Our management has spent significant time reviewing the actions that we need to take and preparing a comprehensive restructuring plan for that business. Our plan, which is not yet complete in all its details, is to:

"(1) reduce production aggressively in Lebanon with a view of liquidating significant stocks, generating cash and reducing manufacturing costs as much as possible;

"(2) restructure the business to produce important operational savings;

"(3) coordinate the production and sale of sanitary ware and tile between Lebanon and Egypt in the most efficient manner which should generate better returns given the competitive advantages of Egypt; and

"(4) dispose of real estate that is surplus to our operational requirements in Lebanon and which has been valued at just over USD 30 million in late 2016.

"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 Lecico Egypt's consolidated performance in coming years. Hopefully this will be accompanied by an improvement in the economy with lower interest rates and improved demand.

"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. The Lebanese effort is a very important part of that effort and we shall keep you posted on developments.

"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 export sales. Overall export sales fell 6% year-on-year in the fourth quarter with most of the drop the result of a 6.5% drop in sanitary ware export prices year-on-year. The drop was primarily as a result of changing mix, the sharp drop in the Sterling and Euro rates during the quarter, and deconsolidating our Italian subsidiary.

“Although we increased production in sanitary ware and enacted significant cost reductions in tiles during the quarter, cumulative high inflation kept unit costs above the 2017 levels.

“In this environment, the drop in export prices squeezed margins sharply resulting in operational losses in the quarter and a significant bottom line loss.

“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 a marked improvement in operational efficiency in sanitary ware and further costs reduction programs in tiles. However, we face significant headwinds from inflation and exchange rates that mean it will be hard to make a significant improvement in margins absent some significant macro-economic changes. Indeed, the recent appreciation of the Egyptian Pound and weakness in the Sterling and the Euro have already left us starting 2019 in a worse position.

“I am pleased however that despite the operational pressures over 2018 and in the fourth quarter in particular, we were able to reduce working capital over the year enough to generate LE 29 million in net cash flows over the year. This is the first time in over four years that we have been able to reduce debt and it 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. In 2018, our net finance expense was greater than our EBITDA. We believe the cost of money will come down significantly in Egypt over the coming year or two and we are working to shift our borrowing to include more foreign currency debt, but reducing debt remains a key to sustainable cash profit over the medium term.

“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 over the coming years. We should see stock come down sharply over the coming two years as Lecico Lebanon destocks and the sale of the 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, but I hope we will be able to sell these assets in the coming years. I hope to share with you our plans for restructuring Lebanon in more details over the course of 2019.

“Looking forward in 2019 and excluding any one-off costs from restructuring, we are to some extent forced to weather the cyclical negatives of Egypt’s economic reforms. In the meantime, we will try to defend and rebuild margins by growing sales volumes; unlocking efficiency gains and cutting costs; pushing up prices in export and local markets; and unlocking working capital and reducing our asset footprint. We will continue to adjust debt mix to minimize interest while remaining conscious of exchange rate risk. Through these efforts, we will continue to work towards the best possible result despite our challenges.”

Lecico Revenue and Profitability

Profit and loss statement highlights	4Q		%	FY		%
(LE m)	2018	2017	18/17	2018	2017	18/17
Sanitary ware	377.7	404.4	93%	1617.2	1497.3	108%
Tiles	250.3	216.0	116%	1002.4	830.7	121%
Brassware	28.3	20.7	137%	86.0	78.5	110%
Sales	**656.3**	**641.1**	**102%**	**2,705.5**	**2,406.5**	**112%**
Sanitary ware/sales (%)	57.5%	63.1%	(5.5%)	59.8%	62.2%	(2.4%)
Cost of sales	(559.1)	(499.8)	112%	(2,235.1)	(1,874.5)	119%
Cost of sales/sales (%)	(85.2%)	(78.0%)	7.2%	(82.6%)	(77.9%)	4.7%
Gross profit	**97.2**	**141.3**	**69%**	**470.4**	**531.9**	**88%**
Gross profit margin (%)	14.8%	22.0%	(7.2%)	17.4%	22.1%	(4.7%)
Distribution and administration (D&A)	(92.6)	(90.0)	103%	(349.9)	(323.7)	108%
D&A/sales (%)	(14.1%)	(14.0%)	0.1%	(12.9%)	(13.4%)	(0.5%)
Net other operating income/ (expense)	(24.0)	(5.5)	437%	30.2	(26.4)	(114%)
Net other operating income/ (expense) sales (%)	(3.7%)	(0.9%)	2.8%	1.1%	(1.1%)	-
EBIT	**(19.4)**	**45.8**	**-**	**150.7**	**181.9**	**83%**
EBIT margin (%)	-	7.1%	-	5.6%	7.6%	(2.0%)
Net profit (loss)	**(92.9)**	**10.1**	**-**	**(114.3)**	**37.2**	**-**
Net profit margin (%)	-	1.6%	-	-	1.5%	-

4Q 2018: Cost inflation squeezes gross margin and drives a significant net loss

High cost inflation outpaced price increases driving a squeeze on margins over the year which was exacerbated in the fourth quarter by an increased percentage of sales in the lower-priced Egyptian market and a drop in the average price of sanitary ware exports due to mix and currency.

Lecico revenues for the fourth quarter increased by 2% year-on-year to reach LE 656.3 million (4Q 2017: LE 641.1 million) with growth in tiles offsetting lower revenues in sanitary ware. Export revenues fell 6% year-on-year to reach LE 337.8 million (4Q 2017: LE 358.7 million) while domestic revenues rose 13% year-on-year to reach LE 318.5 million (4Q 2017: LE 282.4 million).

Quarter-on-Quarter revenues decreased by 5% (3Q 2018: LE 691.2 million) with local growth offset by falling export sales. Local revenues rose 7% quarter-on-quarter to reach LE 318.5 million (3Q 2018: LE 296.5 million) while export revenues fell 14% quarter-on-quarter to reach LE 337.8 million (3Q 2018: LE 394.7 million). Average selling price in all segments was down quarter-on-quarter due to a shift towards local sales and a drop in the average price of sanitary ware exports.

Lecico's cost of goods sold rose 12% year-on-year to LE 559.1 million (4Q 2017: LE 499.8 million) as a result of the continued and cumulative high inflation over the year compounded by reduced production in sanitary ware.

The cost of sales for the quarter was reduced by LE 25.5 million due to the rebooking of gains from historic gas mispricing which were deducted from Other Operating Income (where they had previously been booked in 1Q 2018) and netted out in the a reduced cost of sales.

Lecico's gross profit for the fourth quarter decreased 31% year-on-year to LE 97.2 million (4Q 2017: LE 141.3 million). Lecico's gross profit margin decreased 7.2 percentage points to 14.8% compared to 22% in the same period last year.

Quarter-on-quarter gross profit decreased by 8% (3Q 2018: LE 105.2 million) and Lecico's gross margin decreased 0.4 percentage points (3Q 2018: 15.2%).

In absolute terms, distribution and administration (D&A) expenses increased by 3% to LE 92.6 million (4Q 2017: LE 90.0 million), and proportional D&A expenses were up by 0.1 percentage points to 14.1% (4Q 2017: 14%).

Quarter-on-quarter distribution and administration (D&A) expenses increased 4% (3Q 2018: LE 88.8 million) and proportional D&A expenses were up by 1.3 percentage points (3Q 2018: 12.8%).

Lecico reported LE 24 million in net other operating expenses compared to net other operating expenses of LE 5.5 million in the fourth quarter of 2017. This included an exceptional other operating expense of LE 25.5 million due the reversal of a gain from the historic mispricing of gas which was booked in the first quarter. Excluding reclassification gains from gas mispricing of LE 25.5 million from operating income to sanitary cost of sales, Lecico would have reported a net other operating income of LE 1.5 million in 4Q 2018.

Lecico reported EBIT loss of LE 19.4 million in the fourth quarter 2018 compared to EBIT profit of LE 45.8 million in the same period last year.

Net financing expenses rose 19% year-on-year during the fourth quarter of 2018 to reach LE 51.7 million compared to LE 43.4 million in the same period in 2017, due to growth in debt and a higher proportion of local borrowing. Foreign exchange losses of LE 1.7 million in the quarter compared to LE 4.7 million gain in 4Q 2017 were also a factor.

Quarter-on-quarter net financing expenses decreased 8% (3Q 2018: LE 56.4 million) primarily due to the decrease in net debt by LE 132 million in the fourth quarter of 2018.

Lecico reported net tax charge of LE 15.3 million versus a tax charge of LE 4.7 million in the fourth quarter of 2017.

Lecico reported net loss LE 92.9 million in the fourth quarter compared to net profit LE 10.1 million in the same period last year.

FY 2018: LE 114.3 million net loss as high inflation and destock squeeze margins

Lecico revenues for the year 2018 increased by 12% year-on-year to LE 2,705.5 million (FY 2017: LE 2,406.5 million) on the back of higher revenue in all segments and the cumulative effect of prices increases done over the past twelve months raising the average prices in all segments.

Lecico's cost of goods sold rose 19% year-on-year to LE 2,235.1 million (FY 2017: LE 1,874.5 million) as a result of high inflation in Egypt. The cost of sales for sanitary ware was exceptionally reduced by LE 25.5 million in the fourth quarter due to the rebooking of gains from historic gas mispricing.

Gross profit decreased by 12% to reach LE 470.4 million (FY 2017: LE 531.9 million) and the Company's gross profit margin was down 4.7 percentage points to 17.4% (FY 2017: 22.1%) as the increases in pricing done failed to keep pace with inflation over the year.

In absolute terms, distribution and administration (D&A) expenses increased by 8% to LE 349.9 million (FY 2017: LE 323.7 million), but proportional D&A expenses were down by 0.5 percentage points to 12.9% of net sales compared to 13.4% in last year.

Lecico reported LE 30.2 million in net other operating income compared to net other operating expenses of LE 26.4 million in the last year primarily as result of LE 50.9 million in one-off gains from the sale of real estate in the second quarter.

Operating profit (EBIT) decreased 17% to reach LE 150.7 million (FY 2017: LE 181.9 million) and the Company's EBIT margin decreased 2 percentage points to 5.6% (FY 2017: 7.6%). Excluding the one-off gains of LE 76.5 million in the first half, Lecico would have reported an operating profit of LE 74.2 million for 2018 with a margin of 2.7%.

Financing expenses were increased 68% year-on-year during 2018 to reach LE 228.1 million compared to last year due to foreign exchange losses (LE 8.6 million loss versus LE 16.3 million gain in 2017) combined with higher borrowings and higher interest rates for the Egyptian Pound.

Lecico reported net tax charge of LE 39.3 million versus a tax charge of LE 14.2 million in last year.

Lecico reported net loss of LE 114.3 million compared to net profit of LE 37.2 million in the last year.

Excluding the one-off profit LE 25.5 million from historic gas mispricing in the first quarter and one-off capital gain LE 51 million from selling land in the second quarter, Lecico had a net loss of LE 190.9 million.

Segmental analysis

Sanitary ware

4Q: Sanitary ware sales volumes decreased by 1% (down 12,441 pieces). Export volumes grew 3% (up 23,715 pieces), while sales volumes in Egypt decreased 6% (down 23,084 pieces) and sales volumes in Lebanon decreased 35% (down 13,072 pieces).

Quarter-on-quarter total sales volumes decreased by 8% (down 108,134 pieces). Sales in Egypt decreased by 3% (down 13,356 pieces), export volumes decreased 9% (down 84,189 pieces) and sales in Lebanon decreased by 30% (down 10,589 pieces).

Average sanitary ware prices decreased by 6% year-on-year and quarter-on-quarter at LE 289.7 per piece (4Q 2017: LE 307.3 and 3Q 2018: LE 308.2) mostly due to a drop in export prices (approximately 6.5% lower year-on-year and quarter-on-quarter) as a result of the changing business mix and the sharp drop in the Sterling and Euro rates against the Dollar and Egyptian Pound during the quarter and as a result of removing the full year of Italian sales from the consolidation in the fourth quarter following the sale of the joint venture.

Revenues were down 7% year-on-year at LE 377.7 million (4Q 2017: LE 404.4 million).

Quarter-on-quarter revenues were down 13% (3Q 2018: LE 435.1 million). The proportional value of export sales volumes was down 0.8 percentage points quarter-on-quarter (3Q 2018: 68.5%).

Average cost of sales per piece rose 7% year-on-year at LE 230.9 per piece due to lower production (down 6%) and high inflation in Egypt and despite a LE 25.5 million exceptional reduction in cost. Quarter-on-quarter, the average cost of sales was down 7% (3Q 2018: LE 248 per piece).

The cost of sales for the quarter was reduced by LE 25.5 million due to the rebooking of gains from historic gas mispricing which were deducted from Other Operating Income (where they had been booked in 1Q 2018) and netted out against a reduced cost of sales.

Gross profit fell 36% to LE 76.7 (4Q 2017: LE 119.5) and the margin decreased by 9.2 percentage points to 20.3% (4Q 2017: 29.6%). Quarter-on-quarter gross profit decreased by 10% (3Q 2018: LE 85.1 million) and the margin decreased 0.7 percentage point (3Q 2018: 19.6%).

Sanitary ware segmental analysis	4Q		%	FY		%
	2018	2017	18/17	2018	2017	18/17
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	396	419	94%	1,728	1,825	95%
Lebanon (000 pcs)	24	37	65%	106	146	73%
Export (000 pcs)	883	860	103%	3,486	3,091	113%
Total sanitary ware volumes (000 pcs)	**1,303**	**1,316**	**99%**	**5,321**	**5,061**	**105%**
Exports/total sales volume (%)	67.8%	65.3%	2.4%	65.5%	61.1%	4.5%
Sanitary ware revenue (LE m)	**377.7**	**404.4**	**93%**	**1617.2**	**1497.3**	**108%**
Average selling price (LE/pc)	289.7	307.3	94%	303.9	295.8	103%
Average cost per piece (LE/pc)	230.9	216.5	107%	232.5	202.7	115%
Sanitary ware cost of sales	(301.0)	(284.9)	106%	(1236.9)	(1025.7)	121%
Sanitary ware gross profit	76.7	119.5	64%	380.3	471.6	81%
Sanitary ware gross profit margin (%)	20.3%	29.6%	(9.2%)	23.5%	31.5%	(8.0%)

FY: Sanitary ware sales volume increased by 5% to 5.3 million pieces (up 259,642 pieces). Export volumes grew by 13% (up 395,476 pieces), while sales volume in Egypt decreased 5% (down 96,399 pieces) and sales in Lebanon decreased by 27% (down 39,436 pieces).

Average sanitary ware prices were up 3% year-on-year to LE 303.9 per piece reflecting the cumulative effect of price increases over the last twelve months.

Revenues were up 8% year-on-year at LE 1,617.2 million. Exports represented 65.5% of volumes compared to 61.1% in 2017.

Average cost of sales rose 15% at LE 232.5 per piece due to lower production (down 8%) and high inflation in Egypt and despite an exceptional LE 25.5 million reduction in the cost of sales.

The cost of sales for sanitary ware was exceptionally reduced by LE 25.5 million in the fourth quarter due to the rebooking of gains from historic gas mispricing which were deducted from Other Operating Income (where they had been booked in 1Q 2018) and netted out against a reduced cost of sales.

Gross profit decreased 19% to LE 380.3 million (FY 2017: LE 471.6 million) and the margin fell 8 percentage points to 23.5% (FY 2017: 31.5%).

Tiles

4Q: Tile sales volumes increased 14% year-on-year (up 773,938 square meters) to reach 6.5 million square meters in the fourth quarter of 2018. Local volumes grew 22% (up 950,821 square meters), sales volumes in Lebanon increased 1% (up 1,158 square meters), while sales volumes in export decreased 14% (down 178,040 square meters).

Quarter-on-quarter sales volumes increased 12% (up 701,000 square meters). Local volumes grew 19% (up 819,000 square meters), while sales in export decreased 8% (down 100,000 square meters) and sales in Lebanon decreased 12% (down 18,000 square meters).

Average net prices rose 2% year-on-year to LE 38.7 per square meter reflecting the cumulative effect of price increases done in Egypt over the last twelve months offset by an increased proportion of sales in Egypt and an increased proportion of lower-priced project sales in Egypt.

Quarter-on-quarter average prices were down 5% (3Q 2018: LE 40.9).

Tiles revenues were up 16% year-on-year at LE 250.3 million in the fourth quarter of 2018 (4Q 2017: LE 216 million).

Quarter-on-quarter revenues were up 6% (3Q 2018: LE 235.8 million).

Average costs rose 4% year-on-year to reach LE 37.1 as efficiency gains and cost saving projects helped offset the high inflation in Egypt over the past twelve months.

Quarter-on-quarter average costs decreased by 4% (3Q 2018: LE 38.7 per square meter).

Gross profit was down 19% to LE 10.1 million (4Q 2017: LE 12.5 million) and the margin decreased by 1.8 percentage points to 4% (4Q 2017: 5.8%).

Quarter-on-quarter gross profit decreased 19% (3Q 2018: LE 12.5 million) and the margin fell 1.3 percentage points (3Q 2018: 5.3%) due to diseconomies of scale and cost inflation.

Tile segmental analysis	4Q		%	FY		%
	2018	2017	18/17	2018	2017	18/17
Tile volumes (000 sqm)						
Egypt (000 sqm)	5,225	4,274	122%	20,666	18,994	109%
Lebanon (000 sqm)	132	131	101%	478	558	86%
Export (000 sqm)	1,110	1,288	86%	4,611	3,618	127%
Total tile volumes (000 sqm)	**6,467**	**5,693**	**114%**	**25,755**	**23,171**	**111%**
Exports/total sales volume (%)	17.2%	22.6%	(5.5%)	17.9%	15.6%	2.3%
Tile revenue (LE m)	**250.3**	**216.0**	**116%**	**1002.4**	**830.7**	**121%**
Average selling price (LE/sqm)	38.7	37.9	102%	38.9	35.9	109%
Average cost per sqm (LE/sqm)	37.1	35.7	104%	36.6	34.7	105%
Tile cost of sales	(240.2)	(203.5)	118%	(941.4)	(803.0)	117%
Tile gross profit	10.1	12.5	81%	61.0	27.7	220%
Tile gross profit margin (%)	4.0%	5.8%	(1.8%)	6.1%	3.3%	2.8%

FY: Tile sales volumes increased by 11% year-on-year (up 2.6 million square meters) to reach 25.8 million square meters. Sales in Egypt increased by 9% (up 1.7 million square meters) and sales in export increased by 27% (up 992,937 square meters), while sales in Lebanon decreased by 14% (down 79,437 square meters).

Average net prices rose 9% at LE 38.9 per square meter reflecting the cumulative effect of price increases over twelve months and despite an increase in the proportion of lower priced project sales in Egypt year-on-year.

Tiles revenues were up 21% year-on-year at LE 1,002.4 million in 2018 (FY 2017: LE 830.7 million).

Average costs rose 5% year-on-year to reach LE 36.6 per square meter as efficiency gains and cost saving projects helped offset the high inflation in Egypt over the past twelve months.

Gross profit increased 120% to reach LE 61 million (FY 2017: LE 27.7 million) and the margin increased by 2.8 percentage points to 6.1% (FY 2017: 3.3%).

Brassware

4Q: Sales volumes for the fourth quarter 2018 increased by 35% to reach 35,100 pieces (4Q 2017: 26,070 pieces). Quarter-on-quarter sales volumes rose 47% (3Q 2018: 23,888 pieces).

Average net prices rose 2% to reach LE 807 per piece (4Q 2017: LE 792.1) with the changing mix obscuring some of the price increase done over the period. Quarter-on-quarter prices decreased by 5% (3Q 2018: LE 850.9).

Revenue for the quarter increased 37% year-on-year to reach LE 28.3 million (4Q 2017: LE 20.7 million). Quarter-on-quarter revenues increased by 39% (3Q 2018: LE 20.3 million). Brassware accounted for 4.3% of the quarter's revenues, compared to 3.2% in the same period last year.

Average cost per piece rose 17% to LE 511.1 per piece (4Q 2017: LE 437.9 per piece) reflecting changing mix and the impact of high inflation in Egypt. Quarter-on-quarter average cost per piece decreased by 3% (3Q 2018: LE 528.2 per piece).

Gross profit for the quarter increased 12% year-on-year to reach LE 10.4 million (4Q 2017: LE 9.2 million). but the gross margin was down 8 percentage points to 36.7%. Quarter-on-quarter gross profit increased by 35% (3Q 2018: LE 7.7 million) and the gross margin was down 1.3 percentage points (3Q 2018: 37.9%).

Brassware's percentage of consolidated gross profits increased to 10.7% of Lecico gross profits (4Q 2017: 6.5%). Quarter-on-quarter brassware's percentage of consolidated gross profits increased by 3.4 percentage point (3Q 2018: 7.3%).

Brassware segmental analysis	4Q		%	FY		%
	2018	2017	18/17	2018	2017	18/17
Brassware volumes (pcs)						
Egypt (pcs)	35,084	26,070	135%	106,371	108,471	98%
Export (pcs)	16	0	0%	1,940	160.00	1213%
Total brassware volumes (pcs)	**35,100**	**26,070**	**135%**	**108,311**	**108,631**	**100%**
Exports/total sales volume (%)	0.0%	0.0%	0.0%	1.8%	0.1%	1.6%
Brassware revenue (LE m)	**28.3**	**20.7**	**137%**	**86.0**	**78.5**	**110%**
Average selling price (LE/pc)	807.0	792.1	102%	793.6	722.5	110%
Average cost per piece (LE/pc)	511.1	437.9	117%	524.9	422.4	124%
Brassware cost of sales	(17.9)	(11.4)	157%	(56.9)	(45.9)	124%
Brassware ware gross profit	10.4	9.2	112%	29.1	32.6	89%
Brassware gross profit margin (%)	36.7%	44.7%	(8.0%)	33.9%	41.5%	(7.7%)

FY: Sales volumes for 2018 are flat year-on-year as at 108,000 pieces.

Revenues for the year increased 10% year-on-year to reach LE 86 million (FY 2017: LE 78.5 million).

Brassware's percentage of consolidated revenues 3.2%, while the percentage for last year was 3.3% of sales.

Average net prices rose 10% to reach LE 793.6 per piece (FY 2017: LE 722.5 per piece) due to product mix and price increases done over the last twelve months.

Average cost per piece rose 24% to LE 524.9 per piece (FY 2017: LE 422.4 per piece) reflecting changing mix and the effect of high inflation over the last year.

Gross profit decreased 11% to LE 29.1 million (FY 2017: LE 32.6 million) and the margin fell 7.7 percentage points to 33.9% (FY 2017: 41.5%).

Brassware's percentage of consolidated gross profits increased to 6.2% of Lecico gross profits (FY 2017: 6.1%).

Financial Position

The value of Lecico's assets decreased by 5% at the end of December 31, 2018 to reach LE 2,806.5 million (2017: LE 2,960.1 million) primarily as a result of decrease in cash, inventory and fixed assets during the year 2018.

Total liabilities were down 3% at LE 1,903.4 million (2017: LE 1,955.4 million) primarily as a result of decrease in overdrafts and loans during the year 2018.

Gross debt decreased 7% or LE 105 million to reach LE 1,352.1 million compared to LE 1,457.1 million at the end of 2017.

Net debt decreased 3% or LE 30.6 million to reach LE 1,165.2 million compared to LE 1,195.8 million at the end of 2017.

Net debt to equity increased by 9.1% to reach 1.32x compared to 1.21x at the end of 2017.

Working capital decreased 6% or LE 86.7 million to reach LE 1,336 million compared to LE 1,422.7 million at the end of 2017.

Recent developments and outlook

Outlook for 2019: While early trading for 2019 has been slow expectations are for improved sales in 2019. The Company is expecting to continue growing exports and also expects to see an improvement in domestic consumption in line with forecasts of improved GDP growth for Egypt. Lecico will be increasing prices over the course of the first half of the year.

Expectations are for continued cost pressure as inflation in Egypt – while lower year-on-year – will be affected by further subsidy reductions. Lecico may benefit from a reduction in interest rates but the speed and magnitude of this are hard to predict. The Company aims to offset inflation with increased production and cost saving initiatives but margins are likely to remain under pressure. Lecico is looking to continue to reduce inventories and customer payment terms to try and continue to stabilize or reduce debt as it did in 2018. The Company expects to move around 7% of its debt from local currency borrowing to lower-cost foreign currency over the course of the first half of 2019 which will help reduce finance costs.

Consequently, profitability in 2019 will likely remain under pressure from inflation and a lot depends on how large a price increase can be pushed through in Egypt during the year and how the Euro and Sterling perform against the Pound. The recent appreciation in the Egyptian Pound and strength of the dollar will put trading results under pressure.

Lecico Lebanon restructuring: In order to optimize its cost structure, improve cash flows and unlock asset values, Lecico has initiated a review of its Lebanese operation and is in the process of developing and implementing an overall strategic restructuring plan for its Lebanese subsidiary. The Lebanese business – faced with a shrinking market and increased competition – has found itself with negative results and cash flows over the past years and it has built up significant stocks of inventories and debt.

The restructuring plan in financial and operational areas envisages a significant reduction in production in Lebanon with plans to significantly reduce inventories over the coming years while moving the majority of production to Egypt. The Company is also doing a full market review to look for opportunities to grow market share in Lebanon over the coming years. In parallel, Lecico Lebanon is looking to sell significant real estate assets surplus to its operational needs in order to unlock cash. Current Lebanese market conditions may not be conducive for a quick sale of this land but some 28,000 sqm of land are now offered in the market for sale and the lands were appraised at a value of just over USD 30 million in late 2016.

The ultimate outcome of the restructuring plan cannot be estimated yet Management expects a positive outlook following its implementation. Management intends to present a more detailed view of this restructuring to investors in the coming months and to report on the progress of this restructuring on a quarterly basis in their Results Newsletter.

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).

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 a number of leading European brands.

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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.

Lecico Egypt consolidated income statement

Income statement	4Q		%	FY		%
(LE m)	2018	2017	18/17	2018	2017	18/17
Sales	**656.3**	**641.1**	**102%**	**2,705.5**	**2,406.5**	**112%**
Cost of sales	(559.1)	(499.8)	112%	(2,235.1)	(1,874.5)	119%
Gross profit	**97.2**	**141.3**	**69%**	**470.4**	**531.9**	**88%**
Gross margin (%)	14.8%	22.0%	(7.2%)	17.4%	22.1%	(4.7%)
Distribution expenses	(36.7)	(36.2)	101%	(157.3)	(146.6)	107%
Administrative expenses	(55.9)	(53.8)	104%	(192.7)	(177.0)	109%
Other Operating income	(19.7)	12.2	-	71.7	24.6	291%
Other Operating expenses	(4.3)	(17.7)	24%	(41.5)	(51.0)	81%
Operating profit (EBIT)	**(19.4)**	**45.8**	**-**	**150.7**	**181.9**	**83%**
Operating (EBIT) margin (%)	-	7.1%	-	5.6%	7.6%	(2.0%)
Investment revenues	0.0	(0.0)	-	5.1	6.4	80%
Finance income	1.2	6.4	18%	5.5	24.3	23%
Finance expense	(52.9)	(49.8)	106%	(233.6)	(160.5)	146%
(Loss) Profit before tax and minority (PBTM)	**(71.1)**	**2.4**	**-**	**(72.4)**	**52.1**	**-**
PBTM margin (%)	-	0.4%	-	-	2.2%	-
Income tax	(9.5)	2.4	-	(38.7)	(17.4)	222%
Deferred tax	(5.7)	2.4	-	(0.5)	3.2	-
Net (Loss) Profit after tax (NPAT)	**(86.3)**	**7.1**	**-**	**(111.7)**	**37.8**	**-**
NPAT margin (%)	-	1.1%	-	-	1.6%	-
Minority interest	(6.5)	2.9	-	(2.7)	(0.6)	438%
Net (Loss) Profit	**(92.9)**	**10.1**	**-**	**(114.3)**	**37.2**	**-**
Net profit margin (%)	-	1.6%	-	-	1.5%	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-18	31-Dec-17	18/17 (%)
Cash and short-term investments	186.9	261.3	72%
Inventory	1087.2	1133.8	96%
Receivables	765.1	744.3	103%
Related parties -debit balances	23.1	38.7	60%
Total current assets	**2,062.2**	**2,178.0**	**95%**
Net fixed assets	676.8	690.7	98%
Intangible assets	31.8	29.2	109%
Projects in progress	6.2	21.9	28%
Available for sale investments	13.4	13.2	101%
Long-term notes receivable	16.2	27.1	60%
Total non-current assets	**744.4**	**782.1**	**95%**
Total assets	**2,806.5**	**2,960.1**	**95%**
Banks overdraft	1332.0	1390.5	96%
Current portion of long-term liabilities	20.0	46.6	43%
Trade and notes payable	191.4	185.8	103%
Other current payable	324.9	269.6	121%
Related parties -credit balances	1.6	2.1	77%
Provisions	0.8	7.5	10%
Total current liabilities	**1,870.8**	**1,902.0**	**98%**
Long-term loans	0.0	20.0	0%
Provisions	9.3	10.6	88%
Deferred tax	23.4	22.8	103%
Total non-current liabilities	**32.7**	**53.4**	**61%**
Total liabilities	**1,903.4**	**1,955.4**	**97%**
Minority interest	**22.8**	**18.7**	**122%**
Issued capital	400.0	400.0	100%
Treasury stock	0.0	(48.2)	0%
Reserves	573.4	558.5	103%
Retained earnings	21.3	38.5	55%
Net (Loss) Profit for the period/year	(114.3)	37.2	-
Total equity	**880.4**	**986.1**	**89%**
Total equity, minorities and liabilities	**2,806.5**	**2,960.1**	**95%**

Lecico Egypt consolidated cash flow

Cash flow statement	FY		%
(LE m)	2018	2017	18/17
Cash Flow from operating activities			
Net (Loss) profit for the year	(114.3)	37.2	-
Depreciation and translation adjustment	109.0	101.1	108%
Intangible assets amortization and translation adjustment	(2.5)	(0.6)	427%
Income tax expense	38.7	17.4	222%
Income tax paid	(19.2)	(13.0)	148%
Deferred income tax	0.6	(3.0)	-
Prepaid rent expense	0.0	0.2	0%
Capital gains	(51.2)	1.3	-
Provided provisions and translation adjustment	33.2	31.9	104%
Reversal of expired provision	(0.1)	(7.9)	1%
Employee share in net profit	50.4	35.9	140%
Increase (Decrease) in minority interest	4.1	13.4	30%
Increase (Decrease) in translation reserve	8.6	1.8	473%
(Increase) Decrease in Inventory	46.5	(237.7)	-
(Increase) Decrease in Receivables	(6.1)	(21.9)	28%
Increase (Decrease) in Payables	26.2	31.2	84%
Utilized Provisions	(40.1)	(46.5)	86%
Increase (Decrease) in Other Long Term Liabilities	0.0	0.0	-
Difference result from discounting of long term notes receivables	(3.8)	2.3	-
Net cash from operating activities	**80.7**	**(56.7)**	**-**
Cash flow from investing activities			
Additions to fixed assets and projects	(90.1)	(114.2)	79%
Intangible assets	(0.71)	(0.01)	-
Net change in available for sale investments	(0.1)	0.4	-
Proceeds from sales of fixed assets	61.8	2.0	3037%
Increase (Decrease) in long-term notes receivable	14.8	(4.9)	-
Net cash from investing activities	**(14.3)**	**(116.6)**	**12%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(20.0)	(47.3)	42%
Increase (Decrease) in current portion of long term liabilities	(26.6)	(0.7)	3618%
(Increase) Decrease in treasury stock	0.0	(48.2)	0%
Employees Dividends paid	(35.7)	(32.6)	110%
Net cash from financing activities	**(82.3)**	**(128.9)**	**64%**
Net change in cash & cash equivalent during the year	**(16.0)**	**(302.2)**	**5%**
Net cash and cash equivalent at beginning of the year	(1,129.2)	(827.0)	137%
Net cash and cash equivalent at the end of the year	**(1,145.2)**	**(1,129.2)**	**101%**