



First Quarter 2020 Results

Alexandria, 14th May 2020 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for the first quarter 2020.

Highlights

1Q 2020

- Lecico revenue down 22% to LE 496.5 million (61.5% from sanitary ware).
- Sanitary ware revenue down 18% to LE 305.5 million, volumes down 16% to 0.9 million pieces (70.1% exports).
- Tile revenue down 29% to LE 175.2 million, volumes down 27% to 4.4 million square meters (27% exports).
- Brassware revenue down 20% to LE 15.9 million, sales volume down 23% to 18,288 pieces.
- EBIT loss of LE 28.2 million compared to profit LE 34.4 million in 1Q 2019.
- Net loss of LE 72.1 million compared to net loss of LE 28.1 million in 1Q 2019.

Lecico Egypt Chairman, Gilbert Gargour, commented “While this newsletter looks at our first quarter performance, our business is in the midst of significant disruption as the Corona virus has impacted our markets and our business.

“While most of Lecico’s markets remain trading, our key Middle Eastern markets (Libya, Jordan, Lebanon) are on lockdown with no trading since mid-March. In Europe we continue to trade in our key markets but demand is falling and many of our markets are trading at 20-50% of the level seen in previous months. Assuming no major change in policies here or abroad, Lecico will likely face an extended shuttering of part or all of commercial activity in most of its main markets that will likely continue for months ahead.

“Lecico is continuing to operate as much as possible within these changing parameters to protect all stakeholders, including supporting our customers’ and suppliers’ businesses and ensuring Lecico’s continuity commercially and financially during and after the COVID-19 pandemic.

“We are scaling back production accordingly, with extended closure of kilns to save energy; and reduced purchases and delayed payments to try and limit cash out to suppliers. As a result of reduced production, Lecico is putting staff at home on holiday while continuing to pay their basic salaries.

“Of course, Lecico is committed to implementing the best practices possible to limit the risk from the virus. Lecico had already put in place health and safety policies to protect employees and limit the risk of the spread of the virus. These measures include regular disinfecting of all our

factories and offices; issuing all employees with individual hand sanitizers and masks; temperature screening at all office and factory gates; sick leave for self-isolation for any staff with symptoms of flu or cold; and reduced staff numbers on all sites.

“Despite this, Lecico – with 6,500 employees across five manufacturing facilities in Egypt – has had confirmed cases of COVID-19 among its staff. We have worked closely with the Ministry of Health’s contact tracing teams to take the necessary actions to limit the risk of these cases for the rest of our staff. This has meant that two of our factories have been temporarily closed with staff isolated in the last month. One of these factories has already reopened. I have been extremely comforted by the thoroughness and coordination shown by the government in dealing with these cases.

“I am confident Lecico will survive the disruption caused by the Corona virus even if it stretches into the coming year, but it will involve additional debt to finance whatever fixed costs we are left with and the diseconomies of scale associated with scaling back production. It is fortunate that we have had a cut in interest rates in Lebanon and Egypt and the sale of land in Lebanon has significantly reduced our debt position going into this new crisis.

“I believe that the impact of the virus will also open more opportunity for Lecico in the coming year as production assets that have been closed in Europe may not all return to production and those who have sourced significant product from Asia will look to diversify their risk.

Taher Gargour, Lecico Egypt CEO, added, “While we are struggling to envision how Corona virus will affect our business and our numbers in the coming quarters, it is worth looking at our performance in the first quarter.

“The most important event in the quarter was the sale of 22.4k sqm of lands in Lebanon for USD 13.5 million in March. The funds from the sale of the land will allow us reduce our net debt by about 18%. The reduction in debt will reduce our interest expense bill by around LE 15 million per annum.

“We have already received USD 10 million in the quarter and you can see that in the drop in our debt which is now at its lowest level since year-end 2016. Lecico Lebanon still has a plot of 6.6k square meters for sale and Lecico Egypt has a plot of 20k square meters for sale. We will continue to look for the right opportunity to unload the remaining excess lands we hold.”

“Operationally, the first quarter was encouraging despite the impact of corona virus on sales in March. Sales in the quarter reached a record low as the quarter-on-quarter growth in the first two months of the year were offset by the drop in sales in March.

“Despite these low sales, we reported our highest gross margin and our lowest operating loss in three quarters and significantly reduced our losses compared to 4Q19. This improvement came primarily from the tiles segment.

“Our tile segment benefitted from the restructuring of our production, which reduced capacity to 20 million square meters per annum while improving both labour productivity and energy use per square meter on the reduced footprint. We also benefitted from a reduction in natural gas prices to tile manufacturers in October 2019, which we calculate will reduce the cost of our tiles by about 5%.”

“Reduced interest rates in Egypt and Lebanon and the continued reduction of our net debt position also meant we reported our lowest quarterly net financial expense in over two years.

“Our working capital also improved in the quarter and the Company was marginally cash flow positive even excluding the proceeds of the real estate sales in March.

“It is encouraging to see our work in restructuring Lebanon, our tiles operations and our working capital was bearing fruit in the quarter. Unfortunately, the impact of Corona virus on our markets and our manufacturing sites will likely see a deterioration in numbers quarter-on-quarter in 2Q20 and beyond.

“We have some support from the Egyptian government who cut interest rates by 300 basis points, reduced energy prices by about 10% and are offering some loans at 8% to industry. We are taking advantage of all available support to help us absorb the impact of this sharp slowdown in activity on our P&L and balance sheet.

“It is hard to know what the impact of the virus will be on operations in the months ahead, taken but given the uncertainty of the pace of recovery, the need to maintain a certain minimum of cost to protect the business and the balance required to manage working capital, it is hard to imagine we will not take on extra debt despite the support from the government. Currently our business has ample unused banking facilities to more than cover any increase in debt as we weather this crisis.

“As a management, our goal is to continue to offer best service to our customers, maintain our position in our markets – however limited those markets may be – while managing costs as best as possible and continuing to focus on tight cash control and working capital management in order to minimize our need for capital as we navigate this period. A lot of our success in this is dependent on external factors, but rest assured that the entire Lecico management team will continue to work towards the best possible result despite these challenges.”

Lecico Revenue and Profitability

Profit and loss statement highlights			
(LE m)	1Q		%
	2020	2019	20/19
Sanitary ware	305.5	370.9	82%
Tiles	175.2	246.4	71%
Brassware	15.9	19.8	80%
Sales	496.5	637.1	78%
Sanitary ware/sales (%)	61.5%	58.2%	3.3%
Cost of sales	(439.4)	(512.2)	86%
Cost of sales/sales (%)	(88.5%)	(80.4%)	8.1%
Gross profit	57.1	124.9	46%
Gross profit margin (%)	11.5%	19.6%	(8.1%)
Distribution and administration (D&A)	(72.9)	(84.4)	86%
D&A/sales (%)	(14.7%)	(13.2%)	1.4%
Net other operating income/ (expense)	(12.4)	(6.1)	203%
Net other operating income/ (expense) sales (%)	(2.5%)	(1.0%)	1.5%
EBIT	(28.2)	34.4	-
EBIT margin (%)	-	5.4%	-
Net profit (loss)	(72.1)	(28.1)	257%
Net profit margin (%)	-	-	-

1Q 2020: Drop in sales and production squeeze margins and drives operating loss

Lecico reported a drop in sales year-on-year in all segments driving an operating and net loss despite lower overheads and finance expenses. In both segments demand in the local market fell sharply and the Company was obliged to cut production accordingly to manage cash and working capital.

Sales volumes were down year-on-year in export and local markets from the start of the year with an accelerated drop in March as measures to combat the corona virus saw many of our export markets stop entirely or slow dramatically.

Lecico revenues for the first quarter decreased by 22% year-on-year to reach LE 496.5 million (1Q 2019: LE 637.1 million) with lower revenues in all segments. Local revenues fell 15% year-on-year to reach LE 224.8 million (1Q 2019: LE 265.2 million) and export revenues fell 27% year-on-year to reach LE 271.7 million (1Q 2019: LE 371.9 million).

Quarter-on-Quarter revenues decreased by 5% (4Q 2019: LE 522.3 million) with sales marginally higher than 4Q19 until March as measures to combat the corona virus saw many of our export markets stop entirely or slow dramatically. Local revenues rose 6% quarter-on-quarter to reach LE 224.8 million (4Q 2019: LE 212 million) but export revenues fell 12% quarter-on-quarter to reach LE 271.7 million (4Q 2019: LE 310.3 million).

Lecico's cost of goods sold fell by 14% year-on-year to LE 439.4 million (1Q 2019: LE 512.2 million) as a result of reduced gas prices for the tiles segment and reduced production.

Lecico's gross profit for the first quarter decreased 54% year-on-year to LE 57.1 million (1Q 2019: LE 124.9 million). Lecico's gross profit margin decreased 8.1 percentage points to 11.5% compared to 19.6% in the same period last year. The drop in gross margins came primarily from sanitary ware as a result of the reduction in production and the squeeze on export values.

Quarter-on-quarter gross profit increased by 281% (4Q 2019: LE 15 million) and Lecico's gross margin increased 8.6 percentage points (4Q 2019: 2.9%). Quarter-on-quarter the increase in gross margins came from sanitary ware and tile margins as a result of better average pricing and – in tiles - better economies of scale from higher production, economies of scale from restructuring production capacity, and the reduction in gas prices.

In absolute terms, distribution and administration (D&A) expenses decreased by 14% to LE 72.9 million (1Q 2019: LE 84.4 million), but proportional D&A expenses were up by 1.4 percentage points to 14.7% (1Q 2019: 13.2%).

Quarter-on-quarter distribution and administration (D&A) expenses decreased by 8% to LE 72.9 million (4Q 2019: LE 79.5 million), but proportional D&A expenses were up by 0.5 percentage points (4Q 2019: 15.2%).

Lecico reported an EBIT loss of LE 28.2 million for the quarter compared to an EBIT profit of LE 34.4 million in 1Q 2019.

Quarter-on-quarter Lecico's EBIT loss was reduced by 51% (4Q 2019: LE 57 million EBIT loss) due to improved gross margins in tiles and sanitary ware.

Net financing expenses were down 22% year-on-year to reach LE 40 million (1Q 19: LE 51.1 million), due to the reduction in interest rates and reduction in net debt value. Central Bank interest rates on the Egyptian Pound have fallen 6 percentage points year-on-year from 16.25% at the end of 1Q 2019 to 10.25% at the end of this quarter. Lecico's net debt was down 19.4% year-on-year from LE 1,189 million at the end of 1Q 2019 to LE 958 million at the end of this quarter.

Quarter-on-quarter net financing expenses decreased 3% (4Q 2019: LE 41.2 million) as both interest rates and debt value improved quarter-on-quarter.

Lecico reported net loss of LE 72.1 million in the first quarter, an increase of 157% compared to a net loss LE 28.1 million in the same period last year. Quarter-on-quarter, Lecico's net loss reduced 24% from a loss of LE 95.3 million in 4Q 2019.

Segmental analysis

Sanitary ware

1Q: Sanitary ware sales volumes decreased by 16% (down 184,669 pieces). Local volumes decreased by 31% (down 115,963 pieces), export sales volumes decreased by 11% (down 87,519 pieces), but sales volumes in Lebanon increased by 93% (up 18,814 pieces). The drop in local sales reflects the continued demand weakness seen over the course of 2019. The drop in exports came primarily from lower average prices as a result of a stronger Egyptian Pound as well as a slowdown in volumes in March. Sales in Lebanon as Lecico gained market share through offers.

Quarter-on-quarter total sales volumes decreased by 9% (down 103,193 pieces). Sales in Egypt decreased 6% (down 16,420 pieces) and export volumes decreased 14% (down 116,301 pieces), but sales in Lebanon increased by 313% (up 29,529 pieces).

Average sanitary ware prices decreased by 2% year-on-year at LE 309.8 per piece (1Q 2019: LE 316.8) as a result of a shift in export mix to Middle Eastern markets and due to the drop in average prices in export as a result of the stronger Egyptian pound. Quarter-on-quarter average prices were up 10% (4Q 2019: LE 281.8).

Revenues were down 18% year-on-year at LE 305.5 million (1Q 2019: LE 370.9 million). Quarter-on-quarter revenues were down 0.5% (4Q 2019: LE 306.9 million) due to the slow down in sales in March.

Average cost of sales per piece rose 15% year-on-year at LE 280.1 per piece primarily as a result of the reduction in production. Production was down 32% year-on-year. Quarter-on-quarter, the average cost of sales was up 1% (4Q 2019: LE 276.4 per piece) and production was marginally lower.

Gross profit fell 65% to LE 29.3 million (1Q 2019: LE 84.6 million) and the margin decreased by 13.2 percentage points to 9.6% (1Q 2019: 22.8%). Quarter-on-quarter gross profit increased 397% (4Q 2019: LE 5.9 million) and the margin increased 7.7 percentage point (4Q 2019: 1.9%).

Sanitary ware segmental analysis

	1Q		%
	2020	2019	
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	256	372	69%
Lebanon (000 pcs)	39	20	193%
Export (000 pcs)	691	779	89%
Total sanitary ware volumes (000 pcs)	986	1,171	84%
Exports/total sales volume (%)	70.1%	66.5%	3.6%
Sanitary ware revenue (LE m)	305.5	370.9	82%
Average selling price (LE/pc)	309.8	316.8	98%
Average cost per piece (LE/pc)	280.1	244.6	115%
Sanitary ware cost of sales	(276.1)	(286.3)	96%
Sanitary ware gross profit	29.3	84.6	35%
Sanitary ware gross profit margin (%)	9.6%	22.8%	(13.2%)

Tiles

1Q: Tile sales volumes decreased 27% year-on-year (down 1.6 million square meters) to reach 4.4 million square meters. Local volumes decreased 22% (down 0.9 million square meters), export sales volumes decreased 36% (down 659,369 square meters) and Lebanon sales decreased 57% (down 63,922 square meters).

Quarter-on-quarter sales volumes decreased 11% (down 537,353 square meters). Local volumes increased by 6% (up 165,208 million square meters), but export volumes decreased 33% (down 576,709 square meters) and Lebanon volumes decreased 72% (down 125,852 square meters).

Average net prices decreased 3% year-on-year to LE 39.9 per square meter with an increased mix of export sales and price increases in Egypt were offset by added promotions in Egypt and combined with the strengthening of the Egyptian pound against all export currencies. Quarter-on-quarter average prices were up 1% (4Q 2019: LE 39.6).

Tiles revenues were down 29% year-on-year at LE 175.2 million (1Q 2019: LE 246.4 million). Quarter-on-quarter revenues were down 10% (4Q 2019: LE 194.9 million).

Average costs of sales decreased by 4% year-on-year to reach LE 34.2 per square meter (1Q 2019: LE 35.5). Cheaper gas for tiles, cost cutting measures in Egypt and the impact of a strengthening currency on fx-based costs helped offset the diseconomies of scale of 26% lower production compared to the same period in 2019.

Quarter-on-quarter average costs decreased by 12% (4Q 2019: LE 38.8 per square meter) as a result of lower gas prices enacted in October 2019, tile capacity restructuring and a 16% increase in production.

Gross profit for the quarter decreased by 24% year-on-year to reach LE 25.2 million (1Q 2019: LE 33.3 million) and the gross margin was flat at 14%.

Quarter-on-quarter gross profit increased by 514% (4Q 2019: LE 4.1 million) and the gross margin increased 12 percentage points (4Q 2019: 2%).

Tile segmental analysis	1Q		%
	2020	2019	
Tile volumes (000 sqm)			
Egypt (000 sqm)	3,153	4,055	78%
Lebanon (000 sqm)	48	112	43%
Export (000 sqm)	1,184	1,844	64%
Total tile volumes (000 sqm)	4,386	6,011	73%
Exports/total sales volume (%)	27.0%	30.7%	(3.7%)
Tile revenue (LE m)	175.2	246.4	71%
Average selling price (LE/sqm)	39.9	41.0	97%
Average cost per sqm (LE/sqm)	34.2	35.5	96%
Tile cost of sales	(150.0)	(213.1)	70%
Tile gross profit	25.2	33.3	76%
Tile gross profit margin (%)	14.4%	13.5%	0.9%

Brassware

1Q: Sales volumes for the first quarter 2020 decreased by 23% to reach 18,288 pieces (1Q 2019: 23,635 pieces).

Quarter-on-quarter sales volumes decreased by 14% (4Q 2019: 21,302 pieces).

Average net prices rose 4% to reach LE 868.2 per piece (1Q 2019: LE 838.3).

Quarter-on-quarter prices decreased by 10% (4Q 2019: LE 962.8).

Revenue for the quarter decreased 20% year-on-year to reach LE 15.9 million (1Q 2019: LE 19.8 million). Brassware accounted for 3.2% of the quarter's revenues, compared to 3.1% in the same period last year. Quarter-on-quarter revenues decreased by 23% (4Q 2019: LE 20.5 million).

Average cost per piece increased 34% to LE 724.9 per piece (1Q 2019: LE 539.8 per piece) reflecting changing mix. Quarter-on-quarter average cost per piece decreased 0.3% (4Q 2019: LE 727.3 per piece).

Gross profit for the quarter decreased by 63% year-on-year to reach LE 2.6 million (1Q 2019: LE 7.1 million) and the gross margin decreased 19.1 percentage points to 16.5% (1Q 2019: 35.6%).

Brassware accounted for 4.6% of the quarter's gross profits compared to 5.6% in the same period last year.

Quarter-on-quarter gross profit decreased by 48% (4Q 2019: LE 5 million) and the gross margin decreased 7.9 percentage points (4Q 2019: 24.5%). Brassware accounted for 33% of gross profits in 4Q 2019.

Brassware segmental analysis

	1Q		%
	2020	2019	
Brassware volumes (pcs)			
Egypt (pcs)	18,288	23,630	77%
Export (pcs)	0	5	0%
Total brassware volumes (pcs)	18,288	23,635	77%
Exports/total sales volume (%)	0.0%	0.0%	(0.0%)
Brassware revenue (LE m)	15.9	19.8	80%
Average selling price (LE/pc)	868.2	838.3	104%
Average cost per piece (LE/pc)	724.9	539.8	134%
Brassware cost of sales	(13.3)	(12.8)	104%
Brassware ware gross profit	2.6	7.1	37%
Brassware gross profit margin (%)	16.5%	35.6%	(19.1%)

Financial Position

The value of Lecico's non-current assets decreased by 15% at the end of March 31, 2020 to reach LE 2,019.4 million (2019: LE 2,385.1 million) reflecting both the sale of land in Lebanon and a revaluation of the remaining land in Lebanon to reflect the impact of the country's economic crisis on asset values.

The value of Lecico's current assets increased by 7% at the end of March 31, 2020 to reach LE 1,876.8 million (2019: LE 1,748.9 million) primarily as a result of increase in cash, and receivables during the first quarter of 2020. The increase in receivables reflects the remaining USD 3.5 million still to be collected from the sale of land in Lebanon.

Total liabilities decreased by 2% at LE 1,814.5 million (2019: LE 1,848.7 million) primarily as a result of the decrease in loans during the first quarter of 2020 due to the cash received from the sale of land in Lebanon and cash generated from operations.

Gross debt decreased 5% or LE 69.2 million to reach LE 1,192 million compared to LE 1,261.2 million at the end of 2019.

Net debt decreased 15% or LE 174.2 million to reach LE 958.1 million compared to LE 1,132.3 million at the end of 2019.

Net debt to equity decreased by 7.8% to reach 0.47x compared to 0.51x at the end of 2019.

Working capital decreased 1% or LE 10.2 million to reach LE 1,041.4 million compared to LE 1,051.6 million at the end of 2019 as a result of a reduction in inventories and trade receivables.

Recent developments and outlook

Outlook for 2Q and the rest of 2020: The global impact of the Corona virus has completely disrupted what was already a challenging year. The response to the virus is impacting our manufacturing capability and demand for our products as Egypt and most of Lecico's markets around the world have implemented safety measures that limit activity in dramatic ways.

While most of Lecico's markets remain trading, we are seeing business shrink rapidly. After a start to the year with marginal growth on the previous quarter, sales in March fell to record lows as the Corona virus started to affect our markets in the second half of the month. Local market sales held up reasonably well in March down only 4% on the average of 4Q19, while exports fell 23% as most European and Middle Eastern markets began shutting down to different degrees.

Preliminary data suggests that in April and May, the drop in export sales is accelerating and likely to be less than 50% of the levels seen 4Q19. Local sales remain fairly unaffected by the virus perhaps partly due to the Egyptian government decision to not fully lock down its citizens.

Sales for 2Q20 are expected to reach record lows. It is early days and the picture is still evolving. It is impossible at this time to estimate how sales will look for the remainder of the year.

We believe this is will be a temporary but substantial drop in demand. This period will be measured in months not weeks.

Lecico is scaling back production accordingly with (1) extended (2 months or more) closure of some kilns to save energy; (2) reductions in payroll expense as staff are temporarily furloughed; (3) reduced purchases and delayed payments to try and limit cash out to suppliers.

Further cost cutting measures may be put in place as we how demand develops and we see how other businesses in Egypt react and what government support is available to share in the costs of reduced activity. The government in Egypt has already cut interest rates by a ¼ or 3 percentage points and reduced natural gas by about 15% (to USD 4.5/mbtu) and electricity by about 10%.

At the same time, safety measures put in place to minimize the risk to our staff will add to our costs of operations. Lecico has enacted safety measures including training all employees in best practices for health and safety; issuing all employees with individual hand sanitizers and masks; installing temperature screening at all office and factory gates; sick leave for self-isolation for any staff with symptoms of flu or cold; 40% of administration working remotely; social distancing in the offices; meetings done electronically; and minimal workforce on site to maintain best possible social distancing in production.

Similarly, the Egyptian Government is pursuing an active contact tracing and quarantine/self-isolation approach to any identified Corona virus cases, which has led to the unexpected temporary shutdown of parts of our production which also adds to our costs.

Consequently, while Lecico aims to reduce absolute costs to try and offset the drop in sales we will still face lower production and diseconomies of scale, so the rest of the year will likely see higher unit costs and lower margins.

Stock did build up in March and April too as sales dropped market by market, and this will add to our working capital at least in the short **term**.

While Lecico is confident it can weather the impact of Corona virus on its markets and operations, this will involve additional debt to finance whatever fixed costs we are left with and the diseconomies of scale associated with scaling back production. It is fortunate that the Company is benefitting from the cut in interest rates in Lebanon and Egypt and that its debt position was significantly improved by the sale of land in Lebanon in March.

Lecico Lebanon restructuring update: The recent political and economic crisis in Lebanon has been exacerbated by an extended lockdown to deal with the Corona Virus. This makes it quite difficult to predict how the market and Lecico's business there will look in the coming year.

However, in some respects this crisis has been in the benefit of Lecico Lebanon, allowing us to sell USD 13.5 million worth of real estate and gain market share in sales, both of which may not have happened without capital controls and fears about the stability of the Lebanese Lira and savings in the banks in Lebanon.

As a result, Lecico Lebanon is expected to be virtually debt free after collecting the remaining USD 3.5 million of the land sale in the coming months. In 2019, finance expense in Lebanon accounted for LE 35 million of the group losses and impacted cash flows accordingly.

In 2020, in light of the ongoing economic crisis in Lebanon, Lecico is further reducing staff and switching a large number of staff to part time work to limit cash expenses. The Company is also adjusting prices and payment terms with the market to offset the weakness of the Lebanese Lira and the lack of liquidity in the market.

Despite an expectation of weaker sales year-on-year, the improved cost structure in the business and the drop in finance expense were expected to make the subsidiary cashflow positive in 2020 with only limited losses.

However, any forecast of Lecico's Lebanese business, in light of the economic and political uncertainty in the country, is subject to extreme variation. As the situation stabilizes Lecico Lebanon may need to change its business restructuring plan to adjust to any new market realities. Lecico Lebanon will do its best to be flexible and adaptive to the current environment to avoid as much as possible the risks these changes raise and too get best benefit out of the opportunities it presents.

Management intends to continue to update investors on the progress of restructuring on a quarterly basis in the Results Newsletter.

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 (LE m)	1Q		%
	2020	2019	
Sales	496.5	637.1	78%
Cost of sales	(439.4)	(512.2)	86%
Gross profit	57.1	124.9	46%
Gross margin (%)	11.5%	19.6%	(8.1%)
Distribution expenses	(32.0)	(39.8)	80%
Administrative expenses	(40.9)	(44.6)	92%
Other Operating income	2.8	4.0	69%
Other Operating expenses	(15.2)	(10.1)	150%
Operating profit (EBIT)	(28.2)	34.4	-
Operating (EBIT) margin (%)	-	5.4%	-
Investment revenues	0.0	2.5	-
Finance income	0.8	1.0	74%
Finance expense	(40.7)	(52.1)	78%
Loss before tax and minority (PBTM)	(68.2)	(14.1)	483%
PBTM margin (%)	-	-	-
Income tax	(5.1)	(13.4)	38%
Deferred tax	(0.2)	(0.3)	52%
Net Loss after tax (NPAT)	(73.4)	(27.8)	264%
NPAT margin (%)	-	-	-
Minority interest	1.4	(0.2)	-
Net Loss	(72.1)	(28.1)	257%
Net profit margin (%)	-	-	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-20	31-Dec-19	20/19 (%)
Cash	231.6	129.0	180%
Inventory	927.5	945.0	98%
Receivables	693.8	655.5	106%
Related parties -debit balances	23.8	19.4	123%
Total current assets	1,876.8	1,748.9	107%
Net fixed assets	1,954.2	2,318.3	84%
Intangible assets	26.0	29.5	88%
Projects in progress	10.9	4.0	273%
Available for sale investments	5.9	12.0	49%
Long-term notes receivable	22.5	21.3	105%
Total non-current assets	2,019.4	2,385.1	85%
Total assets	3,896.2	4,134.0	94%
Banks overdraft	1,123.5	1,186.2	95%
Current portion of long-term liabilities	21.3	22.1	96%
Trade and notes payable	181.5	174.9	104%
Other current payable	398.5	374.1	107%
Related parties -credit balances	3.1	2.7	115%
Provisions	4.0	0.6	683%
Total current liabilities	1,731.8	1,760.5	98%
Long-term loans	47.3	52.9	89%
Other long-term liabilities	3.8	3.8	100%
Provisions	8.4	8.5	99%
Deferred tax	23.3	23.0	101%
Total non-current liabilities	82.7	88.2	94%
Total liabilities	1,814.5	1,848.7	98%
Minority interest	28.4	46.9	61%
Issued capital	400.0	400.0	100%
Reserves	1,815.4	2,117.2	86%
Retained earnings	(90.1)	19.5	-463%
Net Loss for the period/year	(72.1)	(298.3)	24%
Total equity	2,053.3	2,238.4	92%
Total equity, minorities and liabilities	3,896.2	4,134.0	94%

Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	1Q		%
	2020	2019	20/19
Cash Flow from operating activities			
Net Loss for the period before tax and minority	(68.2)	(14.1)	483%
Fixed assets depreciation	27.2	30.1	91%
Intangible assets amortization	0.2	0.4	41%
Income tax paid	(3.5)	(5.8)	60%
Capital gains	(0.04)	0.0	-
Loss of selling other investment	1.1	0.0	-
Impairment of intangible assets	2.4	0.0	-
Provided provisions	8.5	0.6	1488%
Impairment of inventory	(0.0)	(0.01)	50%
Employee share in net profit	15.3	14.3	107%
Increase (Decrease) in translation reserve	4.4	7.7	57%
(Increase) Decrease in Inventory	17.2	(46.4)	-
(Increase) Decrease in Receivables	10.7	19.5	55%
Increase (Decrease) in Payables	10.7	(2.5)	-
Utilized Provisions	(5.1)	(4.7)	109%
Difference result from discounting of long term notes receivables	(0.6)	0.5	-
Net cash from operating activities	20.2	(0.3)	-
Cash flow from investing activities			
Additions to fixed assets and projects	(11.1)	(23.4)	47%
Intangible assets	0.0	(0.4)	-
Net change in available for sale investments	4.9	0.4	1124%
Proceeds from sales of fixed assets	158.3	0.0	-
Increase (Decrease) in long-term notes receivable	(0.5)	(0.6)	79%
Net cash from investing activities	151.6	(23.9)	-
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(6.0)	88.5	-
Payment for leased assets	(0.5)	0.0	-
Net cash from financing activities	(6.6)	88.5	-
Net change in cash & cash equivalent during the period	165.3	64.2	257%
Net cash and cash equivalent at beginning of the period	(1,057.2)	(1,145.2)	92%
Net cash and cash equivalent at the end of the period	(891.9)	(1,080.9)	83%