



Second Quarter 2016 Results

Net loss of LE 39.1 million despite improvement over the first quarter operating results

Alexandria, 14th August 2016 – Lecico Egypt announced consolidated results for the second quarter of 2016. Revenue fell 12% to LE 346.6 million. The Company reported an Operating (EBIT) loss of LE 10.2 million (-2.9% margin) compared to a profit of LE 27.4 million due in 2Q 2015. Lecico reported a net loss of LE 39.1 million (-11.3% margin) compared to a profit of LE 3.9 million in the same period last year.

For the first six months, revenue fell 8% year-on-year at LE 665.6 million. The company reported an Operating (EBIT) loss of LE 29.0 million (-4.4% margin) compared to a profit of LE 50.2 million due in 1H 2015. Lecico reported a net loss of LE 80.4 million (-12.1% margin) compared to a profit of LE 6.1 million in the same period last year.

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented “The second quarter shows some improvement from the first quarter and our lowest point in the fourth quarter of last year. However, the significant loss in the quarter is still unsatisfactory.

“We continue to face an extremely challenging operating environment: weakening demand; overcapacity and price competition in the tiles segment; a significant increase in the cost of energy; compounded by increased pressure on the currency and a significant increase in interest rates constricting spending and investment.

“Despite these challenges, we can see continued improvement in performance and reduction in our losses quarter-on-quarter. This is due to the work on improving our market share in Egypt: reorganizing and strengthening our sales force; introducing new product lines in tile; introducing new distributors; and directly incentivizing traders.

“We are confident that we have a strategy to improve our relative position and performance. We will continue to improve and adapt our strategy and tactics with the support of our Lecico family of management, staff and distribution.”

Taher Gargour, Lecico Egypt MD, added, “In addition to the initiatives to boost our market share –we have also been working on cutting costs and working on inventory reduction and cash collection. We can see some success from this strategy: inventories are down from the start of the year and we have been able to reduce working capital this quarter. In terms of cost cutting, our gross margins for the first half have improved and we continue to reduce our operating losses quarter-on-quarter.

“On all fronts we will continue to take decisive action. Although the near term will remain challenging, I am confident this will leave us stronger as a company and help us best utilize our significant advantages and strengths.”

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 and Lebanon, with over 45 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

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