



## Third Quarter 2014 Results

Increased energy costs and slow Middle Eastern markets drive down margins and reduce net profit 70% year-on-year to LE 5.3 million.

**Alexandria, 12<sup>th</sup> November 2014** – Lecico Egypt announced consolidated results for the third quarter of 2014. Revenue was up 9% year-on-year at LE 411.2 million. Operating profit (EBIT) fell 33% to LE 39.4 million (margin down 6.1 percentage points to 9.6%) on the back of higher energy costs. Net profit fell 70% to LE 5.3 million (margin down 3.3 percentage points to 1.3%).

For the first nine months, revenue was up 10% year-on-year at LE 1,220.4 million. EBIT was up 16% at LE 191.8 million (margin up 0.8 percentage points to 15.7%). Net profit was up 34% at LE 90.1 million (margin up 1.3 percentage points to 7.4%).

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented "I am pleased to report a profit in the quarter given the sharp increase in our costs and a difficult environment.

"We had a significant increase in energy and fuel costs which will result in a 20% increase in cost of sales. We increased prices to cover around two thirds of the cost increase, but these are only partially reflected in our numbers as these increases were done over August and September.

"Lecico – and our industry as a whole in Egypt - is facing a challenge passing on higher costs in a difficult operating environment, but I am confident that this is only a temporary setback to the growth track we have been on. We hope to be able to further increase prices over the coming year despite weaker demand in our Middle Eastern markets.

Taher Gargour, Lecico Egypt MD, added, "We were able to report a profit by raising our average prices by 8%. We hoped to do more but weak markets made enacting even these increases challenging and threatens us with continued erosion of sales volumes and the risk of aggressive pricing strategies from competitors.

"We are working to offset this in 2015 with export sales, but it remains unclear whether we will have enough success to cover expected weakness in Egypt and Libya and improve sales. While I believe that the Egyptian market will strengthen again, the timing and magnitude of recovery remains impossible to predict.

"We are facing perhaps the biggest challenge in our history in terms of cost inflation and we are facing it in less than ideal market conditions. Despite these tough conditions likely continuing, I am cautiously optimistic about our ability to improve on this quarter's numbers over the coming period and increase average prices further in the year ahead. I hope to cover the full increase in costs and recover our margins to first half 2014 levels over the course of 2015."

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 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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## Forward-looking statements

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