



## Full Year 2015 Results

Weakening demand in Egypt and Middle East drive a net loss of LE 65.1 million

**Alexandria, 9<sup>th</sup> March 2016** – Lecico Egypt announced consolidated results for the fourth quarter of 2015. Revenue fell 13% to LE 307.6 million. The Company had an Operating loss (EBIT) of LE 37.0 million due to lower sales and higher costs. Lecico reported a net loss of LE 62.4 million compared to a profit of LE 1.5 million in 4Q 2014.

For the full year, revenue fell 13% year-on-year at LE 1,370.5 million. EBIT was down 87% at LE 29.6 million (2.2% margin). Lecico reported a net loss of LE 65.1 million compared to a profit of LE 91.6 million for 2014.

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented, “The results we are showing are difficult to accept. They are the result of an increase in the pressure of an accumulation of negative factors: continued weak demand in all sectors as a consequence of a weaker economy; weak demand from our export markets in the Middle East; and an extraordinary increase in the cost of energy in mid-2014. The LE 200 million total annual increase in costs we have had imposed on us in energy is huge and as the year progressed we found ourselves increasingly incapable of passing on price increases to compensate fully for that cost.

“These deteriorating economics have hit our tile business in particular. We estimate capacity increased by over 30% since 2014. The export market has been decimated and the local market has been asked to absorb an impossible amount of excess capacity. We expect the tile industry to continue to be a substantial drag on our business. We fared much better in Sanitary Ware and Brassware.

“We have begun a full review of our business to find economies and factors of strength to bring to our business. We do not expect 2016 to be much stronger but hope that political stability and economic stimulus will return Egypt to substantial growth over the next 12 to 18 months. We are also confident that we shall overcome the current difficulties with the support of our Lecico family of management, staff and distribution.”

Taher Gargour, Lecico Egypt MD, added, “The fourth quarter has been our most challenging ever. The slowdown in sales accelerated and – with a corresponding reduction in production – has resulted in an operating loss for the company.

“We are facing an even more challenging 2016 with little prospect for relief from these market conditions in the immediate future. We are taking action to try and boost local and export sales to best offset the negative environment.

“In the local market we are reorganizing and strengthening our sales force, introducing new product lines in tile, introducing new distributors and starting a program to directly incentivize and support the small traders serviced by our distributors.

“In export we have reorganized our team serving Africa and the Middle East and are beginning to get traction in new markets. We are continuing to push for new business in Europe and new OEM customers, which will hopefully materialize over the year.

“At the same time we are cutting costs and working on inventory reduction and cash collection. You can see the first results in the fourth quarter with quarter-on-quarter improvements in working capital and a significant reduction in overheads. These efforts will continue in 2016 and we will deliver significant further cost reductions.

“On all fronts we will continue to take decisive actions in response to the difficult environment. Although the near term will remain extremely challenging, I am confident this will leave us stronger and help us best utilize our significant advantages.”

Lecico will hold its AGM on Thursday, March 31<sup>st</sup> at 8:30am in the Superior Ballroom at the Hilton Alexandria Corniche (544 El Geish Street, Sidi Bishr, Alexandria).

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](http://www.lecico.com)

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