



First Quarter 2016 Results

Weaker sales and higher unit production costs lead to a LE 41.3 million net loss.

Alexandria, 23 May 2016 – Lecico Egypt announced consolidated results for the first quarter of 2016. Revenue fell 3% to LE 319.0 million. The Company had an Operating loss (EBIT) of LE 18.8 million due to lower sales and higher costs. Lecico reported a net loss of LE 41.3 million compared to a profit of LE 2.2 million in first Q 2015.

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented “The first quarter show some improvement from the fourth quarter of 2015 but the significant loss is still unsatisfactory.

“We continue to feel the pressure of an accumulation of negative factors: weakening demand in Egypt and regional markets; overcapacity and price competition in tiles; and the extraordinary increase in the cost of energy in mid-2014.

“We can see some improvement in our volumes in Egypt and this has helped a quarter-on-quarter reduction in our losses. This is due to work on improving our market share in Egypt, principally: 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. However, as long as the market remains in over-capacity; we will likely see local prices and volumes stagnate and even if we can improve Lecico’s market share, quarterly losses seem likely to continue for some time.

“Hopefully the devaluation done – good news for us in export – is the beginning of a series of reforms that will return Egypt to substantial growth. We are also confident that we shall overcome the current difficulties with the support of our Lecico family.”

Taher Gargour, Lecico Egypt MD, added, “In addition to the initiatives which have been outlined by the Chairman, we have been working on cutting costs, inventory reduction and cash collection. In the quarter this has been a mixed success further distorted by the devaluations impact on our overseas working capital. Overall working capital did grow in the quarter, but reductions in inventory in real terms and new systems for control of receivables give me confidence that we will see this improve over the coming quarters.

“In terms of cost cutting, we can see an improvement in gross margins and our lowest level of overheads – barring exceptionals – in the last two years. We will work to keep these savings and unlock further value in the coming quarters. Although the near term will remain extremely 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.

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