



## Third Quarter 2016 Results

Net loss of LE 49.1 million as destocking reduces gross margins

**Alexandria, 14<sup>th</sup> November 2016** – Lecico Egypt announced consolidated results for the third quarter of 2016. Revenue fell 1% to LE 336.7 million. The Company reported an Operating (EBIT) loss of LE 6.3 million (-1.9% margin) compared to a profit of LE 16.4 million in 3Q 2015. Lecico reported a net loss of LE 49.1 million (-14.6% margin) compared to a loss of LE 8.7 million in 3Q 2015.

For the first nine months, revenue fell 6% to LE 1,002.3 million. The Company reported an Operating (EBIT) loss of LE 35.4 million (-3.5% margin) compared to a profit of LE 66.6 million in 9M 2015. Lecico reported a net loss of LE 129.6 million (-12.9% margin) compared to a net loss of LE 2.6 million.

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented “The future looks a lot brighter following the most recent government move to float the currency. For Lecico, as a major exporter, this will bring about a substantial recovery in earnings, as long as we also reflect increased costs in our local pricing – a process we began in November.

“We believe the decision to float the currency marks a turning point. We are optimistic. This is a major step forward for Egypt that should have positive consequences for Lecico. Thank you for your patience and belief in our Company.”

Taher Gargour, Lecico Egypt MD, added, “While the quarter results show a deterioration in margins quarter-on-quarter, the results are more positive than they look. Sales in Egypt were strong and our gross profits are distorted by low production. Around 20% of revenue came from destocking with low production driving up unit costs. From the fourth quarter onwards, we are ramping up production. This will improve our cost of sales on a per unit basis – before factoring in the impact of the floatation.

“We can expect a further boost to our results from the floatation. We have more revenue than costs in hard currency allowing us a small improvement in our operating results. These will be further improved by the local price increase Lecico has initiated in mid-November; the increase does not cover the full increase in costs for Egyptian sales, but it is a first step and a direct improvement given our net exports.

“It is early days and there are risks; but on the back of the floatation, increased local demand, progress in cost control and ramping up production we can hope for a marked improvement in our financials in the coming quarters. We still have a lot to do to return to profitability and will continue our focus on cost reduction and working capital improvement as necessary parts of this recovery.’

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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