Full Year 2016 Results

Alexandria, 9th March 2017 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2016.

Highlights

4Q 2016

- Lecico revenue up 61% to LE 494.1 million (56.0% from sanitary ware)
- Sanitary ware revenue up 66% to LE 276.5 million, sales volumes up 22% to 1.38 million pieces (50.2% exports)
- Tile revenue up 51% to LE 193.4 million, sales volumes up 18% to 7.0 million square meters (12.8% exports)
- Brassware revenue up 92% to LE 24.2 million, sales volume up 29% to 42,549 pieces
- Fourth quarter reported EBIT of LE 12.3 million compared to negative EBIT of LE 44.6 million
- Fourth quarter reported net profit LE 79.5 million compared to net loss of LE 62.4 million

FY 2016

- Lecico revenue up 9% to LE 1,496.4 million (55.7% from sanitary ware)
- Sanitary ware revenue up 16% to LE 834.0 million, sales volumes up 3% to 5.0 million pieces (53.2% exports)
- Tile revenue fell 1% to LE 599.5 million, sales volumes fell 2% to 25.2 million square meters (11.9% exports)
- Brassware revenue up 34% to LE 63.0 million, sales volume up 20% to 151,945 pieces
- Full year reported negative EBIT LE 48.3 million compared to negative EBIT of LE 1.0 million
- The company reported net loss of LE 50.1 million compared to net loss of LE 65.1 million

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented "The fourth quarter results show Lecico's operations have benefitted significantly from the government move to float the currency.

"This has increased our export revenues substantially. It has also caused our manufacturing costs to increase.

"Overall we have benefitted as a major exporter and as cost increases have pushed our industries to increase local prices in order to recover increased costs.

"Cost are likely to continue rising over the next few months to reflect the changing balances in our input costs and as we allow wages to increase to allow for the overall inflation in the cost of living.

"The results for the quarter are a positive step in our recovery and we have reason to see that recovery accelerate in the coming quarter or two. We will continue working for improvement and to make sure that happens."

Taher Gargour, Lecico Egypt MD, added, "The fourth quarter results are the strongest operationally in over a year and show the first quarter of operating profit since 3Q 2015. It's a good start but we still aren't covering our below the operating line expenses if we strip out the foreign exchange variance.

"That said, we only had a month and a half of post-floatation results in the quarter and only about 35% of the local price increases done during the quarter are reflected in these numbers. We should expect an improvement in operating performance in 1Q 2017 despite further cost increases.

"The improvement in operating results came from the strong upswing in our sanitary ware segment due to its high percentage of exports. Tile losses increased slightly as this is primarily a local business and the price increases needed to offset increased costs were phased in during the quarter.

"Sales in Egypt were exceptionally strong for the second quarter in a row and this continued through January. In February, we have seen a slowdown in demand in Egypt and a strengthening in the Egyptian pound. This is certainly limiting our ability to push through further price increases at time of writing and will put some pressure on export margins. I am concerned about how long this slowdown in market activity could last given the inflationary squeeze on consumers in Egypt. Strong demand by government project may help offset any consumer demand slowdown and we have plans to grow our market share in Egypt as well.

"From the fourth quarter, we have been ramping up production but sales were so strong in the quarter that we continued destocking. This continued in January, so we are starting the year on a good footing in terms of the probability of continuing to drive up production over the course of 2017 without building too much stock, with improving economies of scale. I am seeing some stock build in February with the market slowdown in Egypt.

"In terms of cost control, the quarter also shows another good performance in relative selling and administration expenses, below the quarterly average of 2016 and 2015. We will need to continue to fight for cost savings in 2017 as local inflation bites.

"In terms of working capital control, our balance sheet grew significantly as a result of the change in the currency, but operationally we are continuing to see good progress in reducing inventories and payment collection. Hopefully this will bear fruit quarter-on-quarter in our next results.

"It is still early days and there are risks to consider - particularly around the impact of the strengthening pound and weaker domestic demand seen in February. 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.

"Still in all, on the back of the floatation, increased local demand, our progress in cost control and the ramping up of our production we have seen a marked improvement in our financials in the fourth quarter and we have good reason to expect further improvement in the coming quarters. A reasonably good end to an extremely challenging year."

Lecico Revenue and Profitability

Profit and loss statement highlights	4Q		%	FY		%
(LE m)	2016	2015	16/15	2016	2015	16/15
Sanitary ware	276.5	166.5	166%	834.0	718.2	116%
Tiles	193.4	128.4	151%	599.5	605.4	99%
Brassware	24.2	12.6	192%	63.0	46.9	134%
Net sales	**494.1**	**307.6**	**161%**	**1,496.4**	**1,370.5**	**109%**
Sanitary ware/net sales (%)	56.0%	54.1%	1.8%	55.7%	52.4%	3.3%
Cost of sales	(421.6)	(295.5)	143%	(1,343.1)	(1,154.3)	116%
Cost of sales/net sales (%)	(85.3%)	(96.1%)	(10.8%)	(89.8%)	(84.2%)	5.5%
Gross profit	**72.5**	**12.0**	**602%**	**153.3**	**216.2**	**71%**
Gross profit margin (%)	14.7%	3.9%	10.8%	10.2%	15.8%	(5.5%)
Distribution and administration (D&A)	(57.5)	(42.3)	136%	(204.4)	(199.9)	102%
D&A/net sales (%)	(11.6%)	(13.8%)	(2.1%)	(13.7%)	(14.6%)	(0.9%)
Net other operating income/ (expense)	(2.6)	(14.4)	18%	2.8	(17.4)	(16%)
Net other operating income/ (expense) net sales (%)	(0.5%)	(4.7%)	(4.1%)	0.2%	(1.3%)	-
EBIT	**12.3**	**(44.6)**	**-**	**(48.3)**	**(1.0)**	**4766%**
EBIT margin (%)	2.5%	(14.5%)	-	-	-	-
Net profit	**79.5**	**(62.4)**	**-**	**(50.1)**	**(65.1)**	**77%**
Net profit margin (%)	16.1%	-	-	-	-	-

4Q 2016: The pound's floatation drives improvement in profitability

Important notice: Lecico Egypt accounts have been changed to include employee profit participation in Cost of Goods Sold. The line item Lecico Egypt employee profit participation - which historically has been reported as a below the tax line on the P&L - is a salary-linked payment that is not actually tied to profitability. In agreement with KPMG Hazem Hassan and in order to show a clearer and more accurate picture of Lecico's true gross margins, Lecico has now revised its accounting presentation to include this line in the cost of goods sold. We have accordingly restated the P&L for 2015 and 2016 to show meaningful comparison. This results in a change of presentation for 4Q and full year 2015 results in this report.

4Q 2016 results show significant change year-on-year and quarter-on-quarter as a result of the floatation of the Egyptian pound. Average prices and revenues have increased in Egyptian pounds as a result of the new exchange rate and local prices have been increased in the second half of the quarter as a result of higher costs. Both cost of sales and overheads have increased as hard currency linked costs are calculated on the new exchange rate and Egyptian pound linked costs have risen with higher inflation in Egypt following the floatation.

Lecico's revenues and costs are expected to continue to increase over the course of 1Q 2017 as the full effect of price increases are reflected and production inputs average costing reflects the replacement of inputs purchased at old prices and rates with post-floatation purchased inputs.

Lecico's balance sheet also shows significant growth as overseas assets and receivables are calculated at the new exchange rate. Lecico also shows a considerable exchange variance profit in the quarter as Lecico's foreign exchange cash holdings are calculated on the new exchange rate.

Lecico's sales volumes in the quarter were the highest recorded in 2016 and 2015, primarily as a result of strong sales in Egypt with consumers and trade channels rushing to buy in an environment of rapidly increasing prices and with strong demand support from government-led projects.

Lecico revenues for the fourth quarter increased by 61% year-on-year to LE 494.1 million (4Q 2015: LE 307.6 million).

Quarter-on-quarter revenues increased by 47% (3Q 2016: LE 336.7 million) as a result of higher sales volumes, increased local prices and higher export prices as a result of the floatation.

Lecico's cost of goods sold rose 43% year-on-year to LE 421.6 million (4Q 2015: LE 295.5 million) as a result of higher electricity prices and added sales tax as well as the floatation related reasons mentioned.

The company reported a gross profit LE 72.5 million for the fourth quarter compared to LE 12.0 million last year. Lecico's gross profit margin was 15% compared to 4% in the same period last year.

Quarter-on-quarter, gross profit increased by 219% (3Q 2016: LE 22.7 million) and the company's gross margin was up 8 percentage points (3Q 2016: 6.7%).

In absolute terms, distribution and administration (D&A) expenses increased by 36% to LE 57.5 million, while proportional D&A expenses were down 2.1 percentage points to 11.6% of net sales compared to 13.8% in the fourth quarter of 2015.

Quarter-on-quarter absolute D&A expenses rose 18% (3Q 2016: LE 48.6 million), while proportional D&A expenses fell 2.8 percentage points (3Q 2016: 14.4%).

The company reported LE 2.6 million in net other operating income compared to net other operating expenses of LE 14.4 million in the fourth quarter of 2015. In 4Q 2015 the company took LE 14 million in provisions against the operating risks facing the company in 2016.

The company reported an operating (EBIT) LE 12.3 million for the quarter compared to (EBIT) loss LE 44.6 million in the same period last year. Lecico's EBIT margin for the quarter was 2.5%. This is the first quarter in 2016 in which Lecico reported an operating profit.

Financing expenses rose 61% year-on-year during the fourth quarter of 2016 to reach LE 31.7 million compared to the same period in 2015 due to increase both of interest rates from Central Bank of Egypt and an increase in gross debt by 42% primarily as a result of the impact of the floatation on Lecico's foreign currency borrowings. The Central bank hiked interest rates by 3 percentage points over the course of the first half of 2016 representing a 30% increase in the cost of borrowing in Egyptian Pounds which will significantly affect the company going forward.

Financing income reached LE 112.3 million in the quarter as a result of the LE 110.3 million foreign exchange variance gain due to the change in the value – in Egyptian Pounds – of Lecico's foreign currency holdings.

Lecico recorded net tax charges of LE 12.2 million versus a tax credit of LE 1.8 million in the fourth quarter of 2015 due to new dividend tax charge on 2014 results of LE 7.3 million when the government announced dividend tax on all local subsidiaries' dividends .

The company reported net profit LE 79.5 million for the fourth quarter compared to net loss LE 62.4 million last year.

Excluding gains from currency exchange variances resulted from Egyptian Pound's floatation, the company would have reported a net loss of LE 30.8 million in the quarter. Quarter-on-quarter, the reported profit or the adjusted figure of an LE 30.8 million loss can be compared to a 3Q 2016 loss of LE 49.1 million.

FY 2016: Weaker markets and cost inflation lead to losses despite 4Q exchange gain

Lecico revenues increased by 9% year-on-year to LE 1,496.4 million. Following the impact of changes in the fourth quarter all segments show increases in average prices year-on-year with volumes in sanitary ware and brassware also improving but with a drop in tile sales volumes.

Costs in all segments increased with higher energy costs, added sales tax, diseconomies of scale on lower production volumes and the impact of the floatation in the fourth quarter.

As a result, gross profit decreased by 29% to reach LE 153.3 million and the company’s gross profit margin fell 5.5 percentage points to 10.2% compared to 15.8% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 2% to LE 204.4 million, while proportional D&A expenses were down 0.9 percentage points to 13.7% of net sales compared to 14.6% in 2015.

The company reported LE 2.8 million in net other operating income compared to net other operating expenses of LE 17.4 million in 2015, primarily as a result of provisions taken in the fourth quarter of 2015.

The company reported an operating (EBIT) loss of LE 48.3 million compared to a loss LE 1.0 million last year.

Financing expenses increased 33% year-on-year during 2016 to reach LE 106.7 million compared to the LE 80.4 million in 2015 due to increase in borrowings and significantly higher interest rates for the Egyptian pound which accounts for around 80% of company borrowings over the year.

Financing income reached LE 126.8 million in 2016 compared to LE 12.7 million in 2015 due to the foreign exchange variance in 4Q 2016 as a result of the floatation of the Egyptian pound.

Lecico recorded net tax charges of LE 22.8 million versus an LE 0.4 million tax credit last year due to exceptional additional income tax charge of 5% on 2014 results which was paid in August 2016 amounting to LE 8.4 million in addition to new dividend tax charge on 2014, 2015 results of LE 12.5 million when the government announced dividend tax on all local subsidiaries’ dividends.

Lecico reported net loss of LE 50.1 million compared to net loss of LE 65.1 million in the same period last year. Excluding gains from currency exchange variances resulted from Egyptian pound's floatation, the company would have reported a net loss of LE 160.4 million.

Segmental analysis

Sanitary ware

4Q: Sanitary ware sales volume increased by 22% to 1.4 million pieces (up 244,438 pieces) largely as a result of 27% sales growth in Egypt (up 138,431 pieces) and export sales up 15% (up 92,838 pieces). Growth in export came from new business in Germany and mainland Europe. Sales in Lebanon grew significantly 48% (up 13,169 pieces).

Quarter-on-quarter sales volumes were up 7% (100,415 pieces) mainly in Egypt with slight growth in Lebanon and exports.

Average sanitary ware prices were up 37% year-on-year to LE 200.6 per piece due to increasing local prices three times in the fourth quarter and the impact of floatation on the Egyptian Pound on average export prices. The full impact of price increases is still gradually coming through the Profit and Loss statement with increases done only in the second half of 4Q 2016 and further increases done in 1Q 2017.

Quarter-on-quarter average prices were also up 32% as a result of local price increases and the impact of floatation on the Egyptian Pound on average export prices.

Revenues rose 66% year-on-year at LE 276.5 million.

Average cost of sales rose 8% at LE 148.9 per piece affected primarily by the floatation's impact.

Full cost inflation impact is still gradually coming through the Profit and Loss statement with cost increases expected to continue over 1Q 2017. Production is being increased to meet sales demand offsetting some of the cost inflation with improved economies of scale.

Quarter-on-quarter average cost of sales per piece rose 14% as a result of the impact of floatation on hard currency linked costs and due to general high inflation in Egyptian Pound based costs.

Year-on-year gross profit increased to LE 71.3 million compared to losses LE 10.8 million in the same period last year.

Sanitary ware segmental analysis	4Q		%	FY		%
	2016	2015	16/15	2016	2015	16/15
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	645	507	127%	2,183	1,995	109%
Lebanon (000 pcs)	41	27	148%	151	109	139%
Export (000 pcs)	693	600	115%	2,655	2,730	97%
Total sanitary ware volumes (000 pcs)	**1,378**	**1,134**	**122%**	**4,990**	**4,835**	**103%**
Exports/total sales volume (%)	50.2%	52.9%	(2.6%)	53.2%	56.5%	(3.3%)
Sanitary ware revenue (LE m)	**276.5**	**166.5**	**166%**	**834.0**	**718.2**	**116%**
Average selling price (LE/pc)	200.6	146.9	137%	167.1	148.5	113%
Average cost per piece (LE/pc)	148.9	137.3	108%	135.4	125.4	108%
Sanitary ware cost of sales	(205.3)	(155.8)	132%	(675.6)	(606.2)	111%
Sanitary ware gross profit	71.3	10.8	661%	158.4	112.0	141%
Sanitary ware gross profit margin (%)	25.8%	6.5%	19.3%	19.0%	15.6%	3.4%

FY: Sanitary ware sales volume increased by 3% to 4.9 million pieces (up by 154,659 pieces). Export volumes fell 3% (down 75,526 pieces) as lower sales in United Kingdom, Middle East and OEM were offset by growth in Germany and Europe. Sales in Egypt were up 9%, Sales in Lebanon grew 39% year-on-year.

Average sanitary ware prices were up 13% year-on-year to LE 167.1 per piece as a result of local price increases and the impact of floatation on the Egyptian Pound on average export prices.

Revenues rose 16% year-on-year at LE 834.0 million. Exports represented 53.2% of volumes compared to 56.5% in 2015.

Average cost of sales rose 8% at LE 135.5 per piece due to diseconomies of scale on lower production, the impact of floatation and higher energy costs.

Gross profit increased by 41% to reach LE 158.4 million. The company's gross profit margin up 3.4 percentage points to 19.0% compared to 15.6% for the same period last year.

Tiles

4Q: Tile sales volumes increased by 18% year-on-year (up 1 million square meters) to reach 7 million square meters in the fourth quarter of 2016. Sales to Egypt were up 28% (1.3 million square meters) with the highest quarterly sales volume of the past two years. Exports were down 22% (247,992 square meters) as a result of the political situation in Libya and the economic constraints in other parts of the Middle East.

Quarter-on-quarter sales volumes were up 20% (1,2 million square meters) Sales to Egypt were up 12% (616,689 square meters). Exports were up 150% (536,182 square meters).

Average net prices rose 28% at LE 27.8 per square meter due to increasing local prices in the second half of the quarter and the impact of floatation on the Egyptian Pound on average export prices. The full impact of price increases is still gradually coming through the Profit and Loss statement with increases done only in the second half of 4Q 2016 and further increases done in 1Q 2017.

Quarter-on-quarter average net prices were up 25% (3Q 2016: LE 22.3/sqm) as a result of local price increases and the impact of floatation on the Egyptian Pound on average export prices.

Tiles revenues rose 51% year-on-year to LE 193.4 million in the fourth quarter of 2016 (4Q 2015: LE128.4 million).

Average cost of sales rose 34% year-on-year to reach LE 29.2 per square meter primarily as a result of the floatation impact. Full cost inflation impact is still gradually coming through the Profit and Loss statement with cost increases expected to continue over 1Q 2017. Production is being increased to meet sales demand offsetting some of the cost inflation with improved economies of scale.

Quarter-on-quarter average cost of sales per square meter rose 22% as a result of the impact of floatation on hard currency linked costs and due to general high inflation in Egyptian Pound based costs.

Fourth quarter reported a tile gross loss of LE 10.2 million compared to a gross loss of LE 0.6 million in the fourth quarter of 2015.

Tile segmental analysis	4Q		%	FY		%
	2016	2015	16/15	2016	2015	16/15
Tile volumes (000 sqm)						
Egypt (000 sqm)	5,871	4,575	128%	21,270	20,581	103%
Lebanon (000 sqm)	201	202	99%	956	1,074	89%
Export (000 sqm)	894	1,142	78%	3,012	4,132	73%
Total tile volumes (000 sqm)	**6,966**	**5,919**	**118%**	**25,237**	**25,786**	**98%**
Exports/total sales volume (%)	12.8%	19.3%	(6.5%)	11.9%	16.0%	(4.1%)
Tile revenue (LE m)	**193.4**	**128.4**	**151%**	**599.5**	**605.4**	**99%**
Average selling price (LE/sqm)	27.8	21.7	128%	23.8	23.5	101%
Average cost per sqm (LE/sqm)	29.2	21.8	134%	24.9	20.0	124%
Tile cost of sales	(203.6)	(129.0)	158%	(627.6)	(516.3)	122%
Tile gross profit	(10.2)	(0.6)	1693%	(28.1)	89.1	-
Tile gross profit margin (%)	-	-	-	-	14.7%	-

FY: Tile sales volumes decreased by 2% year-on-year (548,559 square meters) to reach 25.24 million square meters. Sales in Egypt rose 3% (688,873 square meters) and regional export markets fell 27% (1.1 million square meters). Sales in Lebanon were down 11% (0.1 million square meters).

Average net prices were up 1% at LE 23.8 per square meter, reflecting the impact of price increases done in the fourth quarter 2016 and the impact of the floatation on export prices.

Tiles revenues fell 1% year-on-year to LE 599.5 million compared to LE 605.4 million last year.

Average costs rose 24% year-on-year to reach LE 24.9 per square meter due to reducing production by 12% year-on-year in the face of lower sales in domestic and export markets compounded by higher energy costs and the impact of the March devaluation and November floatation on energy and imported inputs of tile production.

Full year 2016 reported a tile gross loss of LE 28.1 million compared a gross profit of LE 89.1 million in the same period last year.

Brassware

4Q: Sales volumes for Fourth quarter increased by 29% to reach 42,549 pieces compared to 32,938 pieces in fourth quarter of 2015.

Quarter-on-quarter sales volumes were up 25% (8,496 pieces) with high sales in Egypt and low sales in exports.

Average net prices rose 48% to reach LE 567.8 per piece due to significant price increases done to adjust to the increase in input and production costs as a result of the floatation. Quarter-on-quarter net prices were up 47% (3Q 2016: LE 387.4 per piece).

Revenue for the quarter rose 92% year-on-year to reach LE 24.2 million. Quarter-on-quarter revenue rose 160% (3Q 2016: LE 24.2 million). In the quarter, brassware accounted for 4.9% of consolidated revenue.

Average cost per piece fell 8% to LE 300.0 per piece due to production mix. Average cost of production is expected to rise sharply year-on-year in the coming quarters as the costs of more expensive, revalued imported inputs are used in production.

Brassware gross profits increased by 518% to reach LE 11.4 million and gross profit margins rose 32.5 percentage points to reach 47.2% and for the quarter. In the quarter, brassware accounted for 16% of consolidated gross profit.

Brassware segmental analysis	4Q		%	FY		%
	2016	2015	16/15	2016	2015	16/15
Brassware volumes (pcs)						
Egypt (pcs)	42,530	32,915	129%	150,938	126,515	119%
Export (pcs)	19	23	83%	1,007	415	243%
Total brassware volumes (pcs)	**42,549**	**32,938**	**129%**	**151,945**	**126,930**	**120%**
Exports/total sales volume (%)	0.0%	0.1%	(0.0%)	0.7%	0.3%	0.3%
Brassware revenue (LE m)	**24.2**	**12.6**	**192%**	**63.0**	**46.9**	**134%**
Average selling price (LE/pc)	567.8	382.5	148%	414.5	369.7	112%
Average cost per piece (LE/pc)	299.8	326.6	92%	262.8	250.8	105%
Brassware cost of sales	(12.8)	(10.8)	119%	(39.9)	(31.8)	125%
Brassware ware gross profit	11.4	1.8	619%	23.0	15.1	153%
Brassware gross profit margin (%)	47.2%	14.6%	32.6%	36.6%	32.2%	4.4%

FY: Sales volumes for 2016 increased by 20% to reach 151,945 pieces compared to 126,930 pieces for same period of 2015.

Average net prices rose 12% to reach LE 414.5 per piece due to product mix and an increase in prices. Most of the annual increase in prices occurred in 4Q 2016 when inflationary pressure in Egypt and on inputs opened up the market to more aggressive price increases.

Revenue for 2016 rose 34% year-on-year to reach LE 63.0 million.

Average cost per piece rose 5% to LE 262.9 per piece reflecting changing mix and the impact of both the March devaluation and the November floatation on imported inputs.

Brassware gross profit increased by 53% to reach LE 23.0 million and gross profit margins up 4.4 percentage points to reach 36.6%.

Financial position

The value of Lecico's assets increased 29% over 2016 to reach LE 2,794.0 million primarily as a result of restating the Egyptian pound value of foreign currency based assets and liabilities following the floatation of the pound during the fourth quarter.

Total liabilities increased 36% to LE 1,793.6 million.

Quarter-on-quarter assets were up 23% and liabilities rose 17%, showing that majority of balance sheet growth came as a result of the floatation rather than in increase in investment or working capital cycles.

Gross debt increased 43% or LE 395 million to reach LE 1,319 million over 2016. Quarter-on-quarter gross debt grew 16% or LE 180 million primarily because of the impact of the floatation. This accounted for 45% of the total growth in gross debt over the year.

Net debt to equity increased from 0.91 to 0.95 over the course of 2016 with the ratio improving in the fourth quarter (3Q 2016: 1.20x).

Recent developments and outlook

Outlook for 2017: The picture for the coming quarter and the year ahead is being significantly affected by the floatation of the Egyptian Pound in early November.

Coming into the first quarter, Lecico has seen four months of very strong demand for product in Egypt. There is speculation that the market is rushing to buy in anticipation of price increases and it would seem logical that the demand for our products would be impacted by the high inflation. In February, the Egyptian pound has strengthened a bit against the dollar and we have seen a corresponding drop in demand. The duration and magnitude of this slowdown from the strong demand seen through January remains to be seen.

The Company boosted production in the fourth quarter and into the first to meet this demand after significant destocking in both tiles and sanitary ware over the course of the year and in the third quarter in particular. Despite this the Company continued to reduce physical inventories in the fourth quarter. Indications are that stock will grow in the first quarter of 2017 given the current outlook on domestic demand. This is not a cause for excessive concern given typical seasonality in Lecico sales but will require control over the course of the year.

In light of the floatation, the Company saw a sharp increase in the value of its exports and in its costs and assets in the fourth quarter. This is expected to continue to show in year-on-year numbers through 2017 although the strengthening of the Egyptian pound in February may see some quarter-on-quarter adjustments in these numbers.

Since mid-November the Company has pushed through a number of price increases in the local market to also cover the increase in costs expected from the floatation. The last increase as at time of writing was done in mid-January.

These local price increases – if they hold through the year – will add to Lecico's gross profits since the cost increases are already covered by the Company's export activity. We can already see an improvement in Lecico's operating results in the fourth quarter and this should improve further in the coming quarter as the impact of these prices increases is reflected on a full quarter of sales.

If competition continues to pass on costs and looks for higher pricing, the Company would hope to enact further price increases in 2017.

Against this will be risks to domestic demand and the impact of secondary inflation on costs as the floatation will drive up inflation across Egypt. Depending on how the floatation continues, what rate it stabilizes at and what effect this has on domestic costs and consumption, we could see some pressure on our sales and financial performance against the benefits of the change in currency regime and value. If the market slows sufficiently, we may see competition force a reduction in net average prices during slower months to come. The preliminary indications for February show some of these risks materializing month-on-month but from a position much improved on the average of 2016.

In spite of the overall positive effect of the floatation in Egypt, the challenges facing the Company and the tactics to deal with it remain unchanged. The Company will continue to invest in defending and gaining market share in Egypt and pursuing new export opportunities while simultaneously working to reduce expenses, overheads and working capital.

Meanwhile, Lecico will continue to do its utmost to build market share in Egypt and the region and expand export activities while working to unlock savings and reduce working capital to deliver the best possible performance and the fastest possible recovery in this challenging environment.

AGM

Lecico will hold it's AGM on Thursday, March 30th at 8:30 am in the Imperial Ballroom at the Hilton Alexandria Corniche (544 El Geish Street, Sidi Bishr, Alexandria).

Lecico will be presenting a review of its annual financial performance as outlined in this document at the AGM. The Board of Directors and your management will continue to review the needs of the business.

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 a number of leading European brands.

For additional information, please contact:

Taher G. Gargour
Telephone: +203 518 0011
Fax: +203 518 0029
E-mail: tgargour@lecico.com

Visit our website at: www.lecico.com

Forward-looking statements

This release may contain certain "forward-looking statements", relating to the Company's business, which can be identified by the use of forward-looking terminology such as "will", "planned", "expectations", "forecast" or similar expressions, or by discussions of strategy, plans or intentions. Such statements may include descriptions of investments planned or currently under development by the company and the anticipated impact of these investments. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.

Lecico Egypt consolidated income statement

Income statement	4Q		%	FY		%
(LE m)	2016	2015	16/15	2016	2015	16/15
Net sales	**494.1**	**307.6**	**161%**	**1,496.4**	**1,370.5**	**109%**
Cost of sales	(421.6)	(295.5)	143%	(1,343.1)	(1,154.3)	116%
Gross profit	**72.5**	**12.0**	**602%**	**153.3**	**216.2**	**71%**
Gross margin (%)	14.7%	3.9%	10.8%	10.2%	15.8%	(5.5%)
Distribution expenses	(27.0)	(24.8)	109%	(86.0)	(83.0)	104%
Administrative expenses	(30.5)	(17.5)	174%	(118.4)	(116.9)	101%
Other Operating income	5.5	3.2	172%	25.1	8.9	281%
Other Operating expenses	(8.1)	(17.6)	46%	(22.3)	(26.3)	85%
Operating (loss) profit (EBIT)	**12.3**	**(44.6)**	**-**	**(48.3)**	**(1.0)**	**4766%**
Operating (EBIT) margin (%)	2.5%	-	-	-	-	-
Investment revenues	0.2	0.0	748%	3.2	2.5	129%
Finance income	112.3	(0.9)	-	126.8	12.7	998%
Finance expense	(31.7)	(19.6)	161%	(106.7)	(80.4)	133%
Profits (loss) before tax and minority (PBTM)	**93.1**	**(65.1)**	**-**	**(25.0)**	**(66.2)**	**38%**
PBTM margin (%)	18.8%	-	-	-	-	-
Income tax	(11.4)	1.0	-	(26.6)	(2.5)	1065%
Deferred tax	(0.8)	0.8	-	3.8	2.9	132%
Net (loss) Profit after tax (NPAT)	**80.9**	**(63.3)**	**-**	**(47.8)**	**(65.9)**	**73%**
NPAT margin (%)	16.4%	-	-	-	-	-
Minority interest	(1.5)	0.9	-	(2.3)	0.8	-
Net (loss) Profit	**79.5**	**(62.4)**	**-**	**(50.1)**	**(65.1)**	**77%**
Net profit margin (%)	16.1%	-	-	-	-	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-16	31-Dec-15	FY16/FY15 (%)
Cash and short-term investments	377.4	168.0	225%
Inventory	889.8	701.0	127%
Receivables	690.7	496.7	139%
Related parties -debit balances	66.3	62.2	107%
Total current assets	**2,024.2**	**1,427.9**	**142%**
Net fixed assets	689.2	678.3	102%
Intangible assets	28.6	22.1	130%
Prepaid long-term rent	0.2	0.4	40%
Projects in progress	13.7	12.5	109%
Available for sale investments	13.6	5.8	233%
Long-term notes receivable	24.6	11.8	208%
Total non-current assets	**769.8**	**730.9**	**105%**
Total assets	**2,794.0**	**2,158.8**	**129%**
Banks overdraft	1204.4	826.7	146%
Current portion of long-term liabilities	47.3	37.7	126%
Trade and notes payable	179.8	109.6	164%
Other current payable	237.9	211.7	112%
Related parties -credit balances	0.9	0.4	208%
Provisions	19.6	35.5	55%
Total current liabilities	**1,689.8**	**1,221.7**	**138%**
Long-term loans	67.3	60.0	112%
Other long-term liabilities	0.0	0.3	0%
Provisions	10.7	9.8	109%
Deferred tax	25.8	30.6	84%
Total non-current liabilities	**103.8**	**100.8**	**103%**
Total liabilities	**1,793.6**	**1,322.5**	**136%**
Minority interest	**5.2**	**5.8**	**91%**
Issued capital	400.0	400.0	100%
Reserves	579.7	376.2	154%
Retained earnings	65.6	119.5	55%
Net Loss for the period / year	(50.1)	(65.1)	77%
Total equity	**995.2**	**830.6**	**120%**
Total equity, minorities and liabilities	**2,794.0**	**2,158.8**	**129%**

Lecico Egypt consolidated cash flow

Cash flow statement	FY		%
(LE m)	2016	2015	16/15
Cash Flow from operating activities			
Net profit for the year	(50.1)	(65.1)	77%
Depreciation and translation adjustment	43.2	102.6	42%
Intangible assets amortisation and translation adjustment	(6.3)	0.2	-
Income tax expense	26.6	2.5	1065%
Income tax paid	(25.0)	(9.1)	277%
Deferred income tax	(4.8)	(3.1)	155%
Prepaid rent expense	0.2	0.2	100%
Capital gains	(1.0)	(0.1)	1856%
Provided provisions and translation adjustment	81.2	25.8	314%
Reversal of expired provision	(17.8)	(1.4)	1284%
Employee share in net profit	33.7	30.6	110%
Increase (Decrease) in minority interest	(0.5)	(3.7)	15%
Increase (Decrease) in translation reserve	214.7	29.2	735%
(Increase) Decrease in Inventory	(197.0)	(33.7)	584%
(Increase) Decrease in Receivables	(251.2)	(50.9)	494%
Increase (Decrease) in Payables	91.2	(31.3)	-
Utilised Provisions	(17.1)	(9.1)	188%
Increase (Decrease) in Other Long Term Liabilities	(0.3)	(0.9)	34%
(Payments) / Received for acquiring current investment	0.0	57.9	0%
Difference result from discounting of long term notes receivable	3.1	(3.0)	-
Net cash from operating activities	**(77.3)**	**37.8**	**-**
Cash flow from investing activities			
Additions to fixed assets and projects	(58.4)	(73.8)	79%
Intangible assets	(0.3)	(0.1)	209%
Net change in available for sale investments	(7.7)	(0.5)	1577%
Proceeds from sales of fixed assets	4.0	2.1	187%
Increase (Decrease) in long-term notes receivable	(15.8)	18.5	-
Net cash from investing activities	**(78.2)**	**(53.8)**	**145%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	7.3	(37.6)	-
Increase (Decrease) in current portion of long term liabilities	9.7	(7.2)	-
Dividends paid	(29.8)	(51.2)	58%
Net cash from financing activities	**(12.8)**	**(96.0)**	**13%**
Net change in cash & cash equivalent during the year	**(168.3)**	**(112.0)**	**150%**
Net cash and cash equivalent at beginning of the year	(658.7)	(546.7)	120%
Net cash and cash equivalent at the end of the year	**(827.0)**	**(658.7)**	**126%**