Second quarter 2015 Results

Alexandria, 12th August 2015 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for second quarter 2015.

Highlights

2Q 2015

- Lecico revenue fell 7% to LE 394.9 million (49.1% from sanitary ware)
- Sanitary ware revenue fell 8% to LE 194 million, sales volumes fell 12% to 1.35 million pieces (56.7% exports)
- Tile revenue fell 8% to LE 188.7 million, sales volumes fell 13% to 7.9 million square meters (17.2% exports)
- Brassware revenue up 9% to LE 12.1 million, sales volume of 34,202 pieces
- EBIT fell 66% to LE 27.5 million, margin fell 12.1 percentage pts to 7.0%
- Net profit fell 92% to LE 3.9 million, margin fell 10.7 percentage pts to 1.0% compared to 11.7%.

1H 2015

- Lecico revenue fell 11% to LE 724.1 million (51.1% from sanitary ware)
- Sanitary ware revenue fell 3% to LE 370 million, sales volumes fell 8% to 2.6 million pieces (58.6% exports)
- Tile revenue fell 18% to LE 330.1 million, sales volumes fell 22% to 13.97 million square meters (16.9% exports)
- Brassware revenue up 4% to LE 24 million, sales volume of 64,613 pieces
- EBIT fell 67% to LE 50.2 million, margin fell 11.9 percentage pts to 6.9%
- Net profit fell 93% to LE 6.1 million, margin fell 9.6 percentage pts to 0.8% compared to 10.5%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented “The second quarter remains extremely challenging but shows improvement from the first quarter.

"We continue to be affected by a confluence of factors: poor economic environment in Egypt; the substantial increases in energy costs to our business; and the virtual closure of several of our key regional markets as a result of political instability.

"We believe that this extraordinary situation is beginning to unwind, at least in Egypt. Our numbers for the quarter – up until Ramadan - showed a top-line led improvement on the first quarter coming primarily from recovery in Egypt. All this is a little fragile however and we will be continuing to monitor closely the market.

"We also raised sanitary ware prices in Egypt by around 3% from the start of July. We have not been able to raise tile prices yet but hope to do so in the coming months if the market recovery continues.

"We have also had some success in correcting the unfair pricing of gas to our sanitary ware operations. In August, the first of our three factories is having its gas price corrected from US$ 7/mbtu to the legal price of US$ 5/mbtu. We continue to be penalized by being made to pay some LE 1.8 million per month in unwarranted extra charges on gas prices and we will save around LE 0.6 million per month from the change in pricing to this first factory. We are hopeful that we can get all three factories gas prices corrected in due course and continue to claim a return of all over charges.

"We plan to continue rebuilding our market position and profitability. Our company benefits from significant advantages and strengths which should see us eventually return to the sterling performance we have been used to."

Taher Gargour, Lecico Egypt MD, added, "The second quarter shows some recovery from our extremely challenging first quarter results.

"In February, we took a number of tactical decisions to gain market share in Egypt and new markets in export. We introduced a range of lower cost and price solutions in tiles and sanitary ware and rolled back about half of the tile price increase done in August of last year to meet competition.

"As a result of these actions and seasonal demand recovery, sales volumes rose and revenue and operating profit increased 20% quarter-on-quarter.

"In the third quarter we have added full delivery service for sanitary ware in Egypt and will be introducing new inkjet-printing technology on tiles. We hope these new products and services will allow us to continue taking market share in Egypt and hopefully grow sales quarter-on-quarter despite the slowdown in July around Ramadan.

"We have destocked finished goods in tiles and sanitary ware in the 2nd quarter reducing the value of inventory by LE 27.5 million quarter-on-quarter. The lower inventory numbers puts us in a better position to continue reopening capacity in the coming quarters if demand continues to improve. .

"We are still facing a significant challenge in 2015 with pressure on volumes, revenues and costs. The good news is that we are seeing some improvement as a result of our marketing initiatives. If we are spared any significant external shocks and demand in

Egypt continues to recover in the coming quarters, I hope to continue improving our results quarter-on-quarter through better sales volumes and a gradual improvement in average pricing."

Lecico Revenue and Profitability

Profit and loss statement highlights	2Q		%	1H		%
(LE m)	2015	2014	15/14	2015	2014	15/14
Sanitary ware	194.0	210.1	92%	370.0	382.5	97%
Tiles	188.7	204.1	92%	330.1	403.6	82%
Brassware	12.1	11.2	109%	24.0	23.1	104%
Net sales	**394.9**	**425.4**	**93%**	**724.1**	**809.2**	**89%**
Sanitary ware/net sales (%)	49.1%	49.4%	(0.3%)	51.1%	47.3%	3.8%
Cost of sales	(314.3)	(291.8)	108%	(570.5)	(559.3)	102%
Cost of sales/net sales (%)	(79.6%)	(68.6%)	11.0%	(78.8%)	(69.1%)	9.7%
Gross profit	**80.6**	**133.6**	**60%**	**153.6**	**249.9**	**61%**
Gross profit margin (%)	20.4%	31.4%	(11.0%)	21.2%	30.9%	(9.7%)
Distribution and administration (D&A)	(52.2)	(51.5)	101%	(101.4)	(95.6)	106%
D&A/net sales (%)	(13.2%)	(12.1%)	1.1%	(14.0%)	(11.8%)	2.2%
Net other operating income/ (expense)	(0.9)	(1.0)	97%	(2.0)	(1.9)	105%
Net other operating income/ (expense) net sales (%)	(0.2%)	(0.2%)	(0.0%)	(0.3%)	(0.2%)	0.0%
EBIT	**27.5**	**81.2**	**34%**	**50.2**	**152.4**	**33%**
EBIT margin (%)	7.0%	19.1%	(12.1%)	6.9%	18.8%	(11.9%)
Net profit	**3.9**	**49.8**	**8%**	**6.1**	**84.8**	**7%**
Net profit margin (%)	1.0%	11.7%	(10.7%)	0.8%	10.5%	(9.6%)

2Q 2015: Continued Q-on-Q recovery despite Ramadan effect

Lecico revenues for the quarter decreased by 7% year-on-year to LE 394.9 million with lower sales volumes in all segments. Lecico has seen weaker demand in Egypt since the increase in energy and petrol prices in July 2014.

Quarter-on-quarter revenues increased by 20% primarily as a result of increased sales in Egypt. Exports also improved despite continued inactivity in Libya.

The shrinking of regional export markets at the same time has seen added capacity return to the domestic market and for the first time the Company is seeing industry-wide over capacity in tiles as well as sanitary ware.

Average unit costs of sales were up significantly year-on-year as a result of the 133% increase in natural gas costs in July 2014 and significant increases in the cost of electricity and petrol.

Quarter-on-quarter average unit costs rose primarily as a result of a production slowdown in sanitary ware with the beginning of Ramadan holiday. In both tiles and sanitary ware average unit production costs for the quarter do not reflect the full benefit of economies of scale on volumes sold as Lecico was destocking during the quarter and consequently produced less than it sold.

As a result gross profit decreased by 40% to reach LE 80.6 million and the Company's gross profit margin fell 11.0 percentage points to 20.4% compared to 31.4% in the same period last year.

Quarter-on-quarter gross profit increased by 10% (1Q 2015: LE 73.0 million) although the company's gross margin fell 2.0 percentage points (1Q 2015: 22.0%).

In absolute terms, distribution and administration (D&A) expenses increased by 1% to LE 52.2 million. Proportional D&A expenses were up 1.1 percentage points to 13.2% of net sales compared to 12.1% in the second quarter of 2014.

Quarter-on-quarter absolute D&A expenses rose 6% (1Q 2015: LE 50.2 million) but proportional D&A expenses fell 1.8 percentage points (1Q 2015: 15.2%).

The Company also reported LE 0.9 million in other operating expenses compared to other operating expenses of LE 1.0 million in the second quarter of 2014.

EBIT fell 66% compared to same period last year to reach LE 27.5 million for the quarter with the EBIT margin decreasing 12.1 percentage points year-on-year to 7.0%.

Quarter-on-quarter EBIT rose 20% (1Q 2015: LE 22.8 million) with the margin flat at 7.0%. Lower D&A expenses – as a proportion of sales –offset the drop in gross margins quarter-on-quarter.

Financing expenses were down 17% year-on-year during the second quarter of 2015 to reach LE 20.1 million compared to the same period in 2014 due to a reduction in cash and gross debt.

Finance income for the quarter reached LE 2.9 million compared to LE 10.3 million in the same period last year due to an LE 9.4 million exchange gain as a result of the devaluation of the Egyptian pound during second quarter of 2014.

Lecico recorded a tax for the quarter of LE 0.8 million versus LE 11.4 million tax charges for the same period last year as a result of reported lower profits in the second quarter in 2015.

Net profit decreased 92% to reach LE 3.9 million compared to LE 49.8 million last year. Margin fell 10.7 percentage points to 1.0% compared to 11.7% for the same period last year.

Quarter-on-quarter net profit rose 77% (1Q 2015: LE 2.2 million) on the back of stronger EBIT profits and despite significantly lower exchange gains in the quarter. The net margin rose 0.3 percentage points (1Q 2015: 0.7%).

1H 2015: Cost inflation and weaker markets drive sharp drop in profits

1H 2014 was a record disappointing half for Lecico as a company with results falling sharply from the second half of last year as a result of a sharp slowdown in regional markets and Egypt. Weaker top-line results were compounded by structural overcapacity leading to increased price competition at the same time that energy price increases raised costs by 20%. As a result year-on-year comparisons show a sharp deterioration in top-line compounded by a significant reduction in gross margins.

Revenues fell by 11% year-on-year in the first half of 2015 to reach LE 724.1 million with lower sales volumes in all segments but primarily in tile segment (sales volume decreased by 22% - 3.9 million square meter) due to a dramatic decrease in exports and softness in the Egyptian market.

The shrinking of regional export markets at the same time has seen added capacity return to the domestic market and for the first time the Company is seeing industry-wide over capacity in tiles as well as sanitary ware.

Although the Company reduced tile prices by an average of 7% at the start of February, this only partially rolled back price increases done over 2014 and accordingly average prices were up year-on-year in all segments.

Average unit costs of sales were up significantly year-on-year as a result of the 133% increase in natural gas costs in July 2014 and significant increases in the cost of electricity and petrol.

As a result gross profit decreased by 39% to reach LE 153.6 million and the Company's gross profit margin fell 9.7 percentage points to 21.2% compared to 30.9% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 6% to LE 101.4 million. Proportional D&A expenses were up 2.2 percentage points to 14.0% of net sales compared to 11.8% in the first half of 2014.

The Company also reported LE 2.0 million in other operating expenses compared to other operating expenses of LE 1.9 million in the first half of 2014.

EBIT fell 67% compared to same period last year to reach LE 50.2 million with the EBIT margin decreasing 11.9 percentage points year-on-year to 6.9%.

Financing expenses were down 15% year-on-year during the first half of 2015 to reach LE 40.5 million compared to the same period in 2014 due to a reduction in cash and gross debt.

Finance income for the first half of 2015 reached LE 11.1 million compared to LE 12.0 million in the same period last year.

Lecico recorded a tax of LE 1.4 million versus LE 17.8 million tax charges for the same period last year as a result of reported lower profits in the first half of 2015.

Net profit decreased 93% to reach LE 6.1 million compared to LE 84.8 million last year. Margin fell 9.6 percentage points to 0.8% compared to 10.5% for the same period of last year.

Segmental analysis

Sanitary ware

2Q: Sanitary ware sales volume decreased by 12% to 1.35 million pieces (down 178,000 pieces) largely as a result of Egypt falling 14% (89,000 pieces) and exports falling by 9% (79,000 pieces).

Quarter-on-quarter sales volumes were up 9% (111,000 pieces) primarily as a result of improved sales in Egypt with volumes up 18% (85,000 pieces) on the back of seasonal improvements and Lecico's efforts to expand market share and footprint.

Average sanitary ware prices were up 5% year-on-year to LE 143.7 per piece as a result of price increases done over 2014 and a weaker Egyptian pound increasing export prices.

Revenues fell 8% year-on-year at LE 194.0 million. Exports represented 56.7% of volumes compared to 55.3% in the second quarter of 2014.

Quarter-on-quarter prices were up 1% (1Q: LE 142.1 per piece) and revenues were up 10% (1Q 2015: LE 176 million).

Average cost of sales up 16% at LE 116.7 per piece due to the increase in energy prices in July 2014 and as a result of the sharp slowdown in production at the start of Ramadan.

Quarter-on-quarter the average cost of sales rose 8% (1Q 2015: LE 108.5 per piece) due to the slowdown of production for Ramadan affecting economies of scale.

Sanitary ware gross profit margin fell 7.7 percentage points to reach 18.8% and gross profits fell 34% to LE 36.5 million.

Quarter-on-quarter the gross profit margin fell 4.9 percentage points (1Q 2015: 24% gross margin) and gross profits fell 12% (1Q 2015: LE 41.7 million gross profit).

Sanitary ware segmental analysis	2Q		%	1H		%
	2015	2014	15/14	2015	2014	15/14
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	555	644	86%	1,024	1,119	92%
Lebanon (000 pcs)	29	39	75%	47	64	73%
Export (000 pcs)	766	845	91%	1,517	1,641	92%
Total sanitary ware volumes (000 pcs)	**1,350**	**1,528**	**88%**	**2,589**	**2,824**	**92%**
Exports/total sales volume (%)	56.7%	55.3%	1.4%	58.6%	58.1%	0.5%
Sanitary ware revenue (LE m)	**194.0**	**210.1**	**92%**	**370.0**	**382.5**	**97%**
Average selling price (LE/pc)	143.7	137.4	105%	142.9	135.4	106%
Average cost per piece (LE/pc)	116.7	101.0	116%	112.7	100.7	112%
Sanitary ware cost of sales	(157.5)	(154.4)	102%	(291.8)	(284.5)	103%
Sanitary ware gross profit	36.5	55.7	66%	78.2	98.0	80%
Sanitary ware gross profit margin (%)	18.8%	26.5%	(7.7%)	21.1%	25.6%	(4.5%)

1H: Sanitary ware sales volume decreased by 8% to 2.6 million pieces (235,000 pieces) largely as a result of exports falling by 8% (124,000 pieces) and Egypt falling 8% (95,000).

Average sanitary ware prices were up 6% year-on-year to LE 142.9 per piece as a result of price increases done over 2014 and a weaker Egyptian pound increasing export prices.

Revenues fell 3% year-on-year at LE 370.0 million. Exports represented 58.6% of volumes compared to 58.1% in the first half of 2014.

Average cost of sales up 12% at LE 112.7 per piece due to the increase in energy prices in July 2014 and lower production and diseconomies of scale. Gross profit margin fell 4.5 percentage points to reach 21.1% and gross profits fell 20% to LE 78.2 million.

Tiles

2Q: Tile sales volumes decreased by 13% year-on-year (1.17 million square meters) to reach 7.9 million square meters with decreased sales in Egypt and export markets.

Quarter-on-quarter sales volumes were up 29% (1.78 million square meters) primarily as a result of improved sales in Egypt with volumes up 26% (1.29 million square meters) on the back of seasonal improvements and Lecico's efforts to expand market share and footprint.

Average net prices were up 6% at LE 24.0 per square meter as a result of price increases done over 2014 and despite a reduction in prices in February 2015.

Tiles revenues fell 8% year-on-year to LE 188.7 million in the second quarter of 2015.

Quarter-on-quarter prices were up 3% (1Q 2015: LE 23.2 per square meter) due to sales mix and despite a 3% reduction in prices in February and revenues were up 34% (1Q 2015: LE 141.3 million).

Average costs rose 32% year-on-year to reach LE 19.0 per square meter due to the increase in energy prices in July 2014 and the Company's decision to reduce production and destock.

Quarter-on-quarter the average cost of sales rose 1% (1Q 2015: LE 18.9 per square meter).

Tile gross profit margins fell by 15.4 percentage points to reach 20.9% and gross profit for the quarter fell 47% year-on-year to LE 39.4 million.

Quarter-on-quarter the gross profit margin rose 2.3 percentage points (1Q 2015: 19% gross margin) and gross profits rose 50% (1Q 2015: LE 26.2 million gross profit) on the back of improved margins.

Tile segmental analysis	2Q		%	1H		%
	2015	2014	15/14	2015	2014	15/14
Tile volumes (000 sqm)						
Egypt (000 sqm)	6,164	6,764	91%	11,042	13,288	83%
Lebanon (000 sqm)	359	398	90%	569	919	62%
Export (000 sqm)	1,353	1,887	72%	2,364	3,631	65%
Total tile volumes (000 sqm)	**7,876**	**9,049**	**87%**	**13,975**	**17,838**	**78%**
Exports/total sales volume (%)	17.2%	20.9%	(3.7%)	16.9%	20.4%	(3.4%)
Tile revenue (LE m)	**188.7**	**204.1**	**92%**	**330.1**	**403.6**	**82%**
Average selling price (LE/sqm)	24.0	22.6	106%	23.6	22.6	104%
Average cost per sqm (LE/sqm)	19.0	14.4	132%	18.9	14.5	130%
Tile cost of sales	(149.3)	(130.1)	115%	(264.4)	(259.0)	102%
Tile gross profit	39.4	74.0	53%	65.7	144.6	45%
Tile gross profit margin (%)	20.9%	36.3%	(15.4%)	19.9%	35.8%	(15.9%)

1H: Tile sales volumes decreased by 22% year-on-year (3.9 million square meters) to reach 13.97 million square meters with decreased sales in Egypt and regional export markets (down 2.2 million square meters and 1.3 million square meters respectively).

Average net prices were up 4% at LE 23.6 per square meter, with part of the price increase done in 2014 rolled back in February in the face of increased competition.

Tiles revenues fell 12% year-on-year to LE 330.1 million in the first half of 2015.

Average costs rose 30% year-on-year to reach LE 18.9 per square meter due to the increase in energy prices in July 2014 and the Company's decision to reduce production by 30% from the start of the year in the face of lower sales in domestic and export markets.

Gross profit margins fell by 15.9 percentage points to reach 19.9% and gross profit for the first half fell 55% year-on-year to LE 65.7 million.

Brassware

2Q: Sales volumes for second quarter decreased by 6% to reach 34,202 pieces compared to 36,262 pieces in second quarter of 2014.

Average net prices rose 15% to reach LE 355.2 per piece due to product mix and price increases enacted over 2014.

Revenue for the quarter rose 9% year-on-year to reach LE 12.1 million.

Average cost per piece up 8% to LE 216.9 per piece reflecting product mix.

Brassware gross profit margins rose 4.2 percentage points to reach 38.9% and gross profits increased by 22% to reach LE 4.7 million for the quarter.

Brassware segmental analysis	2Q		%	1H		%
	2015	2014	15/14	2015	2014	15/14
Brassware volumes (pcs)						
Egypt (pcs)	34,182	35,883	95%	64,254	69,668	92%
Export (pcs)	20	379	5%	359	422	85%
Total brassware volumes (pcs)	**34,202**	**36,262**	**94%**	**64,613**	**70,090**	**92%**
Exports/total sales volume (%)	0.1%	1.0%	(1.0%)	0.6%	0.6%	(0.0%)
Brassware revenue (LE m)	**12.1**	**11.2**	**109%**	**24.0**	**23.1**	**104%**
Average selling price (LE/pc)	355.2	308.4	115%	371.9	330.2	113%
Average cost per piece (LE/pc)	216.9	201.3	108%	220.3	226.9	97%
Brassware cost of sales	(7.4)	(7.3)	102%	(14.2)	(15.9)	90%
Brassware ware gross profit	4.7	3.9	122%	9.8	7.2	135%
Brassware gross profit margin (%)	38.9%	34.7%	4.2%	40.8%	31.3%	9.5%

1H: Sales volumes for first half of 2015 decreased by 8% to reach 64,613 pieces compared to 70,090 pieces for same period of 2014.

Average net prices rose 13% to reach LE 371.9 per piece due to product mix and price increases enacted over 2014.

Revenue for the first half rose 4% year-on-year to reach LE 24.0 million.

Average cost per piece fell 3% to LE 220.3 per piece reflecting product mix.

Brassware gross profit margins rose 9.5 percentage points to reach 40.8% and gross profit increased by 35% to reach LE 9.8 million for first half of 2015.

Due to the relative strength of demand for brassware and the fact that this segment was not significantly impacted by the changes in energy costs in July 2014, the segment accounted for 6.4% of group gross profits in the first half of 2015, compared to 2.9% in the same period last year.

Financial position

The value of Lecico's assets increased by 1% at the end of June 30, 2015 at LE 2,223.8 million with the Company reducing its cash balances by LE 41 million over the first half and with fixed assets continuing to fall with depreciation and limited investments.

Total liabilities were up 1% at LE 1,315.4 million.

Gross debt was increased 2% or LE 15.4 million over the first half of 2015 to reach LE 892.4 million while net debt rose 9% at LE 687.8 million compared to LE 631.3 million at the end of 2014 reflecting payment of dividends.

Net debt to equity increased 7% to reach 0.76x compared to 0.71x at the end of 2014.

Recent developments and outlook

Outlook for 2H 2015: The sharp slowdown in sales in Egypt in the fourth quarter of 2014 and the first quarter of 2015, combined with the virtual closure of Libya over the same period has added significant risk to sales volumes compounding the challenge of higher energy costs seen in the second half of 2014.

In July 2014, the government raised natural gas prices 133%, electricity 33% and diesel and petrol by over 60% creating the highest cost inflation Lecico has faced in its history. The Company estimates its cost of production has increased by 20% as a result of the direct and secondary impact of these cost increases.

The company has won its first victory in correcting the price it is charged for natural gas for sanitary ware from US$ 7/mbtu to US$ 5/mbtu. Lecico has succeeded in getting one of its sanitary ware plants in Borg El Arab invoiced at US$ 5/mbtu going forward. The company hopes to succeed in correcting pricing to all its other sanitary ware operations over the rest of the year. The first correction will save around LE 600,000 per month in energy costs from August onwards and total saving – if repricing in the other factories is achieved – will be LE 1.8 million per month.

The company increased prices by an average of 8% coming into effect over the course of August and September 2014. This increase covered a portion of the increase in costs but still left Lecico facing a significantly lower return on activities going forward as seen in the results for the second half of 2014.

In the face of overcapacity in Egypt and increasingly aggressive competition from competitors in the industry, Lecico took a number of offensive and defensive measures in the middle of the first quarter to try and deliver the best possible performance as we weather this challenging period.

Offensively, the company introduced a number of time-limited promotions and introduced some lower cost products to try and recapture market share. In financial terms this translated into a 7% reduction in average tile prices, temporarily rolling back about half of the price increase done in August 2014.

In addition the company is aggressively adding new retailers to its network and expanding its direct distribution efforts to try and get opportunities for market share growth in Egypt.

Since the start of the 3rd quarter of the current year Lecico has begun delivering all sanitary ware in Egypt, allowing for a tighter control on distribution and market pricing; as well as offering a better service to our customers.

The second quarter showed continued month-on-month and quarter-on-quarter improvement in sales volumes from their lowest levels at the end of 2014 and in the first months of 2015. Sales in Egypt are showing good recovery as we entered the summer seasons and Lecico's various promotional activities took hold.

However, the company has seen a marked slowdown in volumes since the start of Ramadan. Despite this, the company has used the opportunity of recovery to raise sanitary ware prices in Egypt by around 3% net.

Defensively, the Company reduced its production capacity in tiles by 30% and in sanitary ware by 12% at the start of 2015. This reduces Lecico's absolute energy and labour costs and matches production to current sales levels.

As a result of improving sales on the back of the company's marketing initiatives, the Company has begun gradually increasing tile production in the second quarter, restoring about a quarter of the reduced production capacity while continuing to reduce the stocks of tiles built up at the end of 2014.

In 3Q 2015 the company will be introducing new printing technology to enter into the growing market for higher-resolution inkjet-printed tiles alongside its traditional printing methods.

Barring any external shocks, the company is optimistic this new product line in tiles – coupled with what management hopes will be continued market growth after the current Ramadan slowdown – will give Lecico an opportunity to restart all its tile production capacity in the fourth quarter. The company still hopes to raise tile prices in Egypt this year as well but is waiting for market demand to recover.

Overall, the Company has seen a steady improvement in sales volumes and financial performance month-by-month since the start of 2015. Unfortunately, this seems to have slowed in late June and in July as a result of Ramadan and Eid holidays. As a result 3Q numbers will struggle to show improvement over 2Q.

Management hopes – in the light of limited increases in energy and other regulated costs from the government – that demand will recover once holiday spending is finished. If sales go back to the levels seen in May and early June, the company could see a return to quarter-on-quarter improvement going forward.

It remains likely that the Company will report lower revenues and profitability in 2015 compared to the full year results of 2014. However, the success of Lecico's offensive and defensive measures, gives the Company hope that – barring any external shocks - 2015 financial results will show an improvement on the performance seen in the second half of 2014 on an annualized basis.

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.

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Forward-looking statements

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Lecico Egypt consolidated income statement

Income statement	2Q		%	1H		%
(LE m)	2015	2014	15/14	2015	2014	15/14
Net sales	**394.9**	**425.4**	**93%**	**724.1**	**809.2**	**89%**
Cost of sales	(314.3)	(291.8)	108%	(570.5)	(559.3)	102%
Gross profit	**80.6**	**133.6**	**60%**	**153.6**	**249.9**	**61%**
Gross margin (%)	20.4%	31.4%	(11.0%)	21.2%	30.9%	(9.7%)
Distribution expenses	(20.0)	(18.8)	106%	(37.9)	(33.4)	113%
Administrative expenses	(32.2)	(32.7)	98%	(63.5)	(62.2)	102%
Other Operating income	2.1	2.4	86%	3.9	5.5	70%
Other Operating expenses	(3.0)	(3.3)	89%	(5.8)	(7.4)	79%
Operating profit (EBIT)	**27.5**	**81.2**	**34%**	**50.2**	**152.4**	**33%**
Operating (EBIT) margin (%)	7.0%	19.1%	(12.1%)	6.9%	18.8%	(12.0%)
Investment revenues	2.4	2.5	97%	2.4	2.5	97%
Finance income	2.9	10.3	28%	11.1	12.0	92%
Finance expense	(20.1)	(24.1)	83%	(40.5)	(47.4)	85%
Profits before tax and minority (PBTM)	**12.7**	**69.9**	**18%**	**23.3**	**119.6**	**19%**
PBTM margin (%)	3.2%	16.4%	(13.2%)	3.2%	14.8%	(11.6%)
Income tax	(1.3)	(10.1)	13%	(3.1)	(15.5)	20%
Deferred tax	0.5	(1.3)	-	1.7	(2.3)	-
Net Profit after tax (NPAT)	**11.8**	**58.4**	**20%**	**21.8**	**101.8**	**21%**
NPAT margin (%)	3.0%	13.7%	(10.7%)	3.0%	12.6%	(9.6%)
Employee profit participation	(7.6)	(8.1)	93%	(15.3)	(16.2)	94%
Net profit before minority interest	**4.3**	**50.3**	**8%**	**6.5**	**85.6**	**8%**
Minority interest	(0.3)	(0.6)	61%	(0.4)	(0.8)	54%
Net Profit	**3.9**	**49.8**	**8%**	**6.1**	**84.8**	**7%**
Net profit margin (%)	1.0%	11.7%	(10.7%)	0.8%	10.5%	(9.6%)

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	30-Jun-15	31-Dec-14	6M15/FY14 (%)
Cash and short-term investments	204.6	245.7	83%
Inventory	682.2	667.9	102%
Receivables	530.9	449.6	118%
Related parties -debit balances	53.3	61.8	86%
Total current assets	**1,471.0**	**1,425.0**	**103%**
Net fixed assets	669.1	708.5	94%
Intangible assets	22.5	22.1	101%
Prepaid long-term rent	0.5	0.6	81%
Projects in progress	39.1	13.1	298%
Available for sale investments	5.7	5.4	106%
Long-term notes receivable	16.0	27.3	59%
Total non-current assets	**752.9**	**777.1**	**97%**
Total assets	**2,223.8**	**2,202.0**	**101%**
Banks overdraft	773.0	734.5	105%
Current portion of long-term liabilities	43.5	44.8	97%
Trade and notes payable	119.0	132.0	90%
Other current payable	232.8	223.4	104%
Related parties -credit balances	5.5	4.8	114%
Provisions	22.7	24.4	93%
Total current liabilities	**1,196.5**	**1163.9**	**103%**
Long-term loans	75.9	97.6	78%
Other long-term liabilities	1.1	1.3	86%
Provisions	10.2	9.6	106%
Deferred tax	31.8	33.7	94%
Total non-current liabilities	**118.9**	**142.2**	**84%**
Total liabilities	**1,315.4**	**1,306.1**	**101%**
Minority interest	**8.0**	**9.5**	**85%**
Issued capital	400.0	400.0	100%
Reserves	374.1	355.8	105%
Retained earnings	120.1	39.1	308%
Net profit for the year	6.1	91.6	7%
Total equity	**900.4**	**886.4**	**102%**
Total equity, minorities and liabilities	**2,223.8**	**2,202.0**	**101%**

Lecico Egypt consolidated cash flow

Cash flow statement	1H		%
(LE m)	2015	2014	15/14
Cash Flow from operating activities			
Net profit for the period	6.1	84.8	7%
Depreciation and translation adjustment	51.0	48.4	105%
Intangible assets amortisation and translation adjustment	(0.2)	(0.2)	130%
Income tax expense	3.1	15.5	20%
Income tax paid	(9.0)	(18.7)	48%
Deferred income tax	(2.0)	2.2	-
Prepaid rent expense	0.1	0.1	100%
Capital gains	(0.0)	(0.1)	40%
Provided provisions and translation adjustment	6.6	3.8	173%
Reversal of expired provision	(6.2)	(1.4)	447%
Employee share in net profit	15.3	16.2	95%
Increase (Decrease) in minority interest	(1.4)	1.1	-
Increase (Decrease) in translation reserve	27.8	15.7	177%
(Increase) Decrease in Inventory	(8.8)	(53.7)	16%
(Increase) Decrease in Receivables	(75.2)	(60.2)	125%
Increase (Decrease) in Payables	18.9	65.3	29%
Utilised Provisions	(4.7)	(9.7)	48%
Increase (Decrease) in Other Long Term Liabilities	(0.2)	(0.2)	73%
(Payments) / Received for acquiring current investment	57.9	3.7	1562%
Difference result from discounting of long term notes receivables	(1.8)	0.0	-
Net cash from operating activities	**77.5**	**112.6**	**69%**
Cash flow from investing activities			
Additions to fixed assets and projects	(38.0)	(28.4)	134%
Intangible assets	(0.1)	(0.1)	195%
Net change in available for sale investments	(0.3)	(0.1)	230%
Proceeds from sales of fixed assets	0.5	0.1	397%
Increase (Decrease) in long-term notes receivable	13.1	(0.1)	-
Net cash from investing activities	**(24.9)**	**(28.5)**	**87%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(21.8)	(11.8)	185%
Increase (Decrease) in current portion of long term liabilities	(1.3)	0.3	-
Dividends paid	(51.2)	(68.9)	74%
Net cash from financing activities	**(74.2)**	**(80.4)**	**92%**
Net change in cash & cash equivalent during the period	**(21.7)**	**3.7**	**-**
Net cash and cash equivalent at beginning of the period	(546.7)	(593.1)	92%
Net cash and cash equivalent at the end of the period	**(568.4)**	**(589.4)**	**96%**