Full year 2015 Results

Alexandria, 9th March 2016 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for 2015.

Highlights

4Q 2015

- Lecico revenue fell 13% to LE 307.6 million (54.2% from sanitary ware)
- Sanitary ware revenue fell 2% to LE 166.5 million, sales volumes fell 5% to 1.13 million pieces (52.9% exports)
- Tile revenue fell 25% to LE 128.4 million, sales volumes fell 12% to 5.9 million square meters (19.3% exports)
- Brassware revenue up 9% to LE 12.6 million, sales volume up 4% to 32,938 pieces
- Fourth quarter reported negative EBIT LE 37.0 million.
- Fourth quarter reported net loss LE 62.4 million compared to net profit of LE 1.5 million.

FY 2015

- Lecico revenue fell 13% to LE 1,370.5 million (52.4% from sanitary ware)
- Sanitary ware revenue fell 4% to LE 718.2 million, sales volumes fell 9% to 4.8 million pieces (56.5% exports)
- Tile revenue fell 22% to LE 605.4 million, sales volumes fell 22% to 25.79 million square meters (16% exports)
- Brassware revenue up 2% to LE 46.9 million, sales volume fell 2% to 126,930 pieces
- EBIT fell 87% to LE 29.6 million, margin fell 12.2 percentage pts to 2.2%
- The company reported net loss of LE 65.1 million compared to net profit of LE 91.6 million.

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented "The results we are showing today are very difficult to accept. They are the result of an increase, over the seasonally weaker fourth quarter, in the pressure felt all year as a result of an accumulation of negative factors that our company has faced:

"The continued weakening of demand in all sectors as a consequence of a weaker economy compounded by weaker demand from our export markets particularly in the war torn Middle East, have been compounded by an extraordinary increase in the cost of energy in mid-2014. The total annual increase in costs we have had imposed on us in energy costs has been calculated at LE 200 million. This is a huge amount and as the year progressed we found ourselves increasingly incapable of passing on price increases to compensate fully for that cost.

"This was particularly difficult given the deteriorating economics have hit our tile business in particular. We estimate that Egyptian capacity has increased by over 30% since 2014. During the same period the export market for tile has been decimated as a result of civil war in our export markets. The local market has therefore been asked to absorb an impossible amount of excess capacity. Unlike most of the competition we have forced ourselves to cut capacity to protect cash flows but we expect the tile industry to continue to be a substantial drag on our business.

"We fared much better in Sanitary Ware and Brassware businesses. In those two areas our competitive position is much stronger. We have seen some deterioration in the terms of our export business as our Egyptian currency has substantially increased versus the Euro and Sterling which remain our main export currencies. It is difficult to understand that in an environment of currency shortage our economic leadership continues to focus on maintaining parity with the US dollar while showing increases in value against our main trading partners.

"We have begun a full review of our business to find economies and factors of strength to bring to our business and some of these are detailed by our managing director in this report. We do not expect 2016 to be much stronger but are hopeful that the political stability we are currently enjoying 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 we saw in the second half of the year accelerated and the loss in sales – with a corresponding reduction in production – has resulted in an operating loss for the company.

"Without doubt 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 the fourth quarter we introduced a range of new sizes and inkjet-printing technology on tiles. These now account for 20% of our tile sales and we are expanding the capacity for those tiles for the summer season.

"In the first quarter of 2016 we are launching our trader support program and introducing new distributors

"In the second quarter we will open a new distribution warehouse in Upper Egypt to better target those markets.

"We hope these new products and services will allow us to continue building market share in Egypt. We plan to follow these initiatives launched over 2015 and early 2016 with other offers of goods, services and incentives over the coming quarters. Accordingly, we hope to continue to build market share and deliver the best possible results in these circumstances.

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

"At the same time we are cutting costs and working on inventory reduction and cash collection to try and deliver the best possible cash flow position in light of reduced gross profits. You can see the first results of this effort 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 operating environment we are in. 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."

Lecico Revenue and Profitability

Profit and loss statement highlights	4Q		%	FY		%
(LE m)	2015	2014	15/14	2015	2014	15/14
Sanitary ware	166.5	170.5	98%	718.2	746.6	96%
Tiles	128.4	170.7	75%	605.4	780.5	78%
Brassware	12.6	11.6	109%	46.9	46.1	102%
Net sales	**307.6**	**352.8**	**87%**	**1,370.5**	**1,573.2**	**87%**
Sanitary ware/net sales (%)	54.2%	48.3%	5.8%	52.4%	47.5%	4.9%
Cost of sales	(288.2)	(271.4)	106%	(1,124.8)	(1,153.7)	97%
Cost of sales/net sales (%)	(93.7%)	(76.9%)	16.8%	(82.1%)	(73.3%)	8.7%
Gross profit	**19.4**	**81.4**	**24%**	**245.7**	**419.5**	**59%**
Gross profit margin (%)	6.3%	23.1%	(16.8%)	17.9%	26.7%	(8.8%)
Distribution and administration (D&A)	(42.0)	(48.0)	88%	(198.7)	(193.4)	103%
D&A/net sales (%)	(13.7%)	(13.6%)	0.1%	(14.5%)	(12.3%)	2.2%
Net other operating income/ (expense)	(14.4)	1.5	-	(17.4)	0.7	-
Net other operating income/ (expense) net sales (%)	(4.7%)	0.4%	-	(1.3%)	0.0%	
EBIT	**(37.0)**	**34.9**	**-**	**29.6**	**226.8**	**13%**
EBIT margin (%)	-	9.9%	-	2.2%	14.4%	(12.2%)
Net profit	**(62.4)**	**1.5**	**-**	**(65.1)**	**91.6**	**-**
Net profit margin (%)		0.4%	-		5.8%	-

4Q 2015: Lower sales and higher unit production costs drive a significant net loss.

Lecico revenues for the quarter decreased by 13% year-on-year to LE 307.6 million with lower sales volumes in tiles and sanitary ware and a reduction in tile prices year-on-year. Lecico has seen weaker demand in Egypt since the increase in energy and petrol prices in July 2014.

Regional exports have shrunk significantly for Lecico and other Egyptian manufacturers since mid-2014 with continued conflict in Libya and regional economies under pressure due to political instability and lower oil prices.

The shrinking of regional export markets at the same time has seen added capacity return to the domestic market and industry-wide over capacity in tiles is driving increasing competition for available sales.

Average prices in sanitary ware improved year-on-year reflecting price increases in sanitary ware in Egypt and differences in product mix. While on the other side average prices in tiles decreased due to promotions made to enhance sales in Egypt and in export markets. In addition to several price reductions in tiles in Egypt over 2015, the Company was required to reduce its tile prices in export in the fourth quarter to meet competition in Libya and to try and open new markets.

Year-on-year average unit costs rose primarily as a result of continued reduced production. Given the worsening sales picture in the second half of 2015, the Company is continuing to adjust production on a month-by-month basis to try to minimize stock growth and minimize any cash outflows – albeit at the expense of production costs and profitability. The Company was able to reduce inventories quarter-on-quarter but had several weeks of closure in both tiles and sanitary ware in the quarter to achieve this.

As a result of weaker sales volumes, lower tile prices and higher unit production costs, gross profit decreased by 76% to reach LE 19.4 million. The Company's gross profit margin fell 16.8 percentage points to 6.3% compared to 23.1% for the same period last year

In absolute terms, D&A expenses decreased by 12% to LE 42.0 million on the back of cost savings throughout the year that allowed a reversal of accruals in the quarter. Proportional D&A expenses were up 0.1 percentage points to 13.7% of net sales compared to 13.6% in the fourth quarter of 2014.

The Company also reported LE 14.4 million in net other operating expense due to LE 14 million in provisions that were taken in light of the operational risks facing the company. This other operating expense compares to other operating income of LE 1.5 million in the fourth quarter of 2014.

Lecico recorded an EBIT loss of LE 37.0 million for the quarter compared to an EBIT profit of LE 34.9 million in the fourth quarter of 2014.

Financing expenses were down 20% year-on-year during the fourth quarter of 2015 to reach LE 19.6 million compared to the same period in 2014 as a result of a shift in treasury positions to increased portion of net borrowing in foreign currency to match cash inflows from exports.

Lecico recorded a positive tax for the quarter of LE 1.8 million versus negative LE 0.5 million tax charges for the same period last year as a result of reported lower profits in the fourth quarter in 2015.

Lecico reported net loss for the fourth quarter of LE 62.4 million compared to net profit LE 1.5 million for the same period last year.

FY 2015: Cost inflation and weaker markets drive sharp drop in profitability

Full year 2015 showed a significant loss compared to a profit for the same period last year as a result of the weak market conditions in Egypt and the region and the higher costs.

Weaker market demand was compounded by structural overcapacity leading to not only lower sales volumes but increased price competition, particularly in tiles. At the same time requisite reduced production levels and the massive increase in energy prices enacted in mid-2014 combined to deliver a sharp deterioration in top-line compounded by a significant reduction in gross margins.

Revenues fell by 13% year-on-year to reach LE 1,370.5 million with lower sales volumes in all segments but primarily in tile segment due to a dramatic decrease in regional exports and weakness in the Egyptian market.

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

The Company – as a result of increased competition – has been forced to reduce tile prices in Egypt several times over the course of the year effectively rolling back all the increases done in 2014 to offset the 133% increase in gas costs enacted in July 2014. Furthermore, the company was required to reduce its tile prices in export in the fourth quarter of 2015 to respond to competition in Libya and to try and open new markets; reducing tile prices by an average of 7% at the start of February and by a further 4% in September. For 2015, this has led to a 1% drop in average tile prices.

Although sanitary ware has seen lower sales volumes as a result of the same market conditions affecting tiles, the drop in volumes has been lower and the level of competition and over-capacity has not led to price-driven competition. As a result, sanitary ware prices were increased 6% compared to the average of 2014 as the price increases done in mid-2014 and in 2015 more than offset aggressive pricing for new business in export enacted in 2015.

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. This increase has been compounded in 2015 by the necessity of reducing production in light of weaker sales volumes. Compared to 2014, sanitary ware production was reduced 16% and tiles production reduced by 28% in 2015.

As a result, gross profit decreased by 41% to reach LE 245.7 million and the Company's gross profit margin fell 8.7 percentage points to 17.9% compared to 26.7% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 3% to LE 198.7 million. Proportional D&A expenses were up 2.2 percentage points to 14.5% of net sales compared to 12.3% in 2014.

The Company also reported LE 17.4 million in other operating expenses as a result of provisions taken in the fourth quarter.

EBIT fell 87% compared to same period last year to reach LE 29.6 million with the EBIT margin decreasing 12.2 percentage points year-on-year to 2.2%.

Financing expenses were down 16% year-on-year during 2015 to reach LE 80.4 million compared to the same period in 2014 due a shift in treasury positions to increased portion of net borrowing in foreign currency to match cash inflows from exports.

Lecico recorded a positive tax of LE 0.4 million versus LE 21.2 million tax charges for the same period last year as a result of reported lower profits in 2015 and reported deferred tax in 2014.

Lecico reported net loss of LE 65.1 million compared to net profit of LE 91.6 million in 2014.

Segmental analysis

Sanitary ware

4Q: Sanitary ware sales volume decreased by 5% to 1.13 million pieces (down 57,000 pieces) largely as a result of export falling 22% (166,000 pieces), this reduction in exports offset by higher sales in Egypt by 22% (92,000).

Average sanitary ware prices were up 3% year-on-year to LE 146.9 per piece as a result of price increases done over 2014 and in July 2015 and despite a shift towards lower-priced Egyptian sales (47.1% of sales in the quarter compared to 35.7% in the same period last year).

Revenues fell 2% year-on-year at LE 166.5 million.

Average cost of sales up 10% at LE 132.1 per piece due to reduced production and temporary closure of the factory in December.

Sanitary ware gross profit margin fell 6.1 percentage points to reach 10% and gross profits fell 39% to LE 16.7 million.

Sanitary ware segmental analysis	4Q		%	FY		%
	2015	2014	15/14	2015	2014	15/14
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	507	415	122%	1,995	2,066	97%
Lebanon (000 pcs)	27	10	275%	109	150	73%
Export (000 pcs)	600	766	78%	2,730	3,118	88%
Total sanitary ware volumes (000 pcs)	**1,134**	**1,191**	**95%**	**4,835**	**5,335**	**91%**
Exports/total sales volume (%)	52.9%	64.3%	(11.4%)	56.5%	58.4%	(1.9%)
Sanitary ware revenue (LE m)	**166.5**	**170.5**	**98%**	**718.2**	**746.6**	**96%**
Average selling price (LE/pc)	146.9	143.1	103%	148.5	140.0	106%
Average cost per piece (LE/pc)	132.1	120.0	110%	120.5	111.1	108%
Sanitary ware cost of sales	(149.8)	(143.0)	105%	(582.6)	(592.7)	98%
Sanitary ware gross profit	16.7	27.5	61%	135.6	153.9	88%
Sanitary ware gross profit margin (%)	10.0%	16.1%	(6.1%)	18.9%	20.6%	(1.7%)

FY: Sanitary ware sales volume decreased by 9% to 4.8 million pieces (down 500,000 pieces). Export volumes fell 12% (388,000 pieces) primarily as a result of a 42% drop in exports to the Middle East (327,000 pieces). Volumes in Egypt also weakened, falling 3% (71,000 pieces) year-on-year.

Average sanitary ware prices were up 6% year-on-year to LE 148.5 per piece as a result of price increases done over 2014 and in July 2015.

Revenues fell 4% year-on-year at LE 718.2 million. Exports represented 56.5% of volumes compared to 58.4% in 2014.

Average cost of sales up 8% at LE 120.5 per piece due to the increase in energy prices in July 2014 and lower production and diseconomies of scale. Gross profit margin fell 1.7 percentage points to reach 18.9% and gross profits fell 12% to LE 135.6 million.

Sanitary ware export:

Sanitary ware exports decreased 12% in 2015 over 2014 reflecting continued sharp slowdown exports to the Middle East offsetting growth in Lecico's OEM business and in sales to sub-Saharan Africa.

Sanitary ware exports by destination					
(000s pieces)	31-Dec-15	% of total	31-Dec-14	% of total	% 15/14
United Kingdom	1,009	37%	1,074	34%	94%
France	55	2%	127	4%	43%
Germany	80	3%	57	2%	142%
Other Europe	193	7%	179	6%	108%
Europe	**1,338**	**49%**	**1,437**	**46%**	**93%**
Middle East and North Africa	**457**	**17%**	**784**	**25%**	**58%**
Sub-Saharan Africa	**218**	**8%**	**196**	**6%**	**111%**
Other export markets	**4**	**0%**	**10**	**0%**	**43%**
OEM	**713**	**26%**	**691**	**22%**	**103%**
Total Exports	**2,730**	**100%**	**3,118**	**100%**	**88%**

Tiles

4Q: Tile sales volumes decreased by 12% year-on-year (0.8 million square meters) to reach 5.92 million square meters in the fourth quarter of 2015.

Sales to Egypt were down 7% (0.4 million square meters) with continued pressure on demand and oversupply. Exports were down 33% (0.6 million square meters) with the political situation in Libya and the economic constraints in other parts of the Middle East continuing to negatively affect demand.

Average net prices fell 15% at LE 21.7 per square meter as a result of promotions and price reductions done over 2015 in the face of increased competition. The Company took the decision to reduce prices in Libya in the fourth quarter and is actively seeking new export markets at competitive prices to offset the drop in overall sales which has had an effect on average export prices but helped quarter-on-quarter sales volumes.

Tiles revenues fell 25% year-on-year to LE 128.4 million in the fourth quarter of 2015.

Average costs rose 18% year-on-year to reach LE 21.6 per square meter due to the Company's decision to reduce production in light of weaker demand.

Gross profit margins fell by 27.9 percentage points to reach 0.6% and gross profit fell 98% year-on-year to LE 0.8 million.

Tile segmental analysis	4Q		%	FY		%
	2015	2014	15/14	2015	2014	15/14
Tile volumes (000 sqm)						
Egypt (000 sqm)	4,575	4,921	93%	20,581	25,457	81%
Lebanon (000 sqm)	202	73	277%	1,074	1,603	67%
Export (000 sqm)	1,142	1,702	67%	4,132	5,985	69%
Total tile volumes (000 sqm)	**5,919**	**6,696**	**88%**	**25,787**	**33,045**	**78%**
Exports/total sales volume (%)	19.3%	25.4%	(6.1%)	16.0%	18.1%	(2.1%)
Tile revenue (LE m)	**128.4**	**170.7**	**75%**	**605.4**	**780.5**	**78%**
Average selling price (LE/sqm)	21.7	25.5	85%	23.5	23.6	99%
Average cost per sqm (LE/sqm)	21.6	18.2	118%	19.8	16.1	123%
Tile cost of sales	(127.6)	(122.0)	105%	(510.4)	(531.7)	96%
Tile gross profit	0.8	48.7	2%	95.0	248.8	38%
Tile gross profit margin (%)	0.6%	28.5%	(27.9%)	15.7%	31.9%	(16.2%)

FY: Tile sales volumes decreased by 22% year-on-year (7.3 million square meters) to reach 25.79 million square meters. Sales in Egypt fell 19% (4.9 million square meters) and regional export markets fell 31% (1.8 million square meters).

Average net prices were down 1% at LE 23.5 per square meter, the price increase done in 2014 was essentially rolled back over the course of 2015.

Tiles revenues fell 22% year-on-year to LE 605.4 million in 2015.

Average costs rose 23% year-on-year to reach LE 19.8 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 16.2 percentage points to reach 15.7% and gross profit fell 62% year-on-year to LE 95.0 million.

Brassware

4Q: Sales volumes for fourth quarter increased by 4% to reach 32,938 pieces compared to 31,621 pieces in fourth quarter of 2014.

Average net prices rose 4% to reach LE 382.5 per piece due to product mix and price increases enacted over 2014.

Revenue for the quarter up 9% year-on-year to reach LE 12.6 million.

Average cost per piece up 62% to LE 326.6 per piece reflecting an inventory adjustment and changing mix.

Brassware gross profit margins fell 30.2 percentage points to reach 14.6% and gross profits decreased by 64% to reach LE 1.8 million for the quarter.

Brassware segmental analysis	4Q		%	FY		%
	2015	2014	15/14	2015	2014	15/14
Brassware volumes (pcs)						
Egypt (pcs)	32,915	29,960	110%	126,515	134,866	94%
Export (pcs)	23	1,661	1%	415	2,085	20%
Total brassware volumes (pcs)	**32,938**	**31,621**	**104%**	**126,930**	**136,951**	**93%**
Exports/total sales volume (%)	0.1%	5.3%	(5.2%)	0.3%	1.5%	(1.2%)
Brassware revenue (LE m)	**12.6**	**11.6**	**109%**	**46.9**	**46.1**	**102%**
Average selling price (LE/pc)	382.5	366.1	104%	369.7	336.9	110%
Average cost per piece (LE/pc)	326.6	201.9	162%	250.8	213.6	117%
Brassware cost of sales	(10.8)	(6.4)	168%	(31.8)	(29.3)	109%
Brassware ware gross profit	1.8	5.2	36%	15.1	16.9	89%
Brassware gross profit margin (%)	14.6%	44.8%	(30.2%)	32.2%	36.6%	(4.4%)

FY: Sales volumes for 2015 decreased by 7% to reach 126,930 pieces compared to 136,951 pieces for same period of 2014.

Average net prices rose 10% to reach LE 369.7 per piece due to product mix and price increases enacted over 2014.

Revenue for 2015 rose 2% year-on-year to reach LE 46.9 million.

Average cost per piece up 17% to LE 250.8 per piece reflecting product mix.

Brassware gross profit margins fell 4.4 percentage points to reach 32.2% and gross profit decreased by 11% to reach LE 15.1 million.

Financial position

The value of Lecico's assets decreased by 2% at the end of December 31, 2015 at LE 2,158.8 million with the Company reducing its cash balances by LE 77.5 million over the year with fixed assets continuing to fall with depreciation and limited investments.

Total liabilities were up 1% at LE 1,322.4 million.

Gross debt was increased 5% or LE 47.4 million over 2015 to reach LE 924.4 million while net debt rose 20% or LE 125.1 million to reach LE 756.4 million compared to LE 631.3 million at the end of 2014 reflecting payment of dividends in 2015 and a negative net cash flow from operations in 2015..

With growing net debt and losses for the year driving down equity, net debt to equity increased 28% to reach 0.91x compared to 0.71x at the end of 2014.

Recent developments and outlook

Outlook for 2016: The market slowdown felt in the 2nd half of 2015 is continuing into the early months of 2016, so the Company is starting the year with a challenging demand picture compounded by the price reductions enacted over 2015 to fight off competition.

The challenge facing the company in this environment is to defend and gain market share and try to reach new markets to offset lost volumes. However, it will be challenging to make a significant turnaround in performance in the short-term given the amount of local and regional competition going after the same objectives.

In the face of overcapacity in Egypt and increasingly aggressive competition from competitors in the industry, Lecico is in the midst of a number of offensive measures to defend and grow market shares.

In terms of offensive measures to gain market share, over the course of 2015, Lecico did a number of price reductions in tiles both in the local market and in export. In the second half of 2015 the Company began delivering all sanitary ware, allowing for a tighter control on distribution; as well as offering a better service to our customers. This will introduce us directly to merchants so far only addressed through distributors. Direct contacts will allow us to improve our integration with the market.

In the fourth quarter of 2015, the Company introduced a range of new sizes and inkjet printing technology into its tile production allowing the company to offer more products and compete in more market segments.

In 2016, Lecico began the year by launching its designated trader program offering marketing support and incentives to our distributors best retailers directly.

Lecico also reorganized its local sales team to take advantage of the marketing skills it developed as a direct distributor itself.

In 1Q 2016, the Company also introduced new distributors to the Lecico brand and is targeting more over the course of the year.

The Company is expecting to double its capacity for producing the new sizes of tiles with inkjet printing. This is expected to come on-stream by mid-2Q 2016. A further transfer of tile production to inkjet printing is currently planned for 3Q 2016. These investments do not add to overall capacity but utilize existing lines to offer more flexibility in production.

In mid-2Q 2016, Lecico will launch its Upper Egypt Tile Distribution Center offering tiles by the pallet at ex-factory prices to local traders and distributors. It is expected that these better terms – combined with the new designated trader program – will let Lecico capture market share in tiles in Upper Egypt where the Company is currently underrepresented.

Nonetheless, all these actions are ongoing in an atmosphere of fierce competition and weaker demand.

On the cost side, higher energy prices since July 2014 and reduced demand remain a challenge.

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 – based on 2013 production - unit cost of production increased by 20% as a result of the direct and secondary impact of these cost increases. This would have an annual cost of LE 200 million based on those same production numbers.

After price reductions over the course of 2015, the Company has only been able to offset around one-quarter of these cost increases through price increases, favorable exchange rates and industrial efficiency improvements.

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.

It seems likely production will remain reduced until perhaps the summer season of 2016. So costs year-on-year are likely to remain around the levels seen year-to-date in 2015.

Management hopes – with government investment plans and barring any radical cost inflation – that demand will recover over the coming year. Furthermore, the Company's initiatives to increase market share and enter new markets should drive some improvement year-on-year if market conditions are constant or gradually improving.

Lecico will continue to do it's utmost to build market share in Egypt and the region and expand export activities to deliver the best possible performance and the fastest possible recovery in this challenging environment.

AGM

Lecico will hold its AGM on Thursday, March 31st at 8:30am in the Superior 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)	2015	2014	15/14	2015	2014	15/14
Net sales	**307.6**	**352.8**	**87%**	**1,370.5**	**1,573.2**	**87%**
Cost of sales	(288.2)	(271.4)	106%	(1,124.8)	(1,153.7)	97%
Gross profit	**19.4**	**81.4**	**24%**	**245.7**	**419.5**	**59%**
Gross margin (%)	6.3%	23.1%	(16.8%)	17.9%	26.7%	(8.8%)
Distribution expenses	(24.8)	(16.6)	149%	(83.0)	(65.8)	126%
Administrative expenses	(17.2)	(31.4)	55%	(115.7)	(127.6)	91%
Other Operating income	3.2	4.2	77%	8.9	13.2	68%
Other Operating expenses	(17.6)	(2.6)	665%	(26.3)	(12.5)	210%
Operating profit (EBIT)	**(37.0)**	**34.9**	**-**	**29.6**	**226.8**	**13%**
Operating (EBIT) margin (%)	-	9.9%	-	2.2%	14.4%	(12.2%)
Investment revenues	0.0	0.1	39%	2.5	2.6	95%
Finance income	(0.9)	0.0	-	12.7	13.0	98%
Finance expense	(19.6)	(24.5)	80%	(80.4)	(95.2)	84%
Profits before tax and minority (PBTM)	**(57.4)**	**10.7**	**-**	**(35.6)**	**147.3**	**-**
PBTM margin (%)	-	3.0%	-	(2.6%)	9.4%	-
Income tax	1.0	4.6	21%	(2.5)	(12.0)	21%
Deferred tax	0.8	(5.1)	-	2.9	(9.2)	-
Net Profit after tax (NPAT)	**(55.7)**	**10.2**	**-**	**(35.2)**	**126.0**	**-**
NPAT margin (%)	-	2.9%	-	(2.6%)	8.0%	-
Employee profit participation	(7.7)	(8.0)	96%	(30.6)	(32.0)	96%
Net profit before minority interest	**(63.4)**	**2.2**	**-**	**(65.9)**	**94.0**	**-**
Minority interest	0.9	(0.8)	-	0.8	(2.4)	-
Net Profit	**(62.4)**	**1.5**	**-**	**(65.1)**	**91.6**	**-**
Net profit margin (%)	-	0.4%	-	-	5.8%	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Dec-15	31-Dec-14	FY15/FY14 (%)
Cash and short-term investments	168.0	245.7	68%
Inventory	701.0	667.9	105%
Receivables	496.7	449.6	110%
Related parties -debit balances	62.2	61.8	101%
Total current assets	**1,427.9**	**1,425.0**	**100%**
Net fixed assets	678.3	708.5	96%
Intangible assets	22.1	22.1	100%
Prepaid long-term rent	0.4	0.6	63%
Projects in progress	12.5	13.1	95%
Available for sale investments	5.8	5.4	109%
Long-term notes receivable	11.8	27.3	43%
Total non-current assets	**730.9**	**777.1**	**94%**
Total assets	**2,158.8**	**2,202.0**	**98%**
Banks overdraft	826.7	734.5	113%
Current portion of long-term liabilities	37.7	44.8	84%
Trade and notes payable	109.6	132.0	83%
Other current payable	211.7	223.4	95%
Related parties -credit balances	0.4	4.8	9%
Provisions	35.5	24.4	145%
Total current liabilities	**1,221.7**	**1163.9**	**105%**
Long-term loans	60.0	97.6	61%
Other long-term liabilities	0.3	1.3	26%
Provisions	9.8	9.6	103%
Deferred tax	30.6	33.7	91%
Total non-current liabilities	**100.8**	**142.2**	**71%**
Total liabilities	**1,322.4**	**1,306.1**	**101%**
Minority interest	**5.8**	**9.5**	**61%**
Issued capital	400.0	400.0	100%
Reserves	376.2	355.8	106%
Retained earnings	119.5	39.1	306%
Net profit for the year	(65.1)	91.6	-
Total equity	**830.6**	**886.4**	**94%**
Total equity, minorities and liabilities	**2,158.8**	**2,202.0**	**98%**

Lecico Egypt consolidated cash flow

Cash flow statement	FY		%
(LE m)	2015	2014	15/14
Cash Flow from operating activities			
Net profit for the period	(65.1)	91.6	-
Depreciation and translation adjustment	102.6	101.1	101%
Intangible assets amortisation and translation adjustment	0.2	0.6	30%
Income tax expense	2.5	12.0	21%
Income tax paid	(9.1)	(19.8)	46%
Deferred income tax	(3.1)	9.1	-
Prepaid rent expense	0.2	0.2	100%
Capital gains	(0.1)	(0.3)	17%
Provided provisions and translation adjustment	25.8	11.1	232%
Reversal of expired provision	(1.4)	(1.0)	133%
Employee share in net profit	30.6	32.0	96%
Increase (Decrease) in minority interest	(3.7)	5.8	-
Increase (Decrease) in translation reserve	29.2	12.2	239%
(Increase) Decrease in Inventory	(33.7)	(103.5)	33%
(Increase) Decrease in Receivables	(50.9)	(63.7)	80%
Increase (Decrease) in Payables	(31.3)	21.7	-
Utilised Provisions	(9.1)	(28.6)	32%
Increase (Decrease) in Other Long Term Liabilities	(0.9)	(0.8)	125%
(Payments) / Received for acquiring current investment	57.9	3.6	1589%
Difference result from discounting of long term notes receivables	(3.0)	(4.6)	65%
Net cash from operating activities	**37.8**	**78.9**	**48%**
Cash flow from investing activities			
Additions to fixed assets and projects	(73.8)	(57.7)	128%
Intangible assets	(0.1)	(0.2)	74%
Net change in available for sale investments	(0.5)	(0.1)	330%
Proceeds from sales of fixed assets	2.1	0.4	487%
Increase (Decrease) in long-term notes receivable	18.5	17.3	107%
Net cash from investing activities	**(53.8)**	**(40.3)**	**134%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(37.6)	56.5	-
Increase (Decrease) in current portion of long term liabilities	(7.2)	20.1	-
Dividends paid	(51.2)	(68.9)	74%
Net cash from financing activities	**(96.0)**	**7.8**	**-**
Net change in cash & cash equivalent during the period	**(112.0)**	**46.4**	**-**
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	**(658.7)**	**(546.7)**	**120%**