Third Quarter 2016 Results

Alexandria, 14th November 2016 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for third quarter 2016.

Highlights

3Q 2016

- Lecico revenue fell 1% to LE 336.7 million (57.6% from sanitary ware)
- Sanitary ware revenue up 7% to LE 194.1 million, sales volumes up 15% to 1.28 million pieces (53.8% exports)
- Tile revenue fell 12% to LE 129.5 million, sales volumes fell 1% to 5.8 million square meters (6.2% exports)
- Brassware revenue up 28% to LE 13.2 million, sales volume up 16% to 34,053 pieces
- Third quarter reported negative EBIT LE 6.3 million compared to a profit of LE 16.4 million
- Third quarter reported net loss LE 49.1 million compared to net loss of LE 8.7 million

9M 2016

- Lecico revenue fell 6% to LE 1,002.3 million (55.6% from sanitary ware)
- Sanitary ware revenue up 1% to LE 557.5 million, sales volumes fell 2% to 3.6 million pieces (54.3% exports)
- Tile revenue fell 15% to LE 406.1 million, sales volumes fell 8% to 18.3 million square meters (11.6% exports)
- Brassware revenue up 13% to LE 38.8 million, sales volume up 16% to 109,396 pieces
- First nine months reported negative EBIT LE 35.4 million compared to a profit of LE 66.6 million
- The company reported net loss of LE 129.6 million compared to net loss of LE 2.6 million

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented "The future looks a lot brighter following the most recent government move to float the currency. It is too early to determine the values that the currency will settle at after initial gyrations.

"For Lecico, as a major exporter, this will bring about a substantial recovery in earnings, as long as we also reflect increased costs in our local pricing – a process we have began in November but that could take months to fully realize.

"This will be accompanied throughout 2017 by positive effects of cost-saving measures started this year which will show more results next year. I will be able to talk more on these issues when we write to you again with our year-end results.

"Suffice to say that we believe the decision to float the currency marks a turning point in Lecico's recovery and I believe we will show improvement in our fourth quarter already. We are optimistic. We cannot discount the possible negative surprises that may come up as time unfolds but this is a major step forward for Egypt that should have positive consequences for Lecico. We will continue working for improvement and pushing to make sure we make the best out of these positive events.

"Thank you for your patience and belief in our Company during these difficult times."

Taher Gargour, Lecico Egypt MD, added, "While the third quarter results show a deterioration in margins and an increase in losses quarter-on-quarter, the results are more positive than they look.

"Sales in Egypt were strong in the quarter, with sales volumes at their highest levels in the past two years. While this is partly due to our initiatives to grow market share, but the whole market has seen stronger activity with a recovery in end-user sales after a slow summer and the beginning of many government projects further adding to demand.

"We did suffer from a drop in gross margins and profits increasing net losses, but our gross profit numbers are distorted by low production and aggressive destocking. Around 20% of our revenue came from destocking with low production driving up our unit costs on the P&L statement. Due to holidays and destocking, production volumes during the quarter were at their lowest all year despite relatively good sales. Our inventory fell LE 32 million over the quarter to a value level below year-end 2015 and 2014, and live stocks of finished goods are reaching levels where production needs ramping up again.

"From the fourth quarter onwards, we are ramping up production to match sales levels as our stocks of finished goods have reached levels that limit destocking opportunities. This will improve our economies of scale and reduce cost of sales on a per unit basis – before factoring in the impact of the floatation of course.

"In terms of cost control, the quarter also shows a good quarter-on-quarter reduction in selling and administration expenses, which are – in absolute terms – below the quarterly average of this year and last year. So our cost reduction initiatives are bearing fruit.

"In terms of working capital control, the reduction in inventories combined with a slight increase in payables and receivables has seen around a 5% reduction in our absolute value of working capital over the quarter. So our cash-focused strategy is also continuing to work.

"As we look forward to the fourth quarter and the year ahead, we can expect a significant recovery in our results – although our working capital will jump – on the back of the floatation of the pound increasing the profitability of our exports and giving us room to increase prices in Egypt.

"We continue to have more of our revenue than costs in hard currency allowing us to absorb any devaluation and see a small improvement in our operating results. Any devaluation also significantly improves our export returns and allows us to quote more competitively for new business without sacrificing margins.

"In the local market, we have seen a first response of price increases from competition in reaction to the inflationary impact of the drop in the value of the Egyptian Pound and Lecico has initiated a price increase in mid-November. Our increase does not cover the full impact of the floatation on our Egyptian sales, but it is a positive first step and is a direct improvement in results for Lecico given our net export position.

"It is still early days and there are risks to consider - particularly on local costs and demand in light of the expected inflationary impact of the floatation; but on the back of the floatation, increased local demand, our progress in cost control and the ramping up of our production we can hope for a marked improvement in our financials in the coming quarters.

"We still have a lot to do to return to profitability and will continue our focus on cost reduction and working capital improvement as necessary parts of this recovery – although these may be hard to see given the effects of the currency floatation on costs and asset values.

"I hope we will see the beginnings of a recovery in the fourth quarter and the year ahead. Rest assured that we will continue to take decisive action to improve our operations on all fronts which will strengthen us as a company and help us best utilize our significant advantages and strengths."

Lecico Revenue and Profitability

Profit and loss statement highlights	3Q		%	9M		%
(LE m)	2016	2015	16/15	2016	2015	16/15
Sanitary ware	194.1	181.6	107%	557.5	551.6	101%
Tiles	129.5	146.9	88%	406.1	477.0	85%
Brassware	13.2	10.3	128%	38.8	34.3	113%
Net sales	**336.7**	**338.9**	**99%**	**1,002.3**	**1,062.9**	**94%**
Sanitary ware/net sales (%)	57.6%	53.6%	4.0%	55.6%	51.9%	3.7%
Cost of sales	(305.9)	(266.2)	115%	(897.1)	(836.7)	107%
Cost of sales/net sales (%)	(90.8%)	(78.5%)	12.3%	(89.5%)	(78.7%)	10.8%
Gross profit	**30.8**	**72.7**	**42%**	**105.2**	**226.3**	**47%**
Gross profit margin (%)	9.2%	21.5%	(12.3%)	10.5%	21.3%	(10.8%)
Distribution and administration (D&A)	(48.3)	(55.3)	87%	(146.0)	(156.7)	93%
D&A/net sales (%)	(14.4%)	(16.3%)	(2.0%)	(14.6%)	(14.7%)	(0.2%)
Net other operating income/ (expense)	11.2	(1.0)	-	5.4	(3.0)	(182%)
Net other operating income/ (expense) net sales (%)	3.3%	(0.3%)	-	0.5%	(0.3%)	-
EBIT	**(6.3)**	**16.4**	**-**	**(35.4)**	**66.6**	**-**
EBIT margin (%)	-	4.8%	-	-	6.3%	-
Net profit	**(49.1)**	**(8.7)**	**564%**	**(129.6)**	**(2.6)**	**-**
Net profit margin (%)	-	-	-	-	-	-

3Q 2016: Profits impacted by destocking and impact of Brexit on export values

3Q2016 results show sales flat year-on-year and marginally down quarter-on-quarter despite the Company's best sales volumes in Egypt in the year as exports were negatively impacted by limited tile sales to the Middle East and by sanitary ware export values suffering from the sharp drop in the Sterling (circa 35% of export volumes) negatively impacting export prices.

Margins are down year-on-year and quarter-on-quarter primarily as a result of reduced production and destocking – although in the quarter profitability was also impacted by increases in sales tax, electricity prices and interest rates.

Lecico revenues for the third quarter decreased by 1% year-on-year to LE 336.7 million. The drop in sales comes primarily from lower tile sales with growth in sanitary ware revenues.

Quarter-on-quarter revenues decreased by 3% (2Q 2016: LE 346.6 million) as a result of lower tile sales and a drop in average price of sanitary ware due to mix and the effect of a weaker Sterling.

Year-on-year average unit costs rose in tiles and were marginally lower in sanitary ware primarily as a result of significant reduction in tile production and – in the quarter – a significant increase in electricity costs.

Gross profit decreased by 58% to reach LE 30.8 million. The company's gross profit margin fell 12.3 percentage points to 9.2% compared to 21.5% for the same period last year

Quarter-on-quarter, gross profit decreased by 22% (2Q 2016: LE 39.6 million) and the company's gross margin was down 2.3 percentage points (2Q 2016: 11.4%).

In absolute terms, distribution and administration (D&A) expenses decreased by 13% to LE 48.3 million. Proportional D&A expenses were down 2.0 percentage points to 14.4% of net sales compared to 16.3% in the third quarter of 2015.

Quarter-on-quarter absolute D&A expenses fell 7% (2Q 2016: LE 51.9 million) and proportional D&A expenses fell 0.6 percentage points (2Q 2016: 15.0%).

The company reported LE 11.2 million in net other operating income compared to net other operating expenses of LE 1.0 million in the third quarter of 2015. This was primarily due to LE 8.4 million reversal of provision taken in 2014 when the government announced an exceptional 5% additional income tax on all companies. Its reversal is offset by the increased income tax payment in the quarter.

The company reported an operating (EBIT) loss of LE 6.3 million for the quarter compared to positive EBIT LE 16.4 million in the same period last year. This number is distorted by the LE 9.1 million tax provision reversal which is netted out by the tax charge on net profits.

Quarter-on-quarter, EBIT losses decreased 38% (2Q 2016: LE 10.2 million loss) and the loss fell from 2.9% of sales in 2Q 2016 to 1.9% of sales. Excluding the tax provision our EBIT loss increased quarter-on-quarter.

Financing expenses rose 39% year-on-year during the third quarter of 2016 to reach LE 28.1 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 23%. The Central bank raised 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.

Lecico recorded a higher income tax in the third quarter of LE 8.7 million compared to LE 0.3 in the third quarter of 2015 due to exceptional additional income tax charge of 5% on 2014 results which was paid in August 2016. The Company provisioned for this tax charge in 2014 but withheld payment on tax exempt operations until it was confirmed by the government this year.

The company reported net loss LE 49.1 million compared to net loss LE 8.7 million last year.

Quarter-on-quarter, the net loss increased 26% (2Q 2016: LE 39.1 million loss).

9M 2016: Weaker markets and cost inflation drive sharp drop in profitability

Lecico revenues for the first nine months decreased by 6% year-on-year to LE 1,002.3 million. The drop in sales comes primarily from tile sales volume weakness and price reduction with limited growth in sanitary ware revenues.

As a result, gross profit decreased by 53% to reach LE 105.2 million and the company's gross profit margin fell 10.8 percentage points to 10.5% compared to 21.3% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses decreased by 7% to LE 146.0 million. Proportional D&A expenses were down 0.1 percentage points to 14.6% of net sales compared to 14.7% in 2015.

The company reported LE 5.4 million in net other operating income compared to net other operating expenses of LE 3.0 million in the same period last year.

The Company reported negative EBIT L.E 35.4 million compared to operating profits LE 66.6 million in the same period last year.

Financing expenses increased 23% year-on-year during 2016 to reach LE 75.0 million compared to the same period in 2015 due to increase in borrowings and significantly higher interest rates for the Egyptian pound which accounts for around 80% of company borrowings.

Lecico recorded net tax charges of LE 10.7 million versus LE 1.4 million tax charges for the same period last year.

Lecico reported net loss of LE 129.6 million compared to net loss of LE 2.6 million in the same period last year.

Segmental analysis

Sanitary ware

3Q: Sanitary ware sales volume increased by 15% to 1.3 million pieces (up 165,809 pieces) largely as a result of 19% sales growth in Egypt (up 88,632 pieces) and export sales up 12% (up 74,999 pieces). Growth in export came from new business in Germany and mainland Europe. Sales in Lebanon grew 6% (up 2,178 pieces).

Quarter-on-quarter sales volumes were up 6% (69,000 pieces) with growth in Egypt offsetting lower exports.

Average sanitary ware prices were down 7% year-on-year to LE 151.8 per piece due to changing sales mix and the impact of a weaker Sterling on our average export prices.

Quarter-on-quarter average prices were also down 7% due to the drop in the value of the Sterling (circa 35% of export sales volumes) and the impact of additional sales taxes in Egypt. The Company raised prices in October to reflect the increased sales tax and cost of electricity in September. The Company further raised prices in Egypt in mid-November following the floatation of the pound. The floatation will also drive up export prices and thus the Company expects a significant increase in average prices in the fourth quarter.

Revenues rose 7% year-on-year at LE 194.1 million.

Average cost of sales fell 1% at LE 125.0 per piece.

The Company is expecting an increase in unit costs in the fourth quarter due to the floatation of the pound but this should be more than compensated by the impact on pricing and will be partially offset by an expected increase in production in the quarter to match sales.

Sanitary ware gross profit decreased by 16% to reach LE 34.3 million. The company's gross profit margin fell 4.7 percentage points to 17.7% compared to 22.4% for the same period last year.

Sanitary ware segmental analysis	3Q		%	9M		%
	2016	2015	16/15	2016	2015	16/15
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	553	464	119%	1,538	1,489	103%
Lebanon (000 pcs)	37	35	106%	111	82	135%
Export (000 pcs)	688	613	112%	1,962	2,130	92%
Total sanitary ware volumes (000 pcs)	**1,278**	**1,112**	**115%**	**3,611**	**3,701**	**98%**
Exports/total sales volume (%)	53.8%	55.1%	(1.3%)	54.3%	57.6%	(3.2%)
Sanitary ware revenue (LE m)	**194.1**	**181.6**	**107%**	**557.5**	**551.6**	**101%**
Average selling price (LE/pc)	151.8	163.3	93%	154.4	149.1	104%
Average cost per piece (LE/pc)	125.0	126.7	99%	124.7	116.9	107%
Sanitary ware cost of sales	(159.8)	(140.9)	113%	(450.4)	(432.8)	104%
Sanitary ware gross profit	34.3	40.7	84%	107.0	118.9	90%
Sanitary ware gross profit margin (%)	17.7%	22.4%	(4.7%)	19.2%	21.5%	(2.3%)

9M: Sanitary ware sales volume decreased by 2% to 3.6 million pieces (down by 89,779 pieces). Export volumes fell 8% (down 168,364 pieces) as lower sales in the Middle East and OEM were offset by growth in Europe and sub-Saharan Africa. Sales in Egypt were up 3%. Sales in Lebanon grew 35% year-on-year.

Average sanitary ware prices were up 4% year-on-year to LE 154.4 per piece as a result of local price increases and the impact of the March devaluation of the Egyptian Pound on average export prices.

Revenues rose 1% year-on-year at LE 557.5 million. Exports represented 54.3% of volumes compared to 57.6% in 2015.

Average cost of sales rose 7% at LE 124.7 per piece due to lower production and diseconomies of scale.

Gross profit decreased by 10% to reach LE 107.0 million. The company's gross profit margin fell 2.3 percentage points to 19.2% compared to 21.5% for the same period last year.

Tiles

3Q: Tile sales volumes slightly decreased by 1% year-on-year (down 80,676 square meters) to reach 5.8 million square meters in the third quarter of 2016. Sales to Egypt were up 6% (289,487 square meters) with the highest quarterly sales volume in over a year. Exports were down 43% (266,721 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 down 2% (145,000 square meters) with growth in Egypt offsetting lower sales in the Middle East.

Average net prices fell 11% at LE 22.3 per square meter as a result of promotions done in the face of increased competition. The limited price increases done early in the quarter in Egypt were essentially negated by promotions done to encourage sales.

Quarter-on-quarter net prices were down 3% (2Q 2016: LE 23.1/sqm) due to lower exports and the impact of additional sales taxes in Egypt.

The Company raised prices in October to reflect the increased sales tax and cost of electricity in September. The Company further raised prices in Egypt in mid-November following the floatation of the pound. As a result the Company expects a significant increase in average prices in the fourth quarter.

Tiles revenues fell 12% year-on-year to LE 129.5 million in the third quarter of 2016.

Average cost of sales rose 18% year-on-year to reach LE 23.7 per square meter due to the company's decision to reduce production in light of weaker demand and the impact of the March devaluation on energy costs and imported inputs.

Despite the lower volume of sales, the cost of sales rose 16% at LE 137.6 million as a result of reduced production and the new increase in electricity cost by 23%, as well as the impact of the March devaluation of the Egyptian pound on imported inputs.

The Company is expecting an increase in costs in the fourth quarter due to the floatation of the pound which will only be partially offset by the increase in local prices in mid-November. Cost increases will also be partially offset by an expected increase in production in the quarter to match sales but margins are expected to worsen.

Third quarter reported a tile gross loss of LE 8.1 million compared to a gross profit of LE 28.6 million in the third quarter of 2015.

Tile segmental analysis	3Q		%	9M		%
	2016	2015	16/15	2016	2015	16/15
Tile volumes (000 sqm)						
Egypt (000 sqm)	5,254	4,964	106%	15,399	16,006	96%
Lebanon (000 sqm)	200	303	66%	755	872	87%
Export (000 sqm)	358	625	57%	2,118	2,989	71%
Total tile volumes (000 sqm)	**5,812**	**5,892**	**99%**	**18,271**	**19,867**	**92%**
Exports/total sales volume (%)	6.2%	10.6%	(4.4%)	11.6%	15.0%	(3.5%)
Tile revenue (LE m)	**129.5**	**146.9**	**88%**	**406.1**	**477.0**	**85%**
Average selling price (LE/sqm)	22.3	24.9	89%	22.2	24.0	93%
Average cost per sqm (LE/sqm)	23.7	20.1	118%	23.0	19.3	119%
Tile cost of sales	(137.6)	(118.4)	116%	(419.5)	(382.8)	110%
Tile gross profit	(8.1)	28.6	-	(13.4)	94.2	-
Tile gross profit margin (%)	-	19.4%	-	-	19.7%	-

9M: Tile sales volumes decreased by 8% year-on-year (1.6 million square meters) to reach 18.27 million square meters. Sales in Egypt fell 4% (0.6 million square meters) and regional export markets fell 29% (0.9 million square meters). Sales in Lebanon were down 13% (0.1 million square meters).

Average net prices were down 7% at LE 22.2 per square meter, reflecting the impact of price reductions done over the course of 2015 and promotions done in the first nine months of 2016.

Tiles revenues fell 15% year-on-year to LE 406.1 million compared to LE 477.0 million in the same period last year.

Average costs rose 19% year-on-year to reach LE 23.0 per square meter due to company's decision to reduce production by 30% in the face of lower sales in domestic and export markets. In 9M 2016 this was compounded by the impact of the March devaluation on energy and imported inputs of tile production.

First nine months 2016 reported a tile gross loss of LE 13.4 million compared a gross profit of LE 94.2 million in the same period last year.

Brassware

3Q: Sales volumes for third quarter increased by 16% to reach 34,053 pieces compared to 29,379 pieces in third quarter of 2015.

Quarter-on-quarter sales volumes were down 1% (503 pieces) with a drop in sales in Egypt partially offset by higher exports. Production and deliveries in the quarter were also restricted by foreign currency availability.

Average net prices rose 11% to reach LE 387.4 per piece due to product mix.

Quarter-on-quarter net prices were up 16% (2Q 2016: LE 338.0 per piece) reflecting product mix and an increase in prices.

The Company raised prices of brassware in Egypt in the fourth quarter as a result of the weakening of the Pound.

Revenue for the quarter rose 28% year-on-year to reach LE 13.2 million.

Average cost per piece rose 7% to LE 249.7 per piece reflecting an inventory adjustment and changing mix and the impact of March devaluation on imported inputs.

Costs are expected to rise in the fourth quarter following the weakening of the Pound.

Brassware gross profit margins rose 2.0 percentage points to reach 35.6% and gross profits increased by 36% to reach LE 4.7 million for the quarter.

Brassware segmental analysis	3Q		%	9M		%
	2016	2015	16/15	2016	2015	16/15
Brassware volumes (pcs)						
Egypt (pcs)	33,433	29,346	114%	108,408	93,600	116%
Export (pcs)	620	33	1880%	988	392	252%
Total brassware volumes (pcs)	**34,053**	**29,379**	**116%**	**109,396**	**93,992**	**116%**
Exports/total sales volume (%)	1.8%	0.1%	1.7%	0.9%	0.4%	0.5%
Brassware revenue (LE m)	**13.2**	**10.3**	**128%**	**38.8**	**34.3**	**113%**
Average selling price (LE/pc)	387.4	350.5	111%	354.8	365.2	97%
Average cost per piece (LE/pc)	249.7	232.8	107%	248.4	224.2	111%
Brassware cost of sales	(8.5)	(6.8)	124%	(27.2)	(21.1)	129%
Brassware ware gross profit	4.7	3.5	136%	11.6	13.3	88%
Brassware gross profit margin (%)	35.6%	33.6%	2.0%	30.0%	38.6%	(8.6%)

9M: Sales volumes for 2016 increased by 16% to reach 109,396 pieces compared to 93,992 pieces for same period of 2015.

Average net prices fell 3% to reach LE 354.8 per piece due to product mix and additional discounted prices on several projects.

Revenue for 2016 rose 13% year-on-year to reach LE 38.8 million.

Average cost per piece rose 11% to LE 248.4 per piece reflecting an inventory adjustment and changing mix and the impact of March devaluation on imported inputs.

Brassware gross profit margins fell 8.6 percentage points to reach 30.0% and gross profit decreased by 12% to reach LE 11.6 million.

Financial position

The value of Lecico's assets increased by 5% at the end of September 30, 2016 at LE 2,275.4 million and net fixed assets continuing to fall with depreciation and limited investments.

Total liabilities were up 16% at LE 1,537.4 million.

Compared to the start of the year, working capital and debt have both grown with reductions in inventory and growth in payables offset by increased receivables. The March devaluation of the Egyptian Pound was a significant factor in this increase.

Quarter-on-quarter assets are down 1% and liabilities flat.

Gross debt increased 23% or LE 214.54 million to reach LE 1,138.9 million. Approximately LE 53 million of the LE 214.54 million was due to a restatement of foreign currency borrowings. Net debt rose 15% or LE 116.82 million to reach LE 873.2 million. Approximately LE 34 million of the LE 116.82 million was due to a restatement of foreign currency holdings and borrowings, reflecting a negative net cash flow from operations in 2016.

Quarter-on-quarter net debt was flat despite losses due to the Company's working capital controls. Gross debt increased marginally as the company held on to foreign currency receipts in the quarter.

With growing net debt and losses for the year driving down equity, net debt to equity increased 31% to reach 1.20x compared to 0.91x at the end of 2015.

Recent developments and outlook

Outlook for the fourth quarter and 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.

Going into the fourth quarter Lecico was seeing increased demand for product in Egypt. After significant destocking in both tiles and sanitary ware over the course of the year and in the third quarter in particular, the Company is looking at increasing production in the fourth quarter to match sales.

In light of the floatation, the Company will see a sharp increase in the value of its exports and in its costs and assets. Overall the company is a net exporter and would expect to see some improvement in profits as a result of the floatation.

In mid-November the Company pushed through a price increase in the local market to also cover about half of the increase in costs expected in the local market. Initial indications are that competition will similarly increase prices and plan a second increase to cover remaining costs in the coming months.

These local price increases – if they hold through the slower trading period around the year-end and first months of the new year – will add to Lecico's gross profits since the cost increases are already covered by the Company's export activity. This should translate into a significant reduction in the net losses the Company is currently running at.

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.

In spite of the overall positive effect of the floatation and the current recovery in demand 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 the Company will continue to pursue new export markets while simultaneously working to reduce expenses, overheads and working capital.

These efforts were outlined in detail in our 2nd quarter newsletter and remain ongoing.

The first effect of the floatation will be an improvement in profitability as export returns increase and despite the drop in domestic profits. Lecico is planning to offset the drop in local profitability by increasing prices and has enacted the first of several price increases to cover the increase of costs on domestic activity.

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.

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	3Q		%	9M		%
(LE m)	2016	2015	16/15	2016	2015	16/15
Net sales	**336.7**	**338.9**	**99%**	**1,002.3**	**1,062.9**	**94%**
Cost of sales	(305.9)	(266.2)	115%	(897.1)	(836.7)	107%
Gross profit	**30.8**	**72.7**	**42%**	**105.2**	**226.3**	**47%**
Gross margin (%)	9.2%	21.5%	(12.3%)	10.5%	21.3%	(10.8%)
Distribution expenses	(20.6)	(20.3)	101%	(59.0)	(58.2)	101%
Administrative expenses	(27.8)	(35.0)	79%	(87.0)	(98.5)	88%
Other Operating income	12.5	1.9	675%	19.6	5.7	342%
Other Operating expenses	(1.3)	(2.9)	45%	(14.2)	(8.7)	163%
Operating (loss) profit (EBIT)	**(6.3)**	**16.4**	**-**	**(35.4)**	**66.6**	**-**
Operating (EBIT) margin (%)	-	4.8%	-	-	6.3%	-
Investment revenues	0.1	0.0	271%	3.0	2.5	123%
Finance income	2.8	2.5	112%	14.5	13.6	107%
Finance expense	(28.1)	(20.3)	139%	(75.0)	(60.8)	123%
Profits (loss) before tax and minority (PBTM)	**(31.6)**	**(1.4)**	**2262%**	**(92.8)**	**21.9**	**-**
PBTM margin (%)	-	-	-	-	2.1%	-
Income tax	(8.7)	(0.3)	2630%	(15.2)	(3.5)	440%
Deferred tax	1.8	0.4	483%	4.6	2.1	221%
Net (loss) Profit after tax (NPAT)	**(38.4)**	**(1.3)**	**2854%**	**(103.5)**	**20.5**	**-**
NPAT margin (%)	-	-	-	-	1.9%	-
Employee profit participation	(8.4)	(7.7)	109%	(25.3)	(23.0)	110%
Net profit before minority interest	**(46.8)**	**(9.0)**	**519%**	**(128.7)**	**(2.5)**	**-**
Minority interest	(2.3)	0.3	-	(0.8)	(0.1)	698%
Net (loss) Profit	**(49.1)**	**(8.7)**	**564%**	**(129.6)**	**(2.6)**	**-**
Net profit margin (%)	-	-	-	-	-	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	30-Sep-16	31-Dec-15	9M16/FY15 (%)
Cash and short-term investments	265.7	168.0	158%
Inventory	648.4	701.0	92%
Receivables	559.6	496.7	113%
Related parties -debit balances	82.4	62.2	133%
Total current assets	**1,556.2**	**1,427.9**	**109%**
Net fixed assets	618.8	678.3	91%
Intangible assets	22.3	22.1	101%
Prepaid long-term rent	0.2	0.4	55%
Projects in progress	40.0	12.5	320%
Available for sale investments	6.6	5.8	113%
Long-term notes receivable	31.3	11.8	265%
Total non-current assets	**719.2**	**730.9**	**98%**
Total assets	**2,275.4**	**2,158.8**	**105%**
Banks overdraft	1044.0	826.7	126%
Current portion of long-term liabilities	33.3	37.7	88%
Trade and notes payable	99.6	109.6	91%
Other current payable	244.6	211.7	116%
Related parties -credit balances	0.9	0.4	227%
Provisions	18.6	35.5	52%
Total current liabilities	**1,441.1**	**1221.7**	**118%**
Long-term loans	61.6	60.0	103%
Other long-term liabilities	0.2	0.3	49%
Provisions	9.0	9.8	91%
Deferred tax	25.6	30.6	84%
Total non-current liabilities	**96.4**	**100.8**	**96%**
Total liabilities	**1,537.4**	**1,322.5**	**116%**
Minority interest	**7.5**	**5.8**	**130%**
Issued capital	400.0	400.0	100%
Reserves	396.1	376.2	105%
Retained earnings	63.9	119.5	53%
Net Loss for the period / year	(129.6)	(65.1)	199%
Total equity	**730.4**	**830.6**	**88%**
Total equity, minorities and liabilities	**2,275.3**	**2,158.8**	**105%**

Lecico Egypt consolidated cash flow

Cash flow statement	9M		%
(LE m)	2016	2015	16/15
Cash Flow from operating activities			
Net profit for the period	(129.6)	(2.6)	4934%
Depreciation and translation adjustment	72.8	75.7	96%
Intangible assets amortisation and translation adjustment	(0.1)	(0.1)	199%
Income tax expense	15.2	3.5	440%
Income tax paid	(17.1)	(9.0)	190%
Deferred income tax	(5.0)	(2.3)	216%
Prepaid rent expense	0.2	0.2	100%
Capital gains	(0.8)	(0.0)	1719%
Provided provisions and translation adjustment	11.5	9.7	119%
Reversal of expired provision	(13.5)	(6.3)	214%
Employee share in net profit	25.3	23.0	110%
Increase (Decrease) in minority interest	1.7	(1.4)	-
Increase (Decrease) in translation reserve	29.4	30.7	96%
(Increase) Decrease in Inventory	52.9	(50.8)	-
(Increase) Decrease in Receivables	(88.5)	(62.4)	142%
Increase (Decrease) in Payables	29.7	(5.9)	-
Utilised Provisions	(10.7)	(7.1)	151%
Increase (Decrease) in Other Long Term Liabilities	(0.2)	(0.5)	33%
(Payments) / Received for acquiring current investment	0.0	57.9	0%
Difference result from discounting of long term notes receivable	4.6	(2.5)	-
Net cash from operating activities	**(22.1)**	**49.6**	**-**
Cash flow from investing activities			
Additions to fixed assets and projects	(42.1)	(56.8)	74%
Intangible assets	(0.1)	(0.1)	105%
Net change in available for sale investments	(0.8)	(0.5)	159%
Proceeds from sales of fixed assets	2.1	0.7	323%
Increase (Decrease) in long-term notes receivable	(24.0)	16.4	-
Net cash from investing activities	**(64.9)**	**(40.3)**	**161%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	1.6	(32.6)	-
Increase (Decrease) in current portion of long term liabilities	(4.3)	(1.3)	342%
Employees & Dividends paid	(29.8)	(51.2)	58%
Net cash from financing activities	**(32.5)**	**(85.1)**	**38%**
Net change in cash & cash equivalent during the period	**(119.5)**	**(75.8)**	**158%**
Net cash and cash equivalent at beginning of the period	(658.7)	(546.7)	120%
Net cash and cash equivalent at the end of the period	**(778.3)**	**(622.6)**	**125%**