



First Quarter 2006 Results

Lecico announces 3% growth in revenues with a domestic market-led return to growth in sanitary ware volumes, net profits up 15% as foreign exchange losses fade away

Alexandria, 15 May 2006 – Lecico Egypt announced consolidated results for the first quarter of 2006. Revenue for the quarter was up 3% year-on-year at LE 157.7 million. Operating profit (EBIT) for the period was down 21% at LE 28.8 million (EBIT margin was down 5.8 percentage points at 18.3%).

EBIT was negatively impacted by a shift in sales mix toward lower-margin tiles coupled with a contraction of sanitary ware margins. Net profit for the period was up 15% to LE 17.1 million as profits for the same period last year were distorted by large one-off FX losses (net profit margin was up 1.1 percentage points at 10.9%).

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: “The return of, albeit modest, volume growth is most heartening after two gruelling quarters. Margins have started to recover from their low levels in the last quarter of 2005 though they are well below those of the first half of last year. Currency comparisons are a factor as the euro and sterling have weakened against the Egyptian pound over that period. Another important factor has been production costs reflecting the different mix of products. As the year unfolds these comparisons should get better and there is ground for cautious optimism.

It was encouraging to see demand in Egypt picking up to early last year’s level. In the UK the market remains slow and early indications suggest that it might stay quiet until the second half of 2006. We continue to increase our market share and generate new business. In the UK, Lecico began selling into the DIY market and into the unbranded segment of the builders’ merchants. Additionally, the roll out of our Middle East operation continues with first inventory shipment to our Algerian subsidiary made in April. Our tile segment continues to show strong momentum. With the continued roll out of frit capacity and the tile line upgrade, operational benefits for this segment should remain strong in the second quarter.”

Elie Baroudi, Lecico Egypt MD, added, “The impact of softness in demand was visible in sanitary ware exports, but more than offset at the revenue line by strong growth in our local sanitary ware markets, and our tile segment. We were able to enhance quarter-on-quarter sales growth with improvement in margins primarily by cutting the tile segment’s raw material costs. We will accelerate our marketing efforts and continue to optimize costs.”

The full statements for the period with analysis are available on Lecico’s website.

About Lecico

Lecico (Stock symbols: LECIq.L; LECI LI; 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 45 years of experience in the industry and decades of experience as an exporter to developed markets.

Lecico benefits from significant cost advantages in labour, energy and investment costs resulting from its economies of scale and location in Egypt and Lebanon. Lecico's marketing strategy is to use its cost advantages to target the mass market with high quality pieces at competitive prices.

Lecico exports over half its sanitary ware production and has a significant presence in the United Kingdom and other European markets. Most of the Company's exports are done under the Lecico brand, although it also produces for other European brands. Lecico has a strategic relationship with Sanitec, a leading producer of sanitary ware in Europe, and benefits from this relationship through information sharing, extensive knowledge transfer programs and significant outsourcing contracts for Sanitec's brands.

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