



Second Quarter 2006 Results

Lecico announces 5% growth in revenues driven by strong sanitary ware exports. Lower margins, due to product mix and currency, and a tax-related accrual left net profit down 40%

Alexandria, 15 August 2006 – Lecico Egypt announced consolidated results for the second quarter of 2006. Revenue was up 5% year-on-year at LE 185.8 million driven by strong sanitary ware exports. Operating profit (EBIT) for the quarter was down 17% at LE 35.4 million (margin down 5 percentage points at 19.1%). This drop came from the sanitary ware division – where volume and efficiency gains were offset by the lower margins on a different product mix and a stronger Egyptian pound. Net profit was down 40% to LE 19.5 million largely due to a tax-related accrual (net profit margin down 7.9 percentage points at 10.5%).

For the first half of 2006, Lecico reported revenue of LE 343.5 million, up 4% year-on-year. EBIT was down 19% to LE 64.3 million (margin was down 5.4 percentage points to 18.7%). Net profit was down 23% to LE 36.6 million (margin down 3.7 percentage points to 10.7%).

“Our company, and our region, is facing turbulent times as a result of the military conflict in Lebanon. The repercussions on our business are impossible to predict with any accuracy at the present time. We will continue to watch developments with care.

“This comes at a time when our business is beginning to recover after a difficult year” comments Gilbert Gargour, Lecico Egypt’s Chairman and CEO.

“Our sanitary ware sales volume during the second quarter reached a new record high thanks to new DIY business and despite the ongoing weakness in our major export market, the UK. Sequential recovery of margins is also heartening, thanks to volume and efficiency gains. Margins, however, continue to be negatively affected by currency and business mix.

“So while I am heartened by the recovery from 2005 seen in these first half results, I feel we should all be prepared for these new uncertainties.”

Elie Baroudi, Lecico Egypt MD, added, “Unfortunately, I expect Lecico’s performance to come under more pressure in the second half. In addition to the conflict in Lebanon and the impact of the closure of our Lebanese plant, we will also feel an impact from a recent decision by the Egyptian government to aggressively raise energy prices. In July, the prices for natural gas and a range of fuels have been increased by around 25%. This will have an impact on our margins as it not only increases our energy costs, but almost all of our input costs through inflating transportation costs. We estimate that the impact of this will be about 3% inflation in operating 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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