



## Second Quarter 2010 Results

Continued growth in both operating profits and margins despite impact of warehouse fire

**Alexandria, 5<sup>th</sup> August 2010** – Lecico Egypt announced consolidated results for the second quarter ended 30 June 2010. Revenue was down 6% year-on-year at LE 255.7 million, attributable to the loss of export business resulting from the June 1<sup>st</sup> export warehouse fire. Operating profit (EBIT) was up 1% at LE 50.7 million (margin up 1.3% at 19.8%) as a result of overhead reductions. Net profit was down 15% at LE 25.7 million (net margin down 1 percentage point to 10.1%) due to higher tax and finance expense charges.

For the first half, Lecico reported revenue of LE 525.2 million, up 2% year-on-year. EBIT was up 5% at LE 98.1 million (margin up 0.6 percentage points to 18.7%). Net profit was up 1% at LE 52.6 million (margin down 0.1 percentage points to 10%).

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: “The second quarter was difficult with sanitary ware negatively affected by the fire. The fire destroyed 409,036 pieces, approximately 53% of export stock and almost all of our stock of seat covers and flushing mechanisms. As a result, June was the first month this year where sanitary ware sales were down year-on-year. Total sales volumes in the month were down 26% on last year.

"This was quite a blow to our performance for the quarter and I am pleased that despite this setback Lecico still reported operating profit and margin growth in the quarter.

"While preliminary figures for July look better, we are still feeling the effects of the fire. By the end of August, we will have rebuilt our accessory stocks and volumes should be recovering. Our sales are "business to business", with several layers of stock insulating the end user, so hopefully we will regain some lost sales in the months ahead.

“The fire will impact our performance for the year, but I remain optimistic that we can deliver growth over last year and build a stronger position for the years ahead.”

Elie Baroudi, Lecico Egypt MD, added, “The second quarter was also impacted by the continued weakness of the euro and sterling which reduced export revenues further.

"To address the price and margin erosion we are facing as a result of foreign exchange and energy price increases from July onwards, we have negotiated price increases with some of our largest export customers and raised local market prices in July.

"Sanitary ware performance was offset by our tile segment and lower distribution and administration expenses. As a result of this our operating profits and margin increased. This didn't translate to the bottom line as a result of higher finance expenses and taxes but I am hopeful with the gradual recovery from the impact of the fire over the next several months we will return to bottom line growth for the year as a whole."

The Full Statements for the period with analysis are available on Lecico's Web site.

## 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.

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