Second Quarter 2011 Results

Lower sales volumes, cost inflation and new tax law drive net profits down to LE 5.1 million

Alexandria, 15th August 2011 – Lecico Egypt announced consolidated results for the second quarter ended 30 June 2011. Revenue was down 2% year-on-year at LE 249.7 million, with higher sanitary ware prices offsetting a drop in sanitary ware and tiles sales volumes. Operating profit (EBIT) was down 42% at LE 29.2 million (margin down 8.1 percentage points at 11.7%) as a result of cost inflation and a loss of economies of scale due to lower production. Net profit was down 80% at LE 5.1 million (net margin down 8.1 percentage points to 2.0%) due to the impact of the new 25% tax rate applied retroactively and affecting the value of deferred tax assets with a one-off charge.

For the first half, revenue was down 11% year-on-year at LE 465.2 million. EBIT was down 40% at LE 58.8 million (margin down 6.1 percentage points to 12.6%). Net profit was down 67% at LE 17.6 million (margin down 6.2 percentage points to 3.8%).

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: "This is shaping up to be one of the most challenging years in Lecico's recent history. The entire region is going through seismic changes with results that are impossible to predict, however confident we are and remain as to the medium term. At the same time, almost all our major traditional markets are facing economic or political problems which are badly affecting demand.

"To compensate, your company is engaged in a major new effort to develop new markets. As a result of weaker demand for our established products and complexity coming from offsetting this with new products, our production has reversed some of our economies of scale and increased our unit costs. Given all this and additional costs including higher interest rates and a new corporate tax rate retroactively applied, we expect that 2011 will be our worst financially since coming to the market in 2004."

Elie Baroudi, Lecico Egypt MD, added, "At the end of the first quarter I identified our objectives for this year as recovering lost sales volumes and improving pricing and cost control to offset expected cost inflation.

"We have had some success in this respect with sales volumes growing quarter-on-quarter. I am optimistic we will add more new business in the second half. Hopefully this will offset continued slowness in our markets and the risks to demand in Egypt.

"We also had some success in further improving pricing in sanitary ware and delivered a quarter-on-quarter and year-on-year improvement in gross profits. In tiles I am hopeful that our domestic price increases in July and the additional capacity from our new plant should offset some of the cost inflation on the segment as the second half develops."

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 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 other European brands.

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