



Third Quarter 2010 Results

Price increases and cost cutting drive operating and net profit growth

Alexandria, 8th November 2010 – Lecico Egypt announced consolidated results for the third quarter ended 30 September 2010. Revenue fell 7% at LE 254 million, attributable to the loss of business following the June 1st export warehouse fire. Operating profit (EBIT) was up 14% at LE 49.8 million (margin up 3.6 percentage points to 19.6%) as a result of better prices and overhead reductions. Net profit was up 5% at LE 30.9 million (net margin up 1.4 percentage point to 12.2%) despite higher tax and finance charges.

For the first nine months, Lecico reported revenue of LE 779.2 million, down 1% year-on-year. EBIT was up 8% at LE 148 million (margin up 1.6 percentage points to 19.0%). Net profit was up 2% at LE 83.4 million (margin up 0.4 percentage points to 10.7%).

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: "I am pleased that pricing-led margin growth in both sanitary ware and tiles coupled with a continued focus on reducing overheads allowed us to report growth in the third quarter despite our sanitary ware exports continuing to be negatively affected by the fire that destroyed our export warehouse on June 1st.

"We have made considerable headway in expanding our workforce in Borg El Arab and will increase production as this labour is trained and brought on stream in the fourth quarter, allowing us to begin rebuilding critical stocks and better serve current sanitary ware demand. I expect us to be able to run at full sanitary ware capacity next summer. This capacity is critical to fully realize the new opportunities we have lined up in Europe while continuing to grow existing business.

Elie Baroudi, Lecico Egypt MD, added, "In addition to increasing prices, we benefitted from a quarter-on-quarter strengthening of the euro, sterling and dollar against the Egyptian pound. As a result our average sanitary price rose 5% compared to the first half of this year and our average tile price rose 3%. These price increases more than offset the approximately 23% increase in energy costs as a result of the July price increases and the gross profit margins for both sanitary ware and tile rose year-on-year.

"We continue to manage overheads with our distribution and administration expenses falling by 12% and proportionally decreasing to 16.8% of sales from 17.7% last year. As a result our operating profits grew 14% and our margin increased by 3.6 percentage points. Operating profit growth was partially offset by higher taxes, but despite our overall tax bill increasing 84% year-on-year, net profit grew 5% and our net margin rose 1.4 percentage points to reach 12.2%. I am hopeful that with the increasing production volumes over the next several months we remain on course to deliver 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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