



## First Quarter 2008 Results

Alexandria, 6<sup>th</sup> May 2008 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the first quarter of 2008.

### Highlights

#### 1Q 2008

- Lecico revenue up 14% to LE 264.1 million (65.6% from sanitary ware)
- Sanitary ware revenue up 9% to LE 173.2 million, partially driven by 2% growth in volumes to 1.4 million pieces (59.4% exports)
- Tile revenue up 25% to LE 90.9 million, driven by 24% growth in volumes to 6.0 million square meters (20.4% exports)
- EBIT up 20% to LE 42.1 million, margin up 0.8 percentage pts to 15.9%
- Net profit up 26% to LE 29.6 million, margin up 1.1 percentage pt to 11.2%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: “I am pleased to report a very strong start to the year, with the highest quarterly gross, operating and net profit results in over two years. Our volumes continue to grow and we have so far been able to absorb Egyptian and global inflationary pressures while improving our returns.

“In the Egyptian market in particular, we have seen very strong demand despite our recent price increases, which is no doubt due the great efforts of our sales and marketing teams, but also – I hope – a sign that the strong growth in Egypt in past years may be improving the middle and working class base that makes up the majority of Lecico’s customers. Our recent efforts to grow sales in the Middle East have also continued to show strong results in the quarter, with both sanitary ware and tiles exports in the region continuing to grow strongly in the quarter.

“However, the news is not all good and we have seen the beginning of some of the challenges that we anticipated for 2008 impacting our numbers. Our outsourcing for Sanitec is down significantly as expected this quarter and we are seeing some signs of a slowdown in our major European markets which may be linked to a downturn in the economies of these countries. Given these trends, I continue to believe that Lecico will need to work hard to make sure sales remain strong in the year ahead and we will need to continue to focus on improving our price points and our efficiency to absorb cost inflation.”

Elie Baroudi, Lecico Egypt MD, added, “I am pleased to report a respectable 14% year-on-year revenue growth in the first quarter, with domestic sales and regional demand continuing to drive growth in both sanitary ware and tiles volumes, allowing us to use more of our recently expanded capacities in both segments.

“The company increased prices marginally in most markets and this – combined with a favorable exchange rate environment, efficiency improvements in our manufacturing process and a continued focus on cost and balance sheet control – allowed us to improve our profit margins, driving bottom line 26% growth for the quarter.

“Overall, these results are a strong start to the year, but I share our Chairman’s concerns about the operating environment in Europe in the year ahead and the implications this has for Lecico’s revenue growth in the coming quarters. While I remain confident that Lecico will still deliver a good performance over the rest of the year, I would caution investors from assuming the growth in revenues and margins in the first quarter should be taken as a benchmark for coming quarters.”

## Lecico Revenue and Profitability

Profit and loss statement highlights			
(LE m)	1Q		%
	2008	2007	
Sanitary ware	173.2	158.8	109%
Tiles	90.9	72.8	125%
<b>Net sales</b>	<b>264.1</b>	<b>231.5</b>	<b>114%</b>
Sanitary ware/net sales (%)	65.6%	68.6%	(3.0%)
Cost of sales	(172.2)	(153.2)	112%
Cost of sales/net sales (%)	(65.2%)	(66.2%)	(1.1%)
<b>Gross profit</b>	<b>91.9</b>	<b>78.3</b>	<b>117%</b>
Gross profit margin (%)	34.8%	33.8%	1.0%
Distribution and administration (D&A)	(49.4)	(42.1)	117%
D&A/net sales (%)	(18.7%)	(18.2%)	0.5%
Net other operating income	(0.4)	(1.1)	-
Net other operating income/net sales (%)	(0.2%)	(0.5%)	0.3%
<b>EBIT</b>	<b>42.1</b>	<b>35.1</b>	<b>120%</b>
EBIT margin (%)	15.9%	15.2%	0.8%
<b>Net profit</b>	<b>29.6</b>	<b>23.4</b>	<b>126%</b>
Net profit margin (%)	11.2%	10.1%	1.1%

### 1Q 2008: Top-line growth and margin improvement drive 26% net profit growth

Revenue grew 14% year-on-year in the first quarter to reach LE 264.1 million. Sales growth was driven by increased tile sales following the roll-out of a new production line late last year, by increased sanitary ware prices, and by strong volume growth in Egypt offsetting weaker sales volumes in Lebanon and in some export markets.

The increase in tiles capacity and sales saw Lecico's sales mix shift towards tile sales, with sanitary ware sales falling to 65.6% of the quarter's revenues versus 68.6% during the same period of 2007.

Gross profit grew 17% to reach LE 91.9 million. Gross profit margin was up 1.0 percentage points year-on-year at 34.8% as a result of price increases, efficiency gains, economies of scale, changing business mix and the impact of positive exchange rate movements. Gains in gross margin were partially offset by higher energy costs.

Proportional distribution and administration (D&A) expenses increased to 18.7% of net sales compared to 18.2% in the first quarter of 2007. In absolute terms, D&A expenses increased by 17% to LE 49.4 million. The majority of this increase came from investment in penetrating new markets and better serving existing customers.

Net other operating income was a loss of LE 0.4 million down from a LE 1.1 million loss in the same period last year.

EBIT grew by 20% year-on-year to reach LE 42.1 million for the first quarter of 2008, with the EBIT margin up 0.8 percentage points at 15.9%.

Net financing expenses were up 21% year-on-year during the first quarter of 2008 to reach LE 9.2 million. Interest income was up 6% year-on-year at LE 5.8 million in the first quarter and interest expenses were up by 14% year-on-year to LE 15.1 million on the back of rising debt to finance capital expenditure and working capital needs.

Lecico recorded a LE 2.9 million foreign exchange gain during this quarter compared to LE 0.7 million gain during the same period in 2007.

Lecico's tax charges for the quarter were LE 3.6 million versus LE 2.4 million for the same period last year.

Net profit grew by 26% to reach LE 29.6 million, with the net profit margin increasing 1.1 percentage points to 11.2%, compared with 10.1% in the same period last year.

## Segmental analysis

### Sanitary ware

Sanitary ware segmental analysis			
(LE m)	1Q		% 08/07
	2008	2007	
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	556	354	157%
Lebanon (000 pcs)	16	85	18%
Export (000 pcs)	836	945	88%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>1,407</b>	<b>1,384</b>	<b>102%</b>
Exports/total sales volume (%)	59.4%	68.3%	(8.9%)
<b>Sanitary ware revenue</b>	<b>173.2</b>	<b>158.8</b>	<b>109%</b>
Average selling price (LE/pc)	123.0	114.7	107%
Average cost per piece (LE/pc)	78.5	73.5	107%
Sanitary ware cost of sales	(110.5)	(101.7)	109%
Sanitary ware gross profit	62.6	57.1	110%
Sanitary ware gross profit margin (%)	36.2%	35.9%	0.2%

**1Q:** Sanitary ware sales volume increased by 2% or 23,000 pieces to 1.4 million pieces. Growth was driven by sales in Egypt, despite significant drops in both exports and sales in Lebanon.

Sales volumes in Egypt increased 57% or 202,000 pieces to reach 556,000 pieces, the highest quarterly sales volume the company has ever booked in the Egyptian market.

Export volumes dropped year-on-year in most of Lecico's major European markets, but the drop in outsourcing for Sanitec that management alerted investors about last year accounted for most of the drop in export volumes. The drop in Lebanon is a result of a decision to increase prices at the beginning of the year and is expected to normalize over the coming quarters.

Revenues were up 9% year-on-year at LE 173.2 million. Exports represented 59.4% of volumes, down from the 68.3% in the first quarter of 2007 due to increased sales in Egypt and a corresponding reduction in export sales.

Average sanitary ware prices rose 7% year-on-year to LE 123 per piece, largely on the back of price increases in most markets and from positive exchange rate variances.

Average cost was up 7% year-on-year at LE 78.5 per piece, largely as a result of an overall cost inflation in Egypt, particularly energy price increases.

Sanitary ware gross profit margin grew by 0.2 percentage points year-on-year in the fourth quarter to reach 36.2% and gross profits rose 10% to LE 62.6 million.

## Tiles

Tile segmental analysis			
(LE m)	1Q		%
	2008	2007	
Tile volumes (000 sqm)			
Egypt (000 sqm)	4,506	3,464	130%
Lebanon (000 sqm)	268	362	74%
Export (000 sqm)	1,225	1,023	120%
<b>Total tile volumes (000 sqm)</b>	<b>5,999</b>	<b>4,848</b>	<b>124%</b>
Exports/total sales volume (%)	20.4%	21.1%	-0.7%
<b>Tile revenue</b>	<b>90.9</b>	<b>72.8</b>	<b>125%</b>
Average selling price (LE/sqm)	15.2	15.0	101%
Average cost per sqm (LE/sqm)	10.3	10.6	97%
Tile cost of sales	(61.7)	(51.5)	120%
Tile gross profit	29.3	21.2	138%
Tile gross profit margin (%)	32.2%	29.2%	3.0%

**1Q:** Tile sales volumes grew by 24% year-on-year in the first quarter of 2008, to reach 6.0 million square meters. The increase in volumes was driven by strong demand which allowed the company to fully utilize the added capacity from the 4.5m sqm per annum tile expansion that was fully rolled out only in the fourth quarter of last year.

Average net prices rose 1% year-on-year to reach LE 15.2 per square meter, thanks to price increases in most markets, which offset the proportional increase of lower-priced Egyptian sales and the negative impact of a strengthening Egyptian pound on export prices.

The lower proportion of Lebanese sales and gains from the production of frit led to a 3% decrease in average cost per square meter despite the inflationary impact of the energy price increases in Egypt.

Gross profits for the quarter were up 38% year-on-year at LE 29.3 million and the segment's gross margin increased 3.0 percentage points to reach 32.2%.

## **Financial position**

The value of Lecico's assets rose 2% in the first three months of 2008 the beginning of the year to reach LE 1,727.5 million, driven primarily by increases in inventory and receivables and continued investments in Lecico's expansion.

Total liabilities were down 1% at LE 927.9 with an increase in payables offsetting a drop in gross debt levels during the first quarter, with net debt to equity improved to 0.49x.

## Recent developments and outlook

**Outlook for 2008:** In Sanitary ware, Lecico is seeing some softness in major export markets which, combined with the beginnings of the expected significant reduction in outsourcing to Sanitec is putting pressure on export volumes. This trend may well continue into the rest of the year with Sanitec volumes expected to continue reducing and increased speculation about a slowdown in some of the Lecico's main export markets, although Lecico expects to continue to take market share in its main export markets, grow into new markets, and enter into new outsourcing agreements.

Demand for sanitary ware in Egypt and Middle Eastern markets continues to remain buoyant, but the company believes it may prove difficult to grow sanitary ware volumes significantly year-on-year if these trends continue over the rest of the year.

Lecico expects cost inflation to continue in 2008, not least because of the significant energy increases seen in September 2007 and a further increase expected in 2008. Lecico will continue to try and offset as much of the inflationary cost increases as possible through a continued focus on improving efficiency and through price increases in most markets.

The outlook for the company is also dependent on several external and unpredictable factors, chief among them exchange rates, the size, extent and timing of any energy price increases in Egypt, the political situation in Lebanon and the extent of any slowdown in the global economy.

While the company has taken account of these risks in its budget, it cannot account for all possible scenarios for each of the above risks. Any improvement or significant worsening in these risk factors could lead to financial performance above or below the company's current expectations.

**Capacity expansion and capital investment:** The new sanitary ware plant is now operating both production lines and that will progressively grow to 2.0 million pieces per annum functional capacity at that site by the end of 2008.

Work is well under way on the new decorating plant – International Ceramics – in Borg El Arab which should be operational before the end of the first half of 2008 and will ultimately have a capacity to decorate approximately 400,000 pieces per annum.

A new tile project was recently announced on the site owned by International Ceramics in Borg el Arab. That will be undertaken in three phases with the first phase dedicated to 3.8 million square meters white body Porcelain tile all for export to Europe. That first phase is estimated to cost US\$ 13.5 million and will come on stream in mid 2010.

## 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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## Forward-looking statements

This release may contain certain "forward-looking statements", relating to the Company's business, which can be identified by the use of forward-looking terminology such as "will", "planned", "expectations", "forecast" or similar expressions, or by discussions of strategy, plans or intentions. Such statements may include descriptions of investments planned or currently under development by the company and the anticipated impact of these investments. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.

## Lecico Egypt consolidated income statement

Income statement			
(LE m)	1Q		% 08/07
	2008	2007	
<b>Net sales</b>	<b>264.1</b>	<b>231.5</b>	<b>114%</b>
Cost of sales	(172.2)	(153.2)	112%
<b>Gross profit</b>	<b>91.9</b>	<b>78.3</b>	<b>117%</b>
Gross margin (%)	34.8%	33.8%	1.0%
Distribution expenses	(21.8)	(18.6)	117%
Administrative expenses	(27.6)	(23.5)	117%
Other Operating income	1.2	0.4	295%
Other Operating expenses	(1.6)	(1.5)	112%
<b>Operating profit (EBIT)</b>	<b>42.1</b>	<b>35.1</b>	<b>120%</b>
Operating (EBIT) margin (%)	15.9%	15.2%	0.8%
Investment revenues	(0.0)	(0.0)	1617%
Interest revenues	5.8	5.5	106%
Financing expenses	(15.1)	(13.2)	114%
Foreign currencies exchange differences	2.9	0.7	414%
<b>Profits before tax and minority (PBTM)</b>	<b>35.7</b>	<b>28.2</b>	<b>127%</b>
PBTM margin (%)	13.5%	12.2%	1.4%
Income tax	(2.1)	(2.1)	102%
Deferred tax	(1.5)	(0.3)	558%
<b>Net Profit after tax (NPAT)</b>	<b>32.2</b>	<b>25.8</b>	<b>124%</b>
NPAT margin (%)	12.2%	11.2%	1.0%
Employee profit participation	(2.4)	(2.2)	109%
<b>Net profit before minority interest</b>	<b>29.8</b>	<b>23.6</b>	<b>126%</b>
Minority interest	(0.2)	(0.2)	-
<b>Net Profit</b>	<b>29.6</b>	<b>23.4</b>	<b>126%</b>
Net profit margin (%)	11.2%	10.1%	1.1%

## Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-08	31-Dec-07	3M 08/FY07 (%)
Cash and short-term investments	295.4	293.9	100%
Inventory	390.1	370.2	105%
Receivables	237.5	235.7	101%
Related parties -debit balances	44.1	57.1	77%
<b>Total current assets</b>	<b>967.1</b>	<b>956.9</b>	<b>101%</b>
Net fixed assets	584.5	585.1	100%
Intangible assets	17.5	17.3	101%
Prepaid long-term rent	2.7	2.8	97%
Projects in progress	151.4	130.1	116%
Available for sale investments	4.1	4.1	99%
Long-term notes receivable	0.3	0.3	100%
<b>Total non-current assets</b>	<b>760.4</b>	<b>739.7</b>	<b>103%</b>
<b>Total assets</b>	<b>1,727.5</b>	<b>1,696.6</b>	<b>102%</b>
Banks overdraft	399.2	412.5	97%
Current portion of long-term liabilities	101.3	99.0	102%
Trade and notes payable	85.2	85.0	100%
Other current payable	99.1	81.2	122%
Related parties -credit balances	3.7	4.3	87%
Provisions	20.9	19.9	105%
<b>Total current liabilities</b>	<b>709.4</b>	<b>701.9</b>	<b>101%</b>
Long-term loans	184.3	204.2	90%
Other long-term liabilities	11.2	11.5	97%
Provisions	8.9	8.5	104%
Deferred tax	14.0	12.6	112%
<b>Total non-current liabilities</b>	<b>218.4</b>	<b>236.8</b>	<b>92%</b>
<b>Total liabilities</b>	<b>927.9</b>	<b>938.7</b>	<b>99%</b>
<b>Minority interest</b>	<b>9.1</b>	<b>8.8</b>	<b>104%</b>
Issued capital	100.0	100.0	100%
Treasury stock	(4.9)	(8.0)	62%
Reserves	313.8	310.5	101%
Retained earnings	352.0	239.1	147%
Net profit for the year	29.6	107.5	28%
<b>Total equity</b>	<b>790.4</b>	<b>749.1</b>	<b>106%</b>
<b>Total equity, minorities and liabilities</b>	<b>1,727.5</b>	<b>1,696.6</b>	<b>102%</b>

## Lecico Egypt consolidated cash flow statement

Cash flow statement (LE m)	1Q		%
	2008	2007	
<b>Cash Flow from operating activities</b>			
Net profit for the period	29.6	23.4	126%
Depreciation and translation adjustment	15.6	12.7	123%
Intangible assets amortisation and translation adjustment	0.1	0.0	0%
Income tax expense	2.1	2.1	100%
Deferred income tax	1.5	0.3	488%
Prepaid rent expense	0.2	0.0	0%
Capital gains	0.2	0.0	0%
Provided provisions and translation adjustment	1.1	0.3	368%
Impairment of inventory	0.0	0.1	0%
Employee share in net profit	2.4	2.2	109%
Increase in minority interest	0.3	(0.1)	-324%
Increase (decrease) in translation reserve	8.7	0.5	1744%
Increase in Inventory	(19.9)	(5.9)	337%
Increase in Receivables	11.5	(22.7)	-51%
Increase (decrease) in Payables	13.1	3.8	344%
Utilised Provisions	(0.1)	(0.7)	18%
Paid income tax	0.0	0.0	0%
Payments for acquiring current investment	72.5	12.6	575%
<b>Net cash from operating activities</b>	<b>138.8</b>	<b>28.6</b>	<b>485%</b>
<b>Cash flow from investing activities</b>			
Additions to fixed assets and projects	(36.8)	(21.3)	173%
Intangible assets	(0.3)	(0.1)	280%
Net change in available for sale investments	0.0	0.0	0%
Proceeds from sales of fixed assets	0.3	0.0	0%
Increase (decrease) in long-term notes receivable	0.0	0.2	0%
<b>Net cash from investing activities</b>	<b>(36.7)</b>	<b>(21.2)</b>	<b>173%</b>
<b>Cash flow from financing activities</b>			
Increase (decrease) in long-term loans	(19.9)	66.9	-30%
Increase (decrease) in current portion of long term liabilities	2.3	13.5	17%
Decrease in other long-term liabilities	(0.3)	(0.8)	37%
Increase in treasury stock	3.0	0.0	0%
Payments for employees' share in net profit	0.0	0.0	0%
Dividends paid	0.0	0.0	0%
<b>Net cash from financing activities</b>	<b>(14.9)</b>	<b>79.6</b>	<b>-19%</b>
<b>Net change in cash &amp; cash equivalent during the period</b>	<b>87.2</b>	<b>87.0</b>	<b>100%</b>
Net cash and cash equivalent at beginning of the period	(355.8)	(437.5)	81%
<b>Net cash and cash equivalent at the end of the period</b>	<b>(268.3)</b>	<b>(350.5)</b>	<b>77%</b>