First Quarter 2010 Results

Alexandria, 6th May 2010 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the first quarter of 2010.

Highlights

1Q 2010

- Lecico revenue up 11% to LE 269.5 million (60% from sanitary ware)
- Sanitary ware revenue up 20% to LE 161.6 million, driven by a 14% increase in volumes to 1.4 million pieces (60.2% exports)
- Tile revenue flat at LE 107.9 million, with a 3% increase in volumes to 6 million square meters (22.2% exports)
- EBIT up 11% to LE 47.4 million, margin flat at 17.6%
- Net profit up 25% to LE 26.9 million, margin up 1.1 percentage pt to 10%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: “I am very pleased to report a strong growth in net profit along with improved margins for the first quarter. This is a good start for the year which I hope will set the pace for future quarters.

“The results for the first quarter confirm what I had indicated when we reported our full year results for 2009. The strength that we had seen in our business in the last quarter of last year continued in 2010 with robust growth in our sanitary ware business across all markets specifically in Europe but also in Egypt and the Middle East. Our tiles segment also continues to perform well, although we have competitive pressures due to new capacities coming on stream.

“I continue to be very encouraged by the opportunities we have in developing new markets. There are a number of relationships that we are currently working on and I am optimistic that we will see some significant successes from these efforts later on this year and over the medium term.

"I am also happy with the progress we are making in the new subsidiaries that we have established both in Europe and the Middle East. These are now taking traction and I expect to see good results coming through from their operations that should cement our foothold in these new markets."

Elie Baroudi, Lecico Egypt MD, added, "The first quarter of 2010 is a continuation of the good progress we made in the second half of last year. Sanitary ware volumes have performed very well with an increase of 14% over the same period of last year. We have also been successful in increasing prices in certain markets which demonstrates the strength and resilience of our sanitary ware franchise.

"Tile volumes have also increased albeit at a much slower pace of 3%. Nevertheless the growth in volumes of both sanitary ware and tiles are a good indication of our ability to continue to generate strong and recurring earnings. Driven by this growth in volumes, revenues for the group in the first quarter have increased by a healthy 11% year-on-year.

"It is gratifying to note that the growth in sales of our sanitary ware business has been broad based and all our key markets performed well. We saw significant increase in volumes coming from the UK and the rest of Europe, our OEM business continues to grow and exports to Africa and the Middle East including domestic sales in Egypt made excellent progress.

"Furthermore, the initiatives we took at the beginning of last year to manage expenses and overheads continue. While in absolute terms distribution and administrative expenses went up by 7%, nevertheless as a percentage of sales these expenses decreased to 16.5% compared to 17.2% in the same period of last year.

"I am pleased with our overall performance in the quarter. In general business sentiment and our operating environment have improved and I am confident that the growth we have experienced in this quarter is sustainable and bodes well for the year as a whole."

Lecico Revenue and Profitability

Profit and loss statement highlights	1Q		%
(LE m)	2010	2009	10/09
Sanitary ware	161.6	134.6	120%
Tiles	107.9	107.8	100%
Net sales	**269.5**	**242.4**	**111%**
Sanitary ware/net sales (%)	60.0%	55.5%	4.5%
Cost of sales	(176.1)	(156.4)	113%
Cost of sales/net sales (%)	(65.3%)	(64.5%)	0.8%
Gross profit	**93.4**	**86.0**	**109%**
Gross profit margin (%)	34.7%	35.5%	(0.8%)
Distribution and administration (D&A)	(44.5)	(41.6)	107%
D&A/net sales (%)	(16.5%)	(17.2%)	(0.7%)
Net other operating income/ (expense)	(1.5)	(1.6)	94%
Net other operating income/ (expense) net sales (%)	(0.6%)	(0.7%)	0.1%
EBIT	**47.4**	**42.8**	**111%**
EBIT margin (%)	17.6%	17.7%	(0.1%)
Net profit	**26.9**	**21.6**	**125%**
Net profit margin (%)	10.0%	8.9%	1.1%

1Q 2010: Strong sanitary performance leads to 25% increase in net profits

Revenue increased 11% year-on-year in the first quarter to reach LE 269.5 million. This was largely driven by a 14% increase in sanitary ware volumes, with strong sales in Europe and Africa as well as increased business in Egypt. Price increases in certain markets and a stronger sterling and euro also had a positive impact on sanitary ware revenues.

The increase in sanitary sales saw Lecico's segmental sales mix shift towards sanitary, with sanitary ware sales increasing to 60% of the quarter's revenues versus 55.5% during the same period of 2009.

Gross profit increased by 9% to reach LE 93.4 million, while the gross profit margin was down 0.8 percentage points year-on-year at 34.7%. The increase in gross profit was mainly attributed to the increase in sanitary ware sales volumes. However, as a result of an increased proportion of the business coming from the sanitary segment there was a decrease in the overall gross profit percentage.

Proportional distribution and administration (D&A) expenses dropped 0.7 percentage points to 16.5% of net sales compared to 17.2% in the first quarter of 2009. In absolute terms, D&A expenses increased by 7% to LE 44.5 million, mainly due to overheads relating to the new subsidiaries added in the second half of 2009 and the impact of a stronger sterling and euro on the overheads of our European subsidiaries.

EBIT grew by 11% year-on-year to reach LE 47.4 million for the first quarter of 2010, with the EBIT margin flat at 17.6%.

Financing expenses were down 22% year-on-year during the first quarter of 2010 to reach LE 12.6 million compared to LE 16.1 million for the same period in 2009 primarily reflecting of the reduction in bank borrowings.

Lecico's tax charges for the quarter were LE 7.4 million versus LE 4.5 million for the same period last year. The increase in taxes reflects the end of a 10 year tax holiday for one of the group's sanitary ware plants in Alexandria.

Net profit was up by 25% to reach LE 26.9 million, with the net profit margin increasing 1.1 percentage points to 10%, compared with 8.9% in the same period last year.

Segmental analysis

Sanitary ware

Sanitary ware segmental analysis	1Q		%
	2010	2009	10/09
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	511	457	112%
Lebanon (000 pcs)	46	32	144%
Export (000 pcs)	843	738	114%
Total sanitary ware volumes (000 pcs)	**1,400**	**1,226**	**114%**
Exports/total sales volume (%)	60.2%	60.2%	0.0%
Sanitary ware revenue (LE m)	**161.6**	**134.6**	**120%**
Average selling price (LE/pc)	115.4	109.7	105%
Average cost per piece (LE/pc)	81.1	77.1	105%
Sanitary ware cost of sales	(113.6)	(94.6)	120%
Sanitary ware gross profit	48.0	40.0	120%
Sanitary ware gross profit margin (%)	29.7%	29.7%	(0.0%)

1Q: Sanitary ware sales volume increased by 14% or 174,000 pieces to 1.4 million pieces. The growth in volumes came from both domestic sales in Egypt and export markets with exports being driven by increased sales to Europe and the focus on expanding business in the Middle East.

Revenues were up 20% year-on-year at LE 161.6 million. Exports represented 60.2%; the same as the first quarter of 2009.

Average sanitary ware prices were up 5% year-on-year to LE 115.4 per piece, as a result of the strengthening of the Sterling and the Euro exchange rates and price increases in certain markets.

Average cost was up 5% year-on-year at LE 81.1 per piece. The increase in average cost is the result of an exceptional inventory write-off and an increase in material costs due to the strengthening of the Sterling and Euro against the Egyptian pound. This was partially offset by a decrease in the average cost of production in Egypt as a result of higher production volumes and the resulting economies of scale.

Sanitary ware gross profit margin was flat at 29.7% and gross profit increased by 20% to LE 48 million.

Tiles

Tile segmental analysis	1Q		%
	2010	2009	10/09
Tile volumes (000 sqm)			
Egypt (000 sqm)	4,135	4,232	98%
Lebanon (000 sqm)	555	431	129%
Export (000 sqm)	1,341	1,209	111%
Total tile volumes (000 sqm)	**6,031**	**5,872**	**103%**
Exports/total sales volume (%)	22.2%	20.6%	1.6%
Tile revenue (LE m)	**107.9**	**107.8**	**100%**
Average selling price (LE/sqm)	17.9	18.4	97%
Average cost per sqm (LE/sqm)	10.4	10.5	98%
Tile cost of sales	(62.5)	(61.8)	101%
Tile gross profit	45.4	46.0	99%
Tile gross profit margin (%)	42.1%	42.7%	(0.6%)

1Q: Tile sales volumes increased 3% year-on-year in the first quarter of 2010, to reach 6 million square meters benefiting from growth in exports to the Middle East.

Average net prices fell 3% year-on-year to reach LE 17.9 per square meter mainly as a result of a very competitive market in Egypt with new capacities coming on stream in the market.

Gross profit for the quarter was down 1% year-on-year at LE 45.4 million and the segment’s gross margin decreased 0.6 percentage points to reach 42.1%.

Financial position

The value of Lecico’s assets increased 4% in the first three months of 2010 to reach LE 1,634.6 million, driven primarily by an increase in receivables.

Total liabilities were up 13% at LE 838.9 mainly due to dividends payable as approved by the shareholders at the end of March. Net debt to equity showed a small increase to 0.44x reflecting the increase in bank borrowings.

Recent developments and outlook

Outlook for 2010: Sanitary ware demand is looking robust for the year ahead, with the roll out of new products for new markets or OEM customers and a shortage of new labour in Borg El Arab being the only potential bottlenecks to growth in this segment. Lecico expects to see growth in export volumes to the Middle East and Europe. Lecico is also reviewing sanitary ware prices in most markets over the course of the year but the segment's sales value and profitability will still be significantly impacted by the direction of the Egyptian Pound against the dollar, sterling and euro. Lecico will be actively working to grow its market share, enter new markets and control costs to minimize the impact of the slowdown and position the company to take advantage of new opportunities arising from the changing environment.

In tiles, Lecico continues to be optimistic about the outlook for the year ahead. However, there are warning signs of potential overcapacity with new competitors entering the Egyptian market, which may pressure margins and require Lecico to reorient production to export markets over the course of the year. We don't anticipate any issues with both Lebanon and Middle Eastern export markets showing a strong appetite for more tiles.

Lecico is likely to experience some cost inflation due to energy prices over the course of the year. The relief given to intensive energy users in February of last year was supposed to end at the beginning of 2010. It has not and speculation in the market is that energy prices will be held at current levels for at least the first half of the year. However, nothing is formal and therefore it is impossible to predict the timing and magnitude of any increase in energy prices in 2010. Any increase in energy prices would be mitigated by the confirmation - received by Lecico from numerous official sources - that sanitary ware is no longer considered an intensive energy user and consequently at least all production in Borg El Arab will benefit from lower energy costs once current relief is removed.

Overall, Lecico is expecting to see good growth over the course of the year driven by sanitary ware exports and supported by a continued strong tile segment performance.

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 a number of leading European 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	1Q		%
(LE m)	2010	2009	10/09
Net sales	**269.5**	**242.4**	**111%**
Cost of sales	(176.1)	(156.4)	113%
Gross profit	**93.4**	**86.0**	**109%**
Gross margin (%)	34.7%	35.5%	(0.8%)
Distribution expenses	(16.7)	(15.8)	105%
Administrative expenses	(27.8)	(25.8)	108%
Other Operating income	0.4	0.6	65%
Other Operating expenses	(1.9)	(2.2)	88%
Operating profit (EBIT)	**47.4**	**42.8**	**111%**
Operating (EBIT) margin (%)	17.6%	17.7%	(0.1%)
Investment revenues	0.1	0.0	0%
Finance income	1.7	2.2	75%
Finance expense	(12.6)	(16.1)	78%
Profits before tax and minority (PBTM)	**36.6**	**28.9**	**127%**
PBTM margin (%)	13.6%	11.9%	1.7%
Income tax	(8.4)	(4.0)	210%
Deferred tax	1.0	(0.5)	(200%)
Net Profit after tax (NPAT)	**29.2**	**24.4**	**120%**
NPAT margin (%)	10.8%	10.1%	0.7%
Employee profit participation	(3.0)	(2.6)	115%
Net profit before minority interest	**26.2**	**21.8**	**120%**
Minority interest	0.7	(0.2)	(362%)
Net Profit	**26.9**	**21.6**	**125%**
Net profit margin (%)	10.0%	8.9%	1.1%

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-10	31-Dec-09	3M10/FY09 (%)
Cash and short-term investments	110.6	99.6	111%
Inventory	408.0	408.5	100%
Receivables	282.7	237.6	119%
Related parties -debit balances	33.7	32.0	105%
Total current assets	**835.0**	**777.7**	**107%**
Net fixed assets	660.3	672.1	98%
Intangible assets	23.3	23.9	97%
Prepaid long-term rent	2.0	2.1	95%
Projects in progress	109.7	91.6	120%
Available for sale investments	4.2	4.2	100%
Long-term notes receivable	0.1	0.0	0%
Total non-current assets	**799.6**	**793.8**	**101%**
Total assets	**1,634.6**	**1,571.5**	**104%**
Banks overdraft	365.4	333.4	110%
Current portion of long-term liabilities	57.0	53.8	106%
Trade and notes payable	67.1	65.9	102%
Other current payable	175.5	96.2	182%
Related parties -credit balances	6.8	2.6	262%
Provisions	14.1	14.3	99%
Total current liabilities	**685.9**	**566.2**	**121%**
Long-term loans	42.2	57.5	73%
Other long-term liabilities	84.1	86.1	98%
Provisions	8.8	10.6	83%
Deferred tax	17.9	19.0	94%
Total non-current liabilities	**153.0**	**173.2**	**88%**
Total liabilities	**838.9**	**739.4**	**113%**
Minority interest	**2.1**	**3.5**	**60%**
Issued capital	200.0	200.0	100%
Reserves	284.6	282.9	101%
Retained earnings	282.1	235.5	120%
Net profit for the year	26.9	110.2	24%
Total equity	**793.6**	**828.6**	**96%**
Total equity, minorities and liabilities	**1,634.6**	**1,571.5**	**104%**

Lecico Egypt consolidated cash flow statement

Cash flow statement (LE m)	1Q 2010	1Q 2009	% 10/09
Cash Flow from operating activities			
Net profit for the period	26.9	21.6	124%
Depreciation and translation adjustment	20.3	20.0	102%
Intangible assets amortisation and translation adjustment	0.8	0.1	758%
Income tax expense	8.4	4.0	211%
Income tax paid	(0.8)	0.0	0%
Deferred income tax	(1.0)	0.5	(192%)
Prepaid rent expense	0.1	0.1	87%
Capital gains	0.0	0.0	0%
Provided provisions and translation adjustment	0.6	1.5	43%
Employee share in net profit	3.0	2.6	114%
Increase (Decrease) in minority interest	(1.5)	(0.2)	730%
Increase (Decrease) in translation reserve	(2.0)	(2.1)	97%
(Increase) Decrease in Inventory	0.4	9.8	4%
(Increase) Decrease in Receivables	(46.9)	(10.6)	442%
Increase (Decrease) in Payables	16.7	(12.9)	(129%)
Utilised Provisions	(2.4)	(2.1)	116%
Increase (Decrease) in Other Long Term Liabilities	(2.0)	0.0	0%
Payments for acquiring current investment	(7.3)	21.9	(33%)
Net cash from operating activities	**13.3**	**54.2**	**25%**
Cash flow from investing activities			
Additions to fixed assets and projects	(26.6)	(22.4)	119%
Intangible assets	(0.1)	(0.1)	148%
Net change in available for sale investments	(0.0)	(0.1)	15%
Proceeds from sales of fixed assets	0.0	0.0	0%
Increase (Decrease) in long-term notes receivable	(0.1)	(0.2)	33%
Net cash from investing activities	**(26.9)**	**(22.9)**	**117%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(15.2)	(10.1)	151%
Increase (Decrease) in current portion of long term liabilities	3.1	(1.6)	(196%)
(Increase) Decrease in treasury stock	0.0	(4.0)	0%
Dividends paid	(2.5)	(0.4)	628%
Net cash from financing activities	**(14.6)**	**(16.1)**	91%
Net change in cash & cash equivalent during the period	**(28.2)**	**15.2**	**(185%)**
Net cash and cash equivalent at beginning of the period	(300.3)	(338.0)	89%
Net cash and cash equivalent at the end of the period	**(328.5)**	**(322.7)**	**102%**