



First quarter 2012 Results

Alexandria, 8th May 2012 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for first quarter 2012.

Highlights

1Q 2012

- Lecico revenue up 33% to LE 287.5 million (48.1% from sanitary ware)
- Sanitary ware revenue up 10% to LE 138.4 million, with volumes up by 8% to 1.1 million pieces (62.1% exports)
- Tile revenue up 65% to LE 145.1 million, driven by a 55% increase in volumes to 7.6 million square meters (25.7 % exports)
- Brassware revenue up 110% to LE 4.0 million, driven by a 83% increase in volumes to 10,993 pieces
- EBIT up 20% to LE 35.6 million, margin down 1.4% percentage pts to 12.4%
- Net profit up 2% to LE 12.7 million, margin down 1.4% percentage pts to 4.4%

Gilbert Gargour, Lecico Egypt Chairman and CEO commented: “I am pleased to see growth return to Lecico. Revenue and profits are up over the same period last year and over the last quarter of 2011. We are selling all our new tile capacity at better prices than last year and our sanitary ware sales are up year-on-year on the back of stronger local and export volumes thanks to the ongoing improvement in Libya. After a slow beginning to the year March has shown us strong sales and results.

“Good revenue growth is helping us offset the cost inflation seen last year and in early 2012. Gross and operating profits show good growth despite a drop in our gross margins.

“We are beginning to see what we hope will be a strong recovery from the difficulties of last year. The first quarter has been a solid one in our home and other regional markets. While negative economic sentiment remains in Europe and continues to affect our performance in this key export market, we remain optimistic that new clients and an overall return to prosperity will see us make substantial progress over the next few years.

“The political environment in Egypt remains opaque as we enter a very sensitive period. A new President and a new Constitution represent major challenges and major

opportunities. All we can do is hope and pray that God will continue to look after our country and its good people.

“We will do all we can to maximize sales and continue to focus internally on controlling manufacturing costs through improved efficiency. We have continued to make progress on both scores, and our business should be in a good position to recover and progress further.”

Elie Baroudi, Lecico Egypt MD, added, “Our first quarter results show a steady improvement not only from a very unusual first quarter last year in which we saw revolutions in Egypt and Libya but also from the fourth quarter of last year.

“If we compare results with the last quarter of 2011, before the exceptional provisions, we can see growth across the P&L, with revenue up 8% driven by an improvement in sanitary ware prices and margins and a continued growth in tile sales volumes.

“Gross profits are up 9% with margins slightly lower despite higher energy prices from the first of January. This reflects a real improvement in sanitary ware efficiency quarter-on-quarter and the continued benefit of economies of scale from our expanded tile operation.

“Operating profits are up about 2% quarter-on-quarter with gross profits growth more than offsetting higher distribution and administration expenses. Proportional distribution and administration expenses are only about 0.5 percentage points higher quarter-on-quarter at 14.3% of sales and represent a significant improvement on the average of the previous year as a result of economies of scale on our expanded top line activity.

“Net profit is up 5% on last quarter at LE 12.7 million excluding exceptional provisions despite the fact that we incurred a tax charge this quarter versus a tax credit in the fourth quarter as a result of those provisions taken.

“This analysis is only to underline that we are seeing a gradual improvement in our results from their low point last year. We remain committed to improving efficiency and growing the top line to try and to improve our performance. We are optimistic that we should be able to keep delivering better results in 2012 though we must remain cautious about developments in this uncertain world.”

Lecico Revenue and Profitability

Profit and loss statement highlights			
(LE m)	1Q		%
	2012	2011	12/11
Sanitary ware	138.4	125.6	110%
Tiles	145.1	88.0	165%
Brassware	4.0	1.9	210%
Net sales	287.5	215.5	133%
Sanitary ware/net sales (%)	48.1%	58.3%	(10.1%)
Cost of sales	(210.6)	(145.2)	145%
Cost of sales/net sales (%)	(73.3%)	(67.4%)	5.9%
Gross profit	76.9	70.3	109%
Gross profit margin (%)	26.8%	32.6%	(5.9%)
Distribution and administration (D&A)	(40.9)	(39.1)	105%
D&A/net sales (%)	(14.2%)	(18.1%)	(3.9%)
Net other operating income/ (expense)	(0.4)	(1.5)	27%
Net other operating income/ (expense) net sales (%)	(0.1%)	(0.7%)	0.6%
EBIT	35.6	29.7	120%
EBIT margin (%)	12.4%	13.8%	(1.4%)
Net profit	12.7	12.5	102%
Net profit margin (%)	4.4%	5.8%	(1.4%)

1Q 2012: Strong top-line growth offsets higher costs

Lecico saw significant year-on-year and quarter-on-quarter growth in revenues driven by strong growth with the continued recovery of the Libyan market, growing regional demand for Lecico tiles and the growth of sanitary ware sales to new markets and OEM customers in Europe.

Year-on-year growth is in comparison to a particularly turbulent period around the revolution last year. Sanitary ware sales rose 10% year-on-year as a result of strong volume growth in the Egyptian market and export sales. Tile sales rose 65% year-on-year with the full utilization of the first phase of the new tile plant inaugurated in July 2011.

Gross profit increased by 9% to reach LE 76.9 million. The gross profit margin fell 5.9 percentage points to 26.8% reflecting the cost inflation in labour and other items seen over the course of 2011 and approximately 24% higher energy costs from the start of 2012.

In absolute terms, D&A expenses increased by 5% to LE 40.9 million. Proportional distribution and administration (D&A) expenses were down 3.9 percentage points to 14.2% of net sales compared to 18.1% in the first quarter of 2011.

EBIT increased by 20% to reach LE 35.6 million for the quarter with the EBIT margin decreasing 1.4 percentage points year-on-year to 12.4%.

Financing expenses were up 63% year-on-year during the first quarter of 2012 to reach LE 18.7 million compared to LE 11.5 million for the same period in 2011.

Lecico recorded a tax for the quarter of LE 2.9 million versus an LE 4.1 million tax charge for the same period last year.

Net profit up 2% year-on-year at LE 12.7 million with a net margin of 4.4% compared to 5.8% in the same period last year.

Segmental analysis

Sanitary ware

1Q: Sanitary ware sales volumes for the first quarter rose 8% or 81,000 pieces year-on-year to 1.1 million pieces on the back of strong growth in sales in Egypt and export sales to the Middle East and new customers and markets in Europe.

Sales in Egypt were up 20% or 64,000 pieces and while Export sales were only up 3% or 22,000 pieces, this reflects a contraction in Lecico's main markets of the UK and France offset by over 50% growth in the Middle East and the rest of Europe.

Average sanitary ware prices rose 2% year-on-year to LE 124.9 per piece as a result of higher prices and a slight weakening in the Egyptian pound against our main trading currencies. Exports represented 62.1% of volumes compared to 64.8% in the first quarter of 2011.

Revenues were up 10% year-on-year at LE 138.4 million.

Sanitary ware cost was up 20% year-on-year at LE 112.1 million.

Higher average cost per piece reflect higher labour costs, increased energy costs and the currency effect on the price of imported inputs.

Sanitary ware gross profits fell 32% to LE 26.3 million with a margin of 19%.

Sanitary ware segmental analysis	1Q		%
	2012	2011	12/11
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	381	317	120%
Lebanon (000 pcs)	39	44	89%
Export (000 pcs)	688	666	103%
Total sanitary ware volumes (000 pcs)	1,108	1,027	108%
Exports/total sales volume (%)	62.1%	64.8%	(2.8%)
Sanitary ware revenue (LE m)	138.4	125.6	110%
Average selling price (LE/pc)	124.9	122.3	102%
Average cost per piece (LE/pc)	101.2	84.6	120%
Sanitary ware cost of sales	(112.1)	(86.9)	129%
Sanitary ware gross profit	26.3	38.7	68%
Sanitary ware gross profit margin (%)	19.0%	30.8%	(11.8%)

Tiles

1Q: Tile volumes for the first quarter rose 55% year-on-year to 7.6 million square meters. This is a record sales volume for Lecico following the roll-out of the company's new tile factory in the middle of last year. Growth came from increased sales in Egypt and exports

due to higher sales to Libya. Tile exports accounted for 25.7% of sales volumes in the quarter compared to 17.9% in the same period in 2011.

Average net prices were up 7% year-on-year at LE 19.1 per square meter as a result of higher prices, a better mix of products and the benefit of a weakening Egyptian Pound against the dollar.

Tiles revenues rose 65% year-on-year to LE 145.1 million in the first quarter of 2012.

Average cost per square meter rose 7% year-on-year to reach LE 12.6 per square meter with improved economies of scale partially offsetting the cost inflation in labour and other items seen over the course of 2011 and approximately 24% higher energy costs from the start of 2012.

Tile gross profit was up 65% year-on-year at LE 49.9 million and margins for the segment was flat at 34.4%.

Tile segmental analysis	1Q		%
	2012	2011	
Tile volumes (000 sqm)			
Egypt (000 sqm)	5,319	3,528	151%
Lebanon (000 sqm)	313	496	63%
Export (000 sqm)	1,953	879	222%
Total tile volumes (000 sqm)	7,585	4,903	155%
Exports/total sales volume (%)	25.7%	17.9%	7.8%
Tile revenue (LE m)	145.1	88.0	165%
Average selling price (LE/sqm)	19.1	17.9	107%
Average cost per sqm (LE/sqm)	12.6	11.8	107%
Tile cost of sales	(95.2)	(57.7)	165%
Tile gross profit	49.9	30.3	165%
Tile gross profit margin (%)	34.4%	34.4%	(0.0%)

Brassware

1Q: Lecico began brassware operations and sales in the third quarter of 2010 and as a result the high top line growth reported year-on-year is reflective of the start-up nature of the business.

Sales volumes for first quarter rose 83% to reach 10,993 pieces compared to 6,015 pieces in first quarter of 2011.

Average price per piece up 15% to LE 362.3 per piece compared to LE 315.6 per piece for same period last year.

Revenue grew 110% in the first quarter to reach LE 4.0 million compared to LE 1.9 million in the same period last year.

Average cost per piece rose 180% to reach LE 298.4 compared to LE 106.7 per piece in the first quarter.

The brassware segment reported a gross profit of LE 0.7 million compared with a profit of LE 1.3 million in the first quarter of 2011.

Brassware segmental analysis	1Q		%
	2012	2011	
Brassware volumes (pcs)			
Egypt (pcs)	10,889	6,015	181%
Export (pcs)	104	0	-
Total brassware volumes (pcs)	10,993	6,015	183%
Brassware revenue (LE m)	4.0	1.9	210%
Average selling price (LE/pc)	362.3	315.6	115%
Average cost per piece (LE/pc)	298.4	106.7	280%
Brassware cost of sales	(3.3)	(0.6)	511%
Brassware ware gross profit	0.7	1.3	56%
Brassware gross profit margin (%)	17.6%	66.2%	(48.6%)

Financial position

The value of Lecico's assets increased 2% at the end of March 31, 2012 to reach LE 1,965.8 million, driven primarily by an increase in cash and inventories. Total liabilities were up 3% at LE 1,169.5 million. Net debt to equity is slightly improved at the end of March 2012 at 0.84x.

Recent developments and outlook

Outlook for 2012: The first quarter was reasonably stable politically across Lecico's regional markets with resulting positive year-on-year top line growth. However, ongoing political events in Egypt and the region and the continued economic uncertainty and weakness across Europe remain a risk to the company's activities in 2012. These risks to the top line will be compounded by higher energy costs and continued inflationary pressures on costs in Egypt.

Sales in Egypt in the second half of 2011 were very strong and this has continued in to date in 2012, but we cannot have any certainty about the continuation of that demand in 2012 as political events unfold. If the current relative stability continues, the company can expect a continuation of strong sales volume over the rest of the year.

The Libyan market has been very strong in the first quarter of the year – accounting for a large part of the growth in export volumes of both sanitary ware and tiles. However, as in Egypt, we cannot have any certainty about the continuation of that demand as political events unfold. If the country continues to rebuild with the relative stability seen in the first quarter, Lecico could see Libyan sales recover to reach the annual volumes seen in 2010.

The demand outlook for Europe remains depressed and the company is working to offset this expected weakness with the continued development of new markets, customers and products. However, whether or not this will translate into overall volume growth in exports is clearly dependent on the scale of the drop in overall demand in Lecico's main European markets. In the first quarter, Lecico saw a 5% drop in export volumes to Europe with a 12% drop in our core markets offset by 48% growth in exports to the rest of Europe. If the European economy is relatively stable over the rest of the year, Lecico would expect to see volume growth in Europe over the coming quarters.

On the cost side, the company is confident that it can realize significant economies of scale in all segments in a relatively benign demand scenario and is confident that the efficiency of its sanitary ware unit will continue to improve over the year as the large numbers of new products launched in 2011 are normalized in production.

However, these improvements in production will be partially offset by cost inflation pressures. The government has raised energy prices which will affect Lecico's costs from January onwards and the company expects to see continued labour and food-price led inflation on inputs and services combined with higher financing costs and higher tax rates as the government in Egypt continues to try to manage a slowing economy while improving and expanding social welfare programs. In the first quarter, the company was able to offset most of these increases to keep like-for-like gross margins flat quarter-on-quarter but this will remain a challenge over the course of the year.

As a result of these risks to the top line and cost pressures, 2012 will be remain a challenging year and estimating performance is difficult due to the unpredictability of the events that will shape our results over the year.

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.

For additional information, please contact:

Taher G. Gargour
Telephone: +203 518 0011
Fax: +203 518 0029
E-mail: tgargour@lecico.com

Visit our website at: www.lecico.com

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		%
	2012	2011	
Net sales	287.5	215.5	133 %
Cost of sales	(210.6)	(145.2)	145%
Gross profit	76.9	70.3	109 %
Gross margin (%)	26.7%	32.6%	(5.8%)
Distribution expenses	(16.0)	(15.0)	107%
Administrative expenses	(24.9)	(24.1)	103%
Other Operating income	2.6	0.6	435%
Other Operating expenses	(3.0)	(2.1)	141%
Operating profit (EBIT)	35.6	29.7	120 %
Operating (EBIT) margin (%)	12.4%	13.8%	(1.4%)
Finance income	1.7	1.5	113%
Finance expense	(18.7)	(11.5)	163%
Profits before tax and minority (PBTM)	18.6	19.7	94 %
PBTM margin (%)	6.5%	9.1%	(2.7%)
Income tax	(4.3)	(5.2)	83%
Deferred tax	1.4	1.1	128%
Net Profit after tax (NPAT)	15.7	15.6	101 %
NPAT margin (%)	5.5%	7.2%	(1.8%)
Employee profit participation	(3.2)	(3.2)	100%
Net profit before minority interest	12.5	12.4	101 %
Minority interest	0.2	0.1	158%
Net Profit	12.7	12.5	102 %
Net profit margin (%)	4.4%	5.8%	(1.4%)

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-12	31-Dec-11	3M12/FY11 (%)
Cash and short-term investments	187.8	177.7	106%
Inventory	550.4	524.6	105%
Receivables	339.1	329.8	103%
Related parties -debit balances	51.3	50.8	101%
Total current assets	1,128.6	1,082.9	104%
Net fixed assets	690.3	709.2	97%
Intangible assets	24.1	24.0	101%
Prepaid long-term rent	1.3	1.4	91%
Projects in progress	97.2	87.2	111%
Available for sale investments	4.6	4.6	100%
Long-term notes receivable	19.7	17.5	113%
Total non-current assets	837.2	843.9	99%
Total assets	1,965.8	1,926.8	102%
Banks overdraft	744.0	741.3	100%
Current portion of long-term liabilities	26.8	31.9	84%
Trade and notes payable	102.1	86.5	118%
Other current payable	107.3	82.5	130%
Related parties -credit balances	2.7	1.4	195%
Provisions	39.9	41.2	97%
Total current liabilities	1,022.8	984.8	104%
Long-term loans	81.3	88.2	92%
Other long-term liabilities	33.7	33.5	101%
Provisions	12.3	12.2	101%
Deferred tax	19.4	20.6	94%
Total non-current liabilities	146.7	154.6	95%
Total liabilities	1,169.5	1,139.4	103%
Minority interest	2.3	1.4	161%
Issued capital	400.0	400.0	100%
Reserves	306.4	302.9	101%
Retained earnings	75.0	103.7	72%
Net profit for the year	12.7	(20.6)	-
Total equity	794.1	786.0	101%
Total equity, minorities and liabilities	1,965.8	1,926.8	102%

Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	1Q		%
	2012	2011	12/11
Cash Flow from operating activities			
Net profit for the period	12.7	12.5	102%
Depreciation and translation adjustment	22.1	19.3	115%
Intangible assets amortisation and translation adjustment	(0.1)	(0.1)	125%
Income tax expense	4.3	5.2	83%
Income tax paid	(4.3)	(0.6)	714%
Deferred income tax	(1.4)	(1.1)	128%
Prepaid rent expense	0.1	0.1	78%
Provided provisions and translation adjustment	0.9	2.9	31%
Impairment of inventory	5.0	-	-
Reversal of expired provision	(2.0)	-	-
Employee share in net profit	3.2	3.2	100%
Increase (Decrease) in minority interest	0.8	(0.6)	-
Increase (Decrease) in translation reserve	(4.5)	2.8	-
(Increase) Decrease in Inventory	(30.8)	(49.0)	63%
(Increase) Decrease in Receivables	(9.8)	(25.4)	38%
Increase (Decrease) in Payables	43.3	45.3	96%
Utilised Provisions	(0.0)	(1.4)	1%
Increase (Decrease) in Other Long Term Liabilities	0.2	1.2	16%
Payments for acquiring current investment	(0.5)	3.4	-
Net cash from operating activities	39.1	17.6	222%
Cash flow from investing activities			
Additions to fixed assets and projects	(13.1)	(18.5)	71%
Net change in available for sale investments	(0.0)	(0.1)	14%
Proceeds from sales of fixed assets	0.1	0.1	91%
Increase (Decrease) in long-term notes receivable	(2.2)	-	-
Net cash from investing activities	(15.3)	(18.5)	83%
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(7.0)	(11.5)	61%
Increase (Decrease) in current portion of long term liabilities	(5.1)	(8.3)	61%
Dividends paid	(4.8)	(1.3)	387%
Net cash from financing activities	(16.9)	(21.0)	80%
Net change in cash & cash equivalent during the period	6.9	(21.9)	-
Net cash and cash equivalent at beginning of the period	(634.9)	(518.2)	123%
Net cash and cash equivalent at the end of the period	(628.0)	(540.1)	116%