First quarter 2013 Results

Alexandria, 9th May 2013 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for first quarter 2013.

Highlights

1Q 2013

- Lecico revenue up 15% to LE 331.9 million (50.8% from sanitary ware)
- Sanitary ware revenue up 22% to LE 168.5 million, with volumes up by 23% to 1.36 million pieces (48.1% exports)
- Tile revenue up 5% to LE 152.4 million, volumes decreased by a 5% to 7.2 million square meters (23.8 % exports)
- Brassware revenue up 176% to LE 11 million, driven by a 254% increase in volumes to 38,921 pieces
- EBIT up 19% to LE 42.4 million, margin up 0.4% percentage pts to 12.8%
- Net profit up 28% to LE 16.3 million, margin up 0.5% percentage pts to 4.9%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented "The first quarter continued to deliver strong growth in revenues, profitability and absolute profits over the same period last year.

“Sales in Egypt continues to be the main driver of growth and this should continue with the launch of initial production in our new tile expansion starting in late April helping to pull more sanitary ware sales in Egypt and regionally. This expansion should be fully operational in the second half and if market conditions in Egypt and the Middle East hold we should be able to ramp up to selling its full capacity by the year end.

“The new line will increase capacity by 6.4 million square meters per annum which should generate around LE 118 million in revenues when fully sold.

“Our sanitary ware business was the principal driver of revenue and gross profit growth for the quarter with improving margins despite a shift away from higher value exports whose margins improved with the weakness of the pound. Exports fell from 62% of sales in the first quarter of 2012 to only 48% of sales this quarter.

“Our Middle Eastern business saw limited growth year-on-year in the quarter due to the disruption of sales to Libya from repeated border closures in February and March. The

borders are open again as of this writing but we have also organized our sales to Libya to go by sea in case of further disruptions. Consequently, I expect to see a return to strong growth in Middle East exports for the rest of the year, particularly after our new tile production launches in the second half.

"All in all we are hopeful of further progress over the rest of the year, but remain cautious about our forecasts and expectations as the general political and economic situation in Egypt and most of our export markets remains fraught with uncertainties."

Taher Gargour, Lecico Egypt MD, added, "Our results for the quarter show a strong improvement over the same period last year.

"Sales, margins and profits show a strong year-on-year improvement but sales are only marginally higher than the average for 2012 as a whole and margins are flat on the average for 2012. Accordingly, while we remain on track to deliver another record year in terms of sales value, we need to realize higher sales volumes and values in coming quarters in order to have a possibility of significantly improving profits and margins year-on-year.

"We believe this is achievable. Given traditional seasonality of sales; the launch of the new tile expansion in late April; and the start of several new sanitary ware export relationships in the second half of the year; I remain reasonably confident that we will see quarter-on-quarter sales volume growth over the rest of the year.

"This will help us in continuing to control costs and realize economies of scale in order to assure the best profit margins possible in the face of anticipated and continuing cost inflation.

"The weakness in the Egyptian pound seen in the first quarter and expected over the rest of the year will help us realize a greater return on our exports but the relative strength of demand in the Egyptian market is seeing our mix shift away from export pushing down our average prices. This is a challenge for our plans of margin recovery given that a significant percentage of production costs are linked to the dollar, euro and sterling.

"We will continue to look at periodic price increases in the local market to offset this while actively pursuing new export opportunities to attempt and address this shift in sales mix.

"Our net debt position was only marginally improved over the course of the quarter in part due to investments in our new tile line and in part due to a build up of finished goods inventory in anticipation of seasonal sales and lower productivity in Ramadan. It is still our goal to continue reducing debt over the year which will in due course help us reduce interest expenses to deliver more of our operational growth to our bottom line.

"I am optimistic that we should keep delivering improvement over the coming quarters, assuming no dramatic shift in the risks in our operating environment."

Lecico Revenue and Profitability

Profit and loss statement highlights	1Q		%
(LE m)	2013	2012	13/12
Sanitary ware	168.5	138.4	122%
Tiles	152.4	145.1	105%
Brassware	11.0	4.0	276%
Net sales	**331.9**	**287.5**	**115%**
Sanitary ware/net sales (%)	50.8%	48.1%	2.7%
Cost of sales	(240.8)	(210.6)	114%
Cost of sales/net sales (%)	(72.6%)	(73.3%)	(0.7%)
Gross profit	**91.0**	**76.9**	**118%**
Gross profit margin (%)	27.4%	26.7%	0.7%
Distribution and administration (D&A)	(46.9)	(40.9)	115%
D&A/net sales (%)	(14.1%)	(14.2%)	(0.1%)
Net other operating income/ (expense)	(1.8)	(0.4)	452%
Net other operating income/ (expense) net sales (%)	(0.5%)	(0.1%)	(0.4%)
EBIT	**42.4**	**35.6**	**119%**
EBIT margin (%)	12.8%	12.4%	0.4%
Net profit	**16.3**	**12.7**	**128%**
Net profit margin (%)	4.9%	4.4%	0.5%

1Q 2013: Sanitary ware sales growth and improving gross margins in both segments

Lecico saw significant year-on-year growth in revenues driven by strong sanitary ware sales growth in Egypt, which offset weakening exports and a drop in tile volumes. Exports to Europe continue to see weakness and sales of both sanitary ware and tiles to Libya were disrupted by repeated closures of the border to Egypt in February and March.

Sanitary ware sales rose 22% year-on-year as a result of strong volume growth in the Egyptian market. Tile sales rose 5% year-on-year despite slightly lower volumes.

Gross profit increased by 18% to reach LE 91.0 million. The gross profit margin improved 0.7 percentage points to 27.4% with year-on-year improvements in both sanitary ware and tiles.

In absolute terms, distribution and administration (D&A) expenses increased by 15% to LE 46.9 million. Proportional D&A expenses were down 0.1 percentage points to 14.1% of net sales compared to 14.2% in the first quarter of 2012.

EBIT increased by 19% to reach LE 42.4 million for the quarter with the EBIT margin increasing 0.4 percentage points year-on-year to 12.8%.

Financing expenses were down 18% year-on-year during the first quarter of 2013 to reach LE 15.4 million compared to LE 18.7 million for the same period in 2012 as a result of LE 8.2

million in foreign exchange gains in the quarter compared to an LE 5.1 million gain in the first quarter of 2012.

Profits before taxes and minorities (PBTM) increased 48% year-on-year to reach LE 27.6 million with the margin increasing 1.8 percentage points to 8.3%.

Lecico recorded a tax for the quarter of LE 6.6 million versus an LE 2.9 million tax charge for the same period last year

Employee profit participation increased by 105% to reach LE 6.6 million reflecting the increases in pay and profit participation accorded to our staff over the past few years. This profit participation is expected to increase with salary increases in the future.

Net profit increased 28% year-on-year to reach LE 16.3 million with the net margin improving 0.5 percentage points to reach 4.9% compared to 4.4% in the same period last year.

Segmental analysis

Sanitary ware

1Q: Sanitary ware sales volumes for the first quarter rose 23% or 253,000 pieces year-on-year to 1.36 million pieces on the back of strong growth in sales in Egypt and export sales to the Middle East..

Sales in Egypt were up 76% or 289,000 pieces while Export sales were down 5% or 33,000 pieces. Exports fell year-on-year primarily as a result of lower OEM volumes, which fell 41,000 pieces, with weakening European markets affecting our customers' orders. Sanitary ware exports to the Middle East were only marginally higher in the quarter as frequent closures of the border to Libya disrupted sales to that market in February and March. The Company has organized shipping solutions to offset any future closures of the border.

Average sanitary ware prices fell 1% year-on-year to LE 123.8 per piece as a result of of the sharp increase in local sales as a proportion of the sales mix. Local sales represented 51.9% of sales in the first quarter of 2013 compared to 37.9% in the same period last year. Mix aside, average prices in the export and local market improved year-on-year due to price increases and the impact of the weakening Egyptian pound.

Revenues were up 22% year-on-year at LE 168.5 million.

The average cost per piece of sanitary ware fell 2% year-on-year to LE 99.1 as a result of efficiency and economies of scale improvements offsetting inflationary pressures seen over the year.

Sanitary ware gross profits increased 28% year-on-year to reach LE 33.6 million with the gross margin improving 0.9 percentage points to reach 19.9%.

Sanitary ware segmental analysis	1Q		%
	2013	2012	13/12
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	670	381	176%
Lebanon (000 pcs)	36	39	92%
Export (000 pcs)	655	688	95%
Total sanitary ware volumes (000 pcs)	**1,361**	**1,108**	**123%**
Exports/total sales volume (%)	48.1%	62.1%	(14.0%)
Sanitary ware revenue (LE m)	**168.5**	**138.4**	**122%**
Average selling price (LE/pc)	123.8	124.9	99%
Average cost per piece (LE/pc)	99.1	101.2	98%
Sanitary ware cost of sales	(134.9)	(112.1)	120%
Sanitary ware gross profit	33.6	26.3	128%
Sanitary ware gross profit margin (%)	19.9%	19.0%	0.9%

Tiles

1Q: Tile volumes for the first quarter fell 5% year-on-year to 7.2 million square meters. The lower sales volumes reflect the disruption of sales to Libya as a result of repeated border closures. As a result of that tile exports accounted for 23.8% of sales volumes in the quarter compared to 25.7% in the same period in 2012.

Average net prices were up 11% year-on-year at LE 21.1 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 5% year-on-year to LE 152.4 million in the first quarter of 2013.

Average cost per square meter rose 7% year-on-year to reach LE 13.4 per square meter with improved economies of scale partially offsetting the cost inflation in labour and other items seen over the course of 2012.

Tile gross profit was up 12% year-on-year at LE 55.8 million and margins for the segment was up 2.2 percentage points to reach 36.6%.

Tile segmental analysis	1Q		%
	2013	2012	13/12
Tile volumes (000 sqm)			
Egypt (000 sqm)	5,070	5,319	95%
Lebanon (000 sqm)	424	313	135%
Export (000 sqm)	1,714	1,953	88%
Total tile volumes (000 sqm)	**7,208**	**7,585**	**95%**
Exports/total sales volume (%)	23.8%	25.7%	(1.9%)
Tile revenue (LE m)	**152.4**	**145.1**	**105%**
Average selling price (LE/sqm)	21.1	19.1	111%
Average cost per sqm (LE/sqm)	13.4	12.6	107%
Tile cost of sales	(96.6)	(95.2)	101%
Tile gross profit	55.8	49.9	112%
Tile gross profit margin (%)	36.6%	34.4%	2.2%

Brassware

1Q: Sales volumes for first quarter rose 254% to reach 38,921 pieces compared to 10,993 pieces in first quarter of 2012. This is a significant increase quarter-on-quarter as well, reflecting several large contracts that were delivered in the quarter.

Average price per piece down 22% to LE 282.8 per piece compared to LE 362.3 per piece for same period last year due to a changing mix of product and aggressive pricing on projects in the quarter.

Revenue grew 176% in the first quarter to reach LE 11.0 million compared to LE 4.0 million in the same period last year.

Average cost per piece fell 20% to reach LE 237.9 compared to LE 298.4 per piece in the first quarter of 2012.

Brassware gross profit was up 149% year-on-year at LE 1.7 million while margins for the segment fell 1.7 percentage points to reach 15.9%.

Given the relatively early stage in brand development and capacity utilization in Lecico's brassware business, the company is still seeing considerable fluctuations in average price and cost of production quarter-on-quarter and year-on-year. These are expected to normalize over the coming few years as the company reaches consistent full capacity utilization on its first shift.

Brassware segmental analysis	1Q		%
	2013	2012	13/12
Brassware volumes (pcs)			
Egypt (pcs)	38,766	10,889	356%
Export (pcs)	155	104	149%
Total brassware volumes (pcs)	**38,921**	**10,993**	**354%**
Exports/total sales volume (%)	0.4%	0.9%	(0.5%)
Brassware revenue (LE m)	**11.0**	**4.0**	**276%**
Average selling price (LE/pc)	282.8	362.3	78%
Average cost per piece (LE/pc)	237.9	298.4	80%
Brassware cost of sales	(9.3)	(3.3)	282%
Brassware ware gross profit	1.7	0.7	249%
Brassware gross profit margin (%)	15.9%	17.6%	(1.7%)

Financial position

The value of Lecico's assets increased 8% at the end of March 31, 2013 to reach LE 2,195.5 million, driven primarily by an increase in cash and inventories. Total liabilities were up 15% at LE 1,344.6 million. Net debt was marginally lower at LE 628.9 million and net debt to equity was flat from the end of 2012 at 0.74x.

Recent developments and outlook

Outlook for 2013: 2013 continues to be reasonably stable politically across Lecico's regional markets with resulting positive year-on-year top line growth. Overall demand for Lecico products has been very strong in Egypt and Libya but trade to Libya was disrupted in the first quarter due to repeated border closures during February and March. At the time of writing, the borders are now open but Lecico has also switched a significant amount of trade to Libya to go by sea instead of land to allow us to offset any future disruption.

Market conditions in Europe continue to worsen and this has impacted our export volumes in the first quarter. Lecico is actively looking to offset this weakness with new business, particularly in the Middle East, while continuing to strengthen our trade relationships in Europe to help protect and improve our market share.

Given the strong year-on-year growth in sanitary ware sales in the first quarter, it seems likely that this strong demand will continue for the rest of 2013. 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.

Lecico hopes to see a significant growth in tile sales in the second half of the year following the launch of production of its new tile line in the Borg El-Arab plant. The expansion has began trial production in late April and is expected to be operating at full capacity for the second half of the year. The new line will increase capacity by 6.4 million square meters per annum which should generate around LE 118 million in revenues when fully sold. As the company is currently seeing demand for its tiles in excess of capacity, management is cautiously optimistic about the speed of the roll out of sales for this new line.

On the cost side, the company is confident that it can realize significant economies of scale in all segments in this benign demand scenario and is confident that the efficiency of its sanitary ware unit will continue to improve over 2013 as the large numbers of new products launched in 2011 are normalized in production. In the first quarter average production cost of sanitary ware was below the average seen in 2012.

However, these improvements in production will be partially offset by cost inflation pressures. In 2012, the government has raised energy prices from January by over 20% and Lecico enacted a significant salary increase in July. Looking forward to the rest of 2013, the company expects to see continued inflation on inputs and services in the year ahead with the possibility of another increase in energy prices, 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. On an aggregate level, the company has been able to offset these cost increases in 2012 through improved economies of scale and hopes to continue into 2013.

Despite the political and economic challenges faced by most of Lecico's markets, the company has seen a good improvement in demand and profitability compared to 2012.

The business expects to continue to grow revenues and margins year-on-year in 2013 despite continued inflationary pressure but the rate of improvement will likely be slower than in 2012.

However, this positive outlook for Lecico's performance in the months ahead is not without risk as political and economic uncertainty looks likely to remain a feature of most of the company's markets in 2013.

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 (LE m)	1Q 2013	1Q 2012	% 13/12
Net sales	**331.9**	**287.5**	**115%**
Cost of sales	(240.8)	(210.6)	114%
Gross profit	**91.0**	**76.9**	**118%**
Gross margin (%)	27.4%	26.7%	0.7%
Distribution expenses	(17.3)	(16.0)	108%
Administrative expenses	(29.5)	(24.9)	119%
Other Operating income	3.3	2.6	129%
Other Operating expenses	(5.1)	(3.0)	171%
Operating profit (EBIT)	**42.4**	**35.6**	**119%**
Operating (EBIT) margin (%)	12.8%	12.4%	0.4%
Finance income	0.6	1.7	34%
Finance expense	(15.3)	(18.7)	82%
Profits before tax and minority (PBTM)	**27.6**	**18.6**	**148%**
PBTM margin (%)	8.3%	6.5%	1.8%
Income tax	(5.1)	(4.3)	118%
Deferred tax	(0.5)	1.4	-
Net Profit after tax (NPAT)	**22.0**	**15.7**	**140%**
NPAT margin (%)	6.6%	5.5%	1.1%
Employee profit participation	(6.6)	(3.2)	205%
Net profit before minority interest	**15.4**	**12.5**	**123%**
Minority interest	0.9	0.2	378%
Net Profit	**16.3**	**12.7**	**128%**
Net profit margin (%)	4.9%	4.4%	0.5%

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-13	31-Dec-12	3M13/FY12 (%)
Cash and short-term investments	295.6	212.7	139%
Inventory	619.7	576.1	108%
Receivables	344.0	341.3	101%
Related parties -debit balances	74.5	70.4	106%
Total current assets	**1,333.8**	**1,200.5**	**111%**
Net fixed assets	716.4	732.2	98%
Intangible assets	24.4	24.3	101%
Prepaid long-term rent	1.0	1.1	95%
Projects in progress	69.5	41.7	167%
Available for sale investments	5.2	4.8	108%
Long-term notes receivable	45.0	25.8	175%
Total non-current assets	**861.6**	**829.9**	**104%**
Total assets	**2,195.5**	**2,030.5**	**108%**
Banks overdraft	840.5	755.4	111%
Current portion of long-term liabilities	25.2	25.5	99%
Trade and notes payable	149.9	131.4	114%
Other current payable	179.2	105.2	170%
Related parties -credit balances	5.3	0.9	587%
Provisions	49.9	51.8	96%
Total current liabilities	**1,250.0**	**1070.2**	**117%**
Long-term loans	58.8	64.7	91%
Other long-term liabilities	1.6	1.7	97%
Provisions	13.3	12.8	104%
Deferred tax	20.8	20.3	102%
Total non-current liabilities	**94.5**	**99.5**	**95%**
Total liabilities	**1,344.6**	**1,169.7**	**115%**
Minority interest	**1.1**	**1.5**	**74%**
Issued capital	400.0	400.0	100%
Reserves	339.2	321.2	106%
Retained earnings	94.3	75.3	125%
Net profit for the year	16.3	62.8	26%
Total equity	**849.8**	**859.3**	**99%**
Total equity, minorities and liabilities	**2,195.5**	**2,030.5**	**108%**

Lecico Egypt consolidated cash flow

Cash flow statement	1Q		%
(LE m)	2013	2012	13/12
Cash Flow from operating activities			
Net profit for the period	16.3	12.7	128%
Depreciation and translation adjustment	21.4	22.1	97%
Intangible assets amortisation and translation adjustment	(0.1)	(0.1)	75%
Income tax expense	5.1	4.3	118%
Income tax paid	(1.3)	(4.3)	30%
Deferred income tax	0.5	(1.4)	-
Prepaid rent expense	0.1	0.1	59%
Capital gains	(0.0)	-	-
Provided provisions and translation adjustment	4.5	0.9	-
Impairment of inventory	0.0	5.0	-
Reversal of expired provision	(2.4)	(2.0)	119%
Employee share in net profit	6.6	3.2	208%
Increase (Decrease) in minority interest	(0.4)	0.8	(55%)
Increase (Decrease) in translation reserve	14.1	(4.5)	-
(Increase) Decrease in Inventory	(44.3)	(30.8)	144%
(Increase) Decrease in Receivables	(9.2)	(9.8)	94%
Increase (Decrease) in Payables	54.1	43.3	125%
Utilised Provisions	(0.4)	(0.0)	-
Increase (Decrease) in Other Long Term Liabilities	(0.1)	0.2	-
(Payments) / Received for acquiring current investment	(4.0)	(0.5)	-
Difference result from discounting of long term notes receivables	3.0	-	-
Net cash from operating activities	**63.5**	**39.1**	**162%**
Cash flow from investing activities			
Additions to fixed assets and projects	(33.8)	(13.1)	257%
Intangible assets	(0.1)	-	-
Net change in available for sale investments	(0.3)	(0.0)	-
Proceeds from sales of fixed assets	0.4	0.1	400%
Increase (Decrease) in long-term notes receivable	(22.3)	(2.2)	995%
Net cash from investing activities	**(56.1)**	**(15.3)**	**366%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(5.9)	(7.0)	84%
Increase (Decrease) in current portion of long term liabilities	(0.3)	(5.1)	5%
Dividends paid	(7.4)	(4.8)	154%
Net cash from financing activities	**(13.5)**	**(16.9)**	**80%**
Net change in cash & cash equivalent during the period	**(6.2)**	**6.9**	**-**
Net cash and cash equivalent at beginning of the period	(599.7)	(634.9)	94%
Net cash and cash equivalent at the end of the period	**(605.8)**	**(628.0)**	**96%**