First Quarter 2007 Results

Alexandria, 8th May 2007 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the first quarter of 2007.

Highlights

1Q 2007

- Lecico revenue up 47% to LE 231.5 million (68.6% from sanitary ware)
- Sanitary ware revenue up 67% to LE 158.8 million, driven by 39% growth in volumes to 1.4 million pieces (68.3% exports)
- Excluding Sarreguemines, sanware revenues rose 37% to LE 130.1 million, driven by a 30% growth in volumes to 1.3 million pieces (65.5% exports)
- Tile revenue up 16% at LE 72.8 million and volumes up 12% to 4.8 million square meters
- EBIT up 22% to LE 35.1 million, margin down 3.1 percentage pts to 15.2%
- Net profit up 37% to LE 23.4 million, margin down 0.8 percentage pts to 10.1%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: “It is with great pleasure, after two difficult years, to be able to come to you with good news. As you can see from this report our numbers for this quarter are much more satisfactory than they have been for a long while and are a continuation of the turn around trend that we began to see in the second half of 2006.

“Our revenues for the quarter are also a new record for Lecico and more importantly our profits are the best we have ever recorded for a first quarter. We therefore are quite confident about 2007 and are heartened by the fact that our new capacities are coming on board in a satisfactory manner. This should give us the wherewithal to seek further growth in the near future.

“We are also pleased with the early indications we have of the performance of Sarreguemines. The integration with Lecico France has gone well and the market seems to welcome our involvement and the strengthening of a traditional French brand. Thanks are due to all for very hard and useful work during this initial period.”

Elie Baroudi, Lecico Egypt MD, added, “As our Chairman has mentioned, we feel good about our prospects for the year to come. Our success for this quarter is down to the great efforts made by our staff who continue to deliver despite the different challenges that they continue to face. Our export markets also look better with strong demand for our products.

“The consolidation of Sarreguemines also had a significant impact on our numbers adding 12% to our revenue for the quarter and adding over 10% to our gross profit. Nonetheless, the Sarreguemines business remains a little softer than we had anticipated as we rebuild customer confidence following its going into receivership prior to our acquisition of the business.

“The coming year will still have its challenges particularly as we roll out new capacity and invest in people and processes so that we can better serve our customers. Of course there remains the risk of external factors as was seen in 2006 but we can otherwise hopefully look forward to a good year.”

Lecico Revenue and Profitability

Profit and loss statement highlights	1Q		%
(LE m)	2007	2006	07/06
Sanitary ware	158.8	94.8	167%
Tiles	72.8	62.9	116%
Net sales	**231.5**	**157.7**	**147%**
Sanitary ware/net sales (%)	68.6%	60.1%	8.5%
Cost of sales	(153.2)	(101.6)	151%
Cost of sales/net sales (%)	(66.2%)	(64.4%)	1.7%
Gross profit	**78.3**	**56.1**	**140%**
Gross profit margin (%)	33.8%	35.6%	(1.7%)
Distribution and administration (D&A)	(42.1)	(28.1)	150%
D&A/net sales (%)	(18.2%)	(17.8%)	0.4%
Net other operating income	(1.1)	0.8	-
Net other operating income/net sales (%)	(0.5%)	0.5%	(1.0%)
EBIT	**35.1**	**28.8**	**122%**
EBIT margin (%)	15.2%	18.3%	(3.1%)
Net profit	**23.4**	**17.2**	**137%**
Net profit margin (%)	10.1%	10.9%	(0.8%)

1Q 2007: Sales recovery continues

Revenue growth accelerated in the first quarter growing 47% year-on-year, driven by growth in sanitary ware exports and the consolidation of Sarreguemines. Excluding Sarreguemines, sanitary revenues are up 37%. Tile revenues grew 16% year-on-year that includes a more than doubling in the Lebanese activity.

Gross profit rose 40% year-on-year in the quarter but gross profit margins dropped by 1.7 percentage point to 33.8% for the quarter partly because of the impact of Sarreguemines and partly because of destination and product mix.

Proportional distribution and administration (D&A) expenses increased from 17.8% of net sales in the first quarter of 2006 to 18.2% in the first quarter of 2007. In absolute terms, D&A expenses increased by 50% to LE 42.1 million. The majority of this increase came from the consolidation of Sarreguemines, but it also reflects an increased spending in Egypt to penetrate new markets and better serve existing customers.

Net other operating income for the quarter fell to a net loss of LE 1.1 million from a profit of LE 0.8 million in the same period last year as a result of restructuring costs at Sarreguemines and reduced customs refunds in Egypt due to lower tariffs.

EBIT increased 22% year-on-year to reach LE 35.1 million for the first quarter, with the EBIT margin down 3.1 percentage points to 15.2%.

Net financing expenses were up 13% or LE 0.9 million during the first quarter of 2007 to reach LE 7.7 million.

Lecico benefited from a LE 0.7 million foreign exchange gain, compared to a loss of LE 0.3 million in the same period last year.

Net profit was up 37% year-on-year at LE 23.4 million, with the net profit margin down 0.8 percentage points to 10.1%.

Segmental analysis

Sanitary ware

Sanitary ware segmental analysis			
	1Q		%
(LE m)	2007	2006	07/06
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	354	370	96%
Lebanon (000 pcs)	85	50	169%
Export (000 pcs)	945	575	164%
Total sanitary ware volumes (000 pcs)	**1,384**	**995**	**139%**
Exports/total sales volume (%)	68.3%	57.8%	10.5%
Sanitary ware revenue	**158.8**	**94.8**	**167%**
Average selling price (LE/pc)	114.7	95.3	120%
Average cost per piece (LE/pc)	73.5	58.7	125%
Sanitary ware cost of sales	(101.7)	(58.4)	174%
Sanitary ware gross profit	57.1	36.4	157%
Sanitary ware gross profit margin (%)	35.9%	38.4%	(2.5%)

1Q 2007: Sanitary ware sales volumes for the quarter were up 39% year-on-year at 1.4 million pieces driven by strong growth in exports and Lebanon. The Sarreguemines acquisition contributed 93,000 pieces and LE 28.7 million to this growth in the first quarter.

Export volumes were up 64% year-on-year at 0.9 million pieces. Exports represented 68.3% of volumes for the quarter up from 57.8% of total sales in the first quarter of 2006.

Sales in Lebanon rose 69% year-on-year in advance of an announced price increase on the first of March. Lebanese sales volumes are expected to return to more normal levels over the rest of the year.

Average sanitary ware prices rose 20% year-on-year to LE 114.7 per piece, largely on the back of the consolidation of Sarreguemines. Prices also benefited from increased sales in Lebanon and exchange rate variances. Lecico estimates that average prices increased by around 3.6% due to exchange rate changes.

Sanitary ware revenues were up 67% year-on-year at LE 158.8 million.

Average cost per piece was up 25% year-on-year at LE 73.5 per piece, largely on the back of the consolidation of Sarreguemines. The consolidation of Sarreguemines also significantly increased the proportion of euro-based production costs, eliminating a proportion of the exchange rate gain seen in prices and revenues. Lecico expects that some of its proportion of Euro-based costs will fall slightly over the coming periods as Sarreguemines is more fully integrated into the group.

Excluding Sarreguemines, average cost per piece in the first quarter would have been up 7% year-on-year and relatively flat on the fourth quarter of 2006. That year-on-year increase is primarily due to the significant energy price increases enacted in Egypt in July of 2006.

Sanitary ware gross profit margin fell by 2.5 percentage points year-on-year in the first quarter of 2007 to reach 35.9% and gross profits rose 57% to LE 57.1 million.

Tiles

Tile segmental analysis			
	1Q		%
(LE m)	2007	2006	07/06
Tile volumes (000 sqm)			
Egypt (000 sqm)	3,464	3,261	106%
Lebanon (000 sqm)	362	146	248%
Export (000 sqm)	1,023	913	112%
Total tile volumes (000 sqm)	**4,848**	**4,320**	**112%**
Exports/total sales volume (%)	21.1%	21.1%	0.0%
Tile revenue	**72.8**	**62.9**	**116%**
Average selling price (LE/sqm)	15.0	14.6	103%
Average cost per sqm (LE/sqm)	10.6	10.0	106%
Tile cost of sales	(51.5)	(43.2)	119%
Tile gross profit	21.2	19.7	108%
Tile gross profit margin (%)	29.2%	31.3%	(2.1%)

1Q 2007: Tile sales volumes grew by 12% in the first quarter with the factory in Egypt continuing to work at full capacity. In Lebanon, sales volumes were more than double that of the same quarter in 2006 as a result of 12-month anti-dumping measures enacted in September 2006 and a special promotion undertaken in March to clear out commercial quality tile stocks. Average net prices were up by 3% year-on-year to LE 15.0 per square meter, as a result of the greater proportion of Lebanese and export sales. Tile revenues for the quarter were up 16% year-on-year at LE 72.8 million.

Production cost per square meter grew 6% year on year but that was largely due to the greater proportion of Lebanese production in the mix at higher cost. The cost benefits from producing frit in-house continued and that has helped in keeping costs down in Egypt despite the significant fuel price increases in July 2006.

The tile segments gross margins fell 2.1 percentage points year-on-year to reach 29.2% for the quarter and gross profits rose 8% to reach LE 21.2 million.

Financial position

The value of Lecico's assets have risen 2% since the beginning of the year to reach LE 1,560.2 million, driven primarily by continued investments in Lecico's expansion program (projects in progress) and an increase in working capital.

Total liabilities grew 4% to LE 875.7 million. Net debt to equity was largely flat from the beginning of the year at 0.57x as of 31 March 2007.

Recent developments and outlook

Outlook for 2007: Early indications for 2007 continue to point to a positive demand outlook for the coming year particularly in sanitary ware where we have the quality challenge of getting the new capacity on stream as quickly as possible. France apart, all of Lecico's main markets (Egypt, the UK, OEM and Lebanon) are doing well. In France it is just a question of time as Sarreguemines re-establishes its relationships with its customers and restores its sales to pre-receivership levels.

As a result, the key drivers for performance in the coming year are likely to be the speed that the company can roll out its new capacity and product ranges in sanitary ware and tiles while continuing to improve efficiency and reduce costs.

However, as witnessed in 2005 and 2006, performance is also dependent on several external and unpredictable factors, chief among them are energy prices in Egypt, exchange rates of the Egyptian pound and demand in Lecico's major markets. The Egyptian government has signaled that they intend to continue raising energy prices, although the timing and magnitude of future increases remain unknown. Of particular concern on the demand side is Lebanon, where concerns over political stability remains an issue in light of ongoing political stalemate and the upcoming Presidential elections in October of this year.

Capacity expansion and capital investment: Lecico started production at its new tile line in the first quarter of 2007, using its additional pressing and firing capacity to allow for essential maintenance on some older production lines. The expansion is expected to be operating at full 4.5 million square meter capacity with all maintenance done by the half year.

Lecico is also in the midst of adding the final two kilns to its frit plant to allow for all the frit demand of the new tile line and to keep production constant while allowing for all necessary maintenance in future periods. The frit plant is expected to be fully operational on all five kilns from the middle of the year.

The new sanitary ware plant saw a start to production in the first quarter with some 80,000 pieces produced. The company expects to see 70,000 pieces monthly during the second quarter and after that progressively grow to 2.0 million pieces per annum at that site. The roll out of these new capacities is a priority for Lecico.

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	1Q		%
(LE m)	2007	2006	07/06
Net sales	**231.5**	**157.7**	**147%**
Cost of sales	(153.2)	(101.6)	151%
Gross profit	**78.3**	**56.1**	**140%**
Gross margin (%)	33.8%	35.6%	(1.7%)
Distribution expenses	(18.6)	(11.5)	162%
Administrative expenses	(23.5)	(16.6)	142%
Other Operating income	0.4	1.4	30%
Other Operating expenses	(1.5)	(0.6)	262%
Operating profit (EBIT)	**35.1**	**28.8**	**122%**
Operating (EBIT) margin (%)	15.2%	18.3%	(3.1%)
Investment revenues	(0.0)	0.1	-
Interest revenues	5.5	5.2	107%
Financing expenses	(13.2)	(11.9)	110%
Foreign currencies exchange differences	0.7	(0.3)	-
Profits before tax and minority (PBTM)	**28.2**	**21.9**	**128%**
PBTM margin (%)	12.2%	13.9%	(1.7%)
Income tax	(2.1)	(1.2)	170%
Deferred tax	(0.3)	(1.8)	-
Net Profit after tax (NPAT)	**25.8**	**19.0**	**136%**
NPAT margin (%)	11.2%	12.0%	(0.9%)
Employee profit participation	(2.2)	(1.8)	123%
Net profit before minority interest	**23.6**	**17.2**	**138%**
Minority interest	(0.2)	(0.0)	-
Net Profit	**23.4**	**17.2**	**137%**
Net profit margin (%)	10.1%	10.9%	(0.8%)

Lecico

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-07	31-Dec-06	3m 07/FY06 (%)
Cash and short-term investments	265.3	263.8	101%
Inventory	330.4	325.2	102%
Receivables	242.4	225.2	108%
Related parties -debit balances	46.4	40.9	114%
Total current assets	**884.5**	**855.1**	**103%**
Net fixed assets	534.1	447.3	119%
Intangible assets	17.2	17.1	100%
Prepaid long-term rent	0.6	0.6	95%
Projects in progress	118.6	196.8	60%
Available for sale investments	4.3	4.3	100%
Long-term notes receivable	1.0	1.2	84%
Total non-current assets	**675.7**	**667.3**	**101%**
Total assets	**1,560.2**	**1,522.4**	**102%**
Bank overdrafts	391.7	464.5	84%
Current portion of long-term liabilities	69.9	56.4	124%
Trade and notes payable	67.9	69.5	98%
Other current payable	114.8	82.3	140%
Related parties -credit balances	4.5	8.4	53%
Provisions	11.4	11.4	100%
Total current liabilities	**660.3**	**692.6**	**95%**
Long-term loans	193.0	126.2	153%
Other long-term liabilities	9.4	10.2	92%
Provisions	5.9	6.2	95%
Deferred tax	7.2	6.9	104%
Total non-current liabilities	**215.5**	**149.4**	**144%**
Total liabilities	**875.7**	**842.1**	**104%**
Minority interest	**4.9**	**5.1**	**98%**
Issued capital	100.0	100.0	100%
Treasury stock	(60.7)	(60.7)	100%
Reserves	368.7	368.8	100%
Retained earnings	248.1	204.4	121%
Net profit for the year	23.4	62.7	37%
Total equity	**679.5**	**675.3**	**101%**
Total equity, minorities and liabilities	**1,560.2**	**1,522.4**	**102%**

Lecico Egypt consolidated cash flow statement

Cash flow statement	1Q		%
(LE m)	2007	2006	07/06
Cash Flow from operating activities			
Net profit for the period	23.4	17.2	137%
Depreciation and translation adjustment	12.7	10.1	126%
Income tax expense	2.1	1.2	172%
Deferred income tax	0.3	1.8	15%
Provided provisions and translation adjustment	0.3	0.1	-
Impairment of inventory	0.1	0.0	-
Employee share in net profit	2.2	1.6	138%
Increase in minority interest	(0.1)	0.1	-
Increase (decrease) in translation reserve	0.5	(0.4)	-
Increase in Inventory	(5.3)	(3.4)	155%
Increase in Receivables	(22.7)	(15.9)	143%
Increase (decrease) in Payables	3.8	7.2	53%
Utilised Provisions	(0.7)	(0.2)	-
Receipts (payments) on current asset investments	12.6	(52.2)	-
Net cash from operating activities	**28.6**	**(32.8)**	**-**
Cash flow from investing activities			
Additions to fixed assets and projects	(21.3)	(36.0)	59%
Intangible assets	(0.1)	(0.1)	103%
Increase (decrease) in long-term notes receivable	0.2	(5.5)	-
Net cash from investing activities	**(21.2)**	**(41.6)**	**51%**
Cash flow from financing activities			
Increase (decrease) in long-term loans	66.9	28.7	-
Increase (decrease) in current portion of long term liabilities	13.5	2.7	-
Decrease in other long-term liabilities	(0.8)	(0.8)	-
Payments for employees' share in net profit	0.0		-
Net cash from financing activities	**79.6**	**30.6**	**-**
Net change in cash & cash equivalent during the period	**87.0**	**(43.8)**	**-**
Net cash and cash equivalent at beginning of the period	(437.5)	(157.1)	-
Net cash and cash equivalent at the end of the period	**(350.5)**	**(200.9)**	**-**