First Quarter 2009 Results

Alexandria, 5th May 2009 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the first quarter of 2009.

Highlights

1Q 2009

- Lecico revenue down 8% to LE 242.4 million (55.5% from sanitary ware)
- Sanitary ware revenue down 22% to LE 134.6 million, partially driven by 13% decrease in volumes to 1.2 million pieces (60.2% exports)
- Tile revenue up 19% to LE 107.8 million, driven by 2008 price increases, offset by 2% reduction in volumes to 5.9 million square meters (20.6% exports)
- EBIT up 2% to LE 42.8 million, margin up 1.8 percentage pts to 17.7%
- Net profit down 27% to LE 21.6 million, margin down 2.3 percentage pt to 8.9%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: "I am pleased to report a growth in operating profits and margins during the first quarter, despite the current depressed economic climate.

"Our tiles segment performed well, with strong revenue growth and record profits and margins. In sanitary ware, we grew export volumes to the Middle East and to new markets and OEM customers in Europe and the US.

"Despite these successes, the drop in sanitary ware sales volumes and values that we saw at the end of last year continued in the first quarter, due to weaker sales in our main markets of Egypt, France and the UK and due to a drop in sales to Sanitec. The drop in sales volumes was compounded by the continued weakness of the Sterling and the Euro against the Egyptian pound.

"However, I am very encouraged by the successes we have had in new markets and with new customers and I can assure you that we are continuing to develop a number of new opportunities. I am cautiously optimistic that we will see some significant successes from these efforts over the medium term."

"Despite the resulting drop in revenues in the quarter, we were able to grow operating margins by almost two percentage points and to grow operating profit, primarily as a result of the great efforts by Lecico staff to cut costs and due to the support of the Egyptian government.

“We have enacted a number of cost saving measures across the business and we will continue to place a strong emphasis on this going forward. As previously reported, at the start of February, the government reversed the July 2008 increases in energy prices for the ceramic sector. This significant reduction in energy costs has been partially reflected in the first quarter results for both the sanitary and tile segment.

“Although our strong operating profits were negatively impacted by both the increase in financing costs and the foreign currency losses, I am quite encouraged by our overall performance in the first quarter. Without doubt these are difficult times for our industry globally and that is reflected in our results, but our ability to aggressively target new customers and markets coupled with our initial success in reducing costs give me great confidence in Lecico’s ability to not only weather the current storm but profit from it.”

Elie Baroudi, Lecico Egypt MD, added, “Although our overall sales are down 8% and sanitary ware revenues are down 22% year-on-year, we have had some real successes in penetrating new markets and developing new OEM business in sanitary ware in the first quarter. Sanitary ware exports to the Middle East are up 13% year-on-year, driven by particularly strong growth in Libya, Iraq, and Morocco.

“In developed markets we suffered a drop in OEM sales to Sanitec and weaker sales in our main markets of France and the UK – this was to be expected given current economic conditions. On the other hand, we had significant success in sales to Germany and we also had strong growth of OEM sales to the US.

“In order to prepare ourselves for the challenges of a global economic slowdown, Lecico embarked on an initiative to aggressively cut costs at the beginning of this year and you can see some of the impact of these savings in our results for the first quarter. Lecico has reduced overall salary expenses, implemented cost saving programs on travel, office expenses and significantly cut our marketing spending. As a result, our distribution and administration expenses are down 16% year-on-year in the first quarter. I am sure the benefit of our cost cutting initiatives will continue in the months ahead as these programs take root.

“I am pleased with our overall performance in the quarter and am cautiously optimistic that we will be seeing better results in the quarters ahead as we continue to develop new sales opportunities, improve our efficiency and rationalize our cost base.”

Lecico Revenue and Profitability

Profit and loss statement highlights	1Q		%
(LE m)	2009	2008	09/08
Sanitary ware	134.6	173.2	78%
Tiles	107.8	90.9	119%
Net sales	**242.4**	**264.1**	**92%**
Sanitary ware/net sales (%)	55.5%	65.6%	(10.1%)
Cost of sales	(156.4)	(172.2)	91%
Cost of sales/net sales (%)	(64.5%)	(65.2%)	(0.7%)
Gross profit	**86.0**	**91.9**	**94%**
Gross profit margin (%)	35.5%	34.8%	0.7%
Distribution and administration (D&A)	(41.7)	(49.4)	84%
D&A/net sales (%)	(17.2%)	(18.7%)	(1.5%)
Net other operating income/ (expense)	(1.6)	(0.4)	369%
Net other operating income/ (expense) net sales (%)	(0.6%)	(0.2%)	(0.5%)
EBIT	**42.8**	**42.1**	**102%**
EBIT margin (%)	17.7%	15.9%	1.8%
Net profit	**21.6**	**29.6**	**73%**
Net profit margin (%)	8.9%	11.2%	(2.3%)

1Q 2009: Increase in operating profit with 8% reduction in revenues

Revenue fell 8% year-on-year in the first quarter to reach LE 242.4 million. This was driven by lower sanitary ware revenue, attributed to the significant decrease in sales volumes and a decline in average selling prices due to the sharp decline in the sterling and euro. This was offset by the strong performance in the tiles segment as a result of 2008 price increases and continued strong demand.

The increase in tiles sales saw Lecico's segmental sales mix shift towards tiles, with sanitary ware sales falling to 55.5% of the quarter's revenues versus 65.6% during the same period of 2008.

Gross profit fell by 6% to reach LE 86 million, while the gross profit margin was up 0.7 percentage points year-on-year at 35.5%. The decline in gross profit was mainly attributed to the reduction in sanitary ware sales volumes coupled by negative exchange rate movements on export proceeds.

Proportional distribution and administration (D&A) expenses dropped 1.5 percentage points to 17.2% of net sales compared to 18.7% in the first quarter of 2008. In absolute terms, D&A expenses decreased by 16% to LE 41.7 million. The decrease came from the effect of the cost saving initiatives undertaken by management and lower exchange rates on the overheads for both Lecico PLC and Lecico France.

Net other operating income was a loss of LE 1.6 million compared to a LE 0.4 million loss in the same period last year.

EBIT grew by 2% year-on-year to reach LE 42.8 million for the first quarter of 2009, with the EBIT margin up 1.8 percentage points at 17.7%.

Net financing expenses were up 25% year-on-year during the first quarter of 2009 to reach LE 11.6 million. Interest income was down 62% year-on-year at LE 2.2 million in the first quarter and interest expenses were down by 8% year-on-year to LE 13.8 million. The increase in net financing expenses for the quarter reflects a strategic decision to reduce gross debt and convert Dollar debt into more expensive Egyptian pound debt to minimize foreign exchange exposure.

Lecico recorded a LE 2.3 million foreign exchange loss during this quarter compared to LE 2.9 million gain during the same period in 2008.

Lecico's tax charges for the quarter were LE 4.5 million versus LE 3.6 million for the same period last year.

Net profit was down by 27% to reach LE 21.6 million, with the net profit margin decreasing 2.3 percentage points to 8.9%, compared with 11.2% in the same period last year.

Segmental analysis

Sanitary ware

Sanitary ware segmental analysis	1Q		%
	2009	2008	09/08
Sanitary ware volumes (000 pcs)			
Egypt (000 pcs)	457	556	82%
Lebanon (000 pcs)	32	16	205%
Export (000 pcs)	738	836	88%
Total sanitary ware volumes (000 pcs)	**1,226**	**1,407**	**87%**
Exports/total sales volume (%)	60.2%	59.4%	0.7%
Sanitary ware revenue (LE m)	**134.6**	**173.2**	**78%**
Average selling price (LE/pc)	109.7	123.0	89%
Average cost per piece (LE/pc)	77.1	78.5	98%
Sanitary ware cost of sales	(94.6)	(110.5)	86%
Sanitary ware gross profit	40.0	62.6	64%
Sanitary ware gross profit margin (%)	29.7%	36.2%	(6.5%)

1Q: Sanitary ware sales volume decreased by 13% or 181,000 pieces to 1.2 million pieces. Export sales volumes to all regions grew year-on-year, despite the economic slowdown, but this was offset by the expected decrease in volumes outsourced by Sanitec, along with a drop in volumes in Egypt.

Sales volumes in Egypt decreased 18% or 99,000 pieces to reach 457,000 pieces. This is partially because sales volumes in the first quarter of 2008 were unusually high as our distributors built up stock in advance of an announced price increase. However, the drop in sales volumes also reflects some softening in the overall market in Egypt.

Revenues were down 22% year-on-year at LE 134.6 million. Exports represented 60.2% of volumes compared to 59.4% in the first quarter of 2008.

Average sanitary ware prices were down 11% year-on-year to LE 109.7 per piece, largely as a result of weaker Sterling and the Euro exchange rates.

Average cost was down 2% year-on-year at LE 77.1 per piece. The reduction in average cost due to the decrease in the Sterling and Euro was largely offset by increases in the average cost of production in Egypt. Production overheads were negatively impacted by lower production volumes as well as the cost increases experienced largely during the second half of 2008.

Sanitary ware gross profit margin decreased by 6.5 percentage points year-on-year in the first quarter to reach 29.7% and gross profits decreased by 36% to LE 40.0 million.

Tiles

Tile segmental analysis	1Q		%
	2009	2008	09/08
Tile volumes (000 sqm)			
Egypt (000 sqm)	4,232	4,506	94%
Lebanon (000 sqm)	431	268	161%
Export (000 sqm)	1,209	1,225	99%
Total tile volumes (000 sqm)	**5,872**	**5,999**	**98%**
Exports/total sales volume (%)	20.6%	20.4%	0.2%
Tile revenue (LE m)	**107.8**	**90.9**	**119%**
Average selling price (LE/sqm)	18.4	15.2	121%
Average cost per sqm (LE/sqm)	10.5	10.3	102%
Tile cost of sales	(61.8)	(61.7)	100%
Tile gross profit	46.1	29.3	157%
Tile gross profit margin (%)	42.7%	32.2%	10.5%

1Q: Tile sales volumes fell 2% year-on-year in the first quarter of 2009, to reach 5.9 million square meters.

Average net prices rose 21% year-on-year to reach LE 18.4 per square meter, thanks to price increases in most markets. An increase in the percentage of total volume coming from Lebanon, with a higher average selling price and a corresponding decrease in volume from lower-priced Egyptian sales also contributed to the average price increase.

The higher proportion of Lebanese sales led to a 2% increase in average cost per square meter.

Gross profit for the quarter was up 57% year-on-year at LE 46.1 million and the segment's gross margin increased 10.5 percentage points to reach 42.7%.

Financial position

The value of Lecico's assets fell 1% in the first three months of 2009 to reach LE 1,636.0 million, driven primarily by a decrease in inventory.

Total liabilities were down 4% at LE 892.9 with a decrease in payables and a drop in gross debt levels during the first quarter, with net debt to equity improved to 0.54x.

Recent developments and outlook

Outlook for 2009: The rest of the year is likely to continue to be negatively impacted by the ongoing global economic slowdown and the direction of the Egyptian Pound against the Dollar, Sterling and Euro.

Additionally, Lecico will be actively working to grow its market share and enter new markets. Signs in the first quarter in this regard are positive with growth in export volumes to Europe (excluding Sanitec) and the Middle East despite global economic conditions.

Furthermore, Lecico will continue to aggressively manage its costs to minimize any squeeze on profits and profitability as a result of these top line pressures.

Nonetheless, without a further strengthening of the Sterling and Euro against the Egyptian pound, it is unlikely that export revenues and profitability will match the levels achieved in the previous year.

Lower energy prices for the balance of 2009: The Egyptian government announced on 17 February 2009, the reversal of the energy price increases enacted as of 30 June 2008 for a number of sectors including the ceramic sector in which Lecico operates. The decree states that this energy price increase reversal is effective from 1 February 2009 until the end of 2009. This decree applies to both the ceramic sanitary ware and the ceramic tile sectors, as did the price increases affected at the end of June last year.

Stock dividend distribution on 21st May: Lecico Egypt has been informed that the company's 10% stock dividend – approved by shareholders on 1 April 2009 – will be distributed on the 21st of May. The stock dividend will be distributed to the shareholders of record on the 20th of May.

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 2009	1Q 2008	% 09/08
Net sales	**242.4**	**264.1**	**92%**
Cost of sales	(156.4)	(172.2)	91%
Gross profit	**86.0**	**91.9**	**94%**
Gross margin (%)	35.5%	34.8%	0.7%
Distribution expenses	(15.8)	(21.8)	72%
Administrative expenses	(25.8)	(27.6)	94%
Other Operating income	0.6	1.2	53%
Other Operating expenses	(2.2)	(1.6)	135%
Operating profit (EBIT)	**42.8**	**42.1**	**102%**
Operating (EBIT) margin (%)	17.7%	15.9%	1.8%
Interest revenues	2.2	5.8	38%
Financing expenses	(13.8)	(15.1)	92%
Foreign currencies exchange differences	(2.3)	2.9	(80%)
Profits before tax and minority (PBTM)	**28.9**	**35.7**	**81%**
PBTM margin (%)	11.9%	13.5%	(1.6%)
Income tax	(4.0)	(2.1)	189%
Deferred tax	(0.5)	(1.5)	31%
Net Profit after tax (NPAT)	**24.5**	**32.2**	**76%**
NPAT margin (%)	10.1%	12.2%	(2.1%)
Employee profit participation	(2.6)	(2.4)	110%
Net profit before minority interest	**21.8**	**29.8**	**73%**
Minority interest	(0.2)	(0.2)	118%
Net Profit	**21.6**	**29.6**	**73%**
Net profit margin (%)	8.9%	11.2%	(2.3%)

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	31-Mar-09	31-Dec-08	3M09/FY08 (%)
Cash and short-term investments	171.3	196.0	87%
Inventory	421.4	431.2	98%
Receivables	224.8	206.9	109%
Related parties -debit balances	21.0	28.7	73%
Total current assets	**838.6**	**862.9**	**97%**
Net fixed assets	690.9	698.6	99%
Intangible assets	17.6	17.6	100%
Prepaid long-term rent	2.3	2.4	96%
Projects in progress	81.5	71.4	114%
Available for sale investments	4.7	4.6	103%
Long-term notes receivable	0.4	0.2	263%
Total non-current assets	**797.4**	**794.7**	**100%**
Total assets	**1,636.0**	**1,657.6**	**99%**
Banks overdraft	401.5	419.5	96%
Current portion of long-term liabilities	78.7	80.4	98%
Trade and notes payable	56.7	68.6	83%
Other current payable	101.8	98.6	103%
Related parties -credit balances	7.9	5.9	134%
Provisions	16.3	17.3	94%
Total current liabilities	**662.9**	**690.3**	**96%**
Long-term loans	87.7	97.8	90%
Other long-term liabilities	113.2	113.2	100%
Provisions	9.7	9.6	101%
Deferred tax	19.3	18.9	102%
Total non-current liabilities	**229.9**	**239.5**	**96%**
Total liabilities	**892.9**	**929.8**	**96%**
Minority interest	**9.2**	**9.4**	**98%**
Issued capital	200.0	200.0	100%
Treasury stock	(116.2)	(112.2)	104%
Reserves	329.9	330.9	100%
Retained earnings	298.6	190.9	156%
Net profit for the year	21.6	108.8	20%
Total equity	**733.9**	**718.4**	**102%**
Total equity, minorities and liabilities	**1,636.0**	**1,657.6**	**99%**

Lecico Egypt consolidated cash flow statement

Cash flow statement	1Q		%
(LE m)	2009	2008	09/08
Cash Flow from operating activities			
Net profit for the period	21.6	29.6	73%
Depreciation and translation adjustment	20.0	15.6	128%
Intangible assets amortisation and translation adjustment	0.1	0.1	87%
Income tax expense	4.0	2.1	190%
Deferred income tax	0.5	1.5	30%
Prepaid rent expense	0.1	0.2	44%
Capital gains	0.0	0.2	0%
Provided provisions and translation adjustment	1.5	1.1	141%
Employee share in net profit	2.6	2.4	110%
Increase (Decrease) in minority interest	(0.2)	0.3	(58%)
Increase (Decrease) in translation reserve	(2.1)	8.7	(24%)
(Increase) Decrease in Inventory	9.8	(19.9)	(49%)
(Increase) Decrease in Receivables	(10.6)	11.5	(92%)
Increase (Decrease) in Payables	(12.9)	13.1	(99%)
Utilised Provisions	(2.1)	(0.1)	3528%
Increase (Decrease) in Other Long Term Liabilities	0.0	(0.3)	0%
Payments for acquiring current investment	21.9	72.5	30%
Net cash from operating activities	**54.2**	**138.7**	**39%**
Cash flow from investing activities			
Additions to fixed assets and projects	(22.4)	(36.8)	61%
Intangible assets	(0.1)	(0.3)	52%
Net change in available for sale investments	(0.1)	0.0	0%
Proceeds from sales of fixed assets	0.0	0.3	19%
Increase (Decrease) in long-term notes receivable	(0.2)	0.0	0%
Net cash from investing activities	**(22.9)**	**(36.8)**	**62%**
Cash flow from financing activities			
Increase (Decrease) in long-term loans	(10.1)	(19.9)	51%
Increase (Decrease) in current portion of long term liabilities	(1.6)	2.3	(71%)
(Increase) Decrease in treasury stock	(4.0)	3.0	(133%)
Dividends paid	(0.4)	0.0	0%
Net cash from financing activities	**(16.1)**	**(14.6)**	110%
Net change in cash & cash equivalent during the period	**15.2**	**87.4**	**17%**
Net cash and cash equivalent at beginning of the period	(338.0)	(355.8)	95%
Net cash and cash equivalent at the end of the period	**(322.7)**	**(268.3)**	**120%**