Third Quarter 2008 Results

Alexandria, 5 November 2008 – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the third quarter of 2008.

Highlights

3Q 2008

- Lecico revenue up 15 % to LE 295.6 million (58.2 % from sanitary ware)
- Sanitary ware revenue essentially flat at LE 172.1 million, with volumes of 1.4 million pieces (52.7 % exports)
- Tile revenue up 44% to LE 123.5 million, while volumes are up by 21 % to 6.6 million square meters
- EBIT up 21% to LE 48.7 million, margin up 0.8 percentage pts to 16.5%
- Net profit down 6% to LE 26.2 million, margin down 1.9 percentage pts to 8.9%

9 Months 2008

- Lecico revenue up 16% to LE 847.1 million (62.0% from sanitary ware)
- Sanitary ware revenue up 7% to LE 525.5 million, driven by a 6% increase in average selling price (57.9% exports)
- Tile revenue up 34% to LE 321.6 million, driven by a 24% growth in volumes to 19.0 million square meters
- EBIT up 19% to LE 137.3 million, margin up 0.3 percentage pts to 16.2%
- Net profit up 19% to LE 93.7 million, margin up 0.3 percentage pts to 11.1%

Lecico Egypt Chairman and CEO, Gilbert Gargour, commented: "Lecico continues to do well under difficult circumstances. The recent global financial turmoil has not yet affected our business. In 2008, overall sales volumes continue to grow despite the reduction of sales to Sanitec. We are also seeing a strong increase in enquiries from existing and new customers across all categories. As things stand I expect that we should end the year with good progress on the commercial side."

"Our numbers for the third quarter show good year-on-year growth. The only exception has been a major swing in foreign exchange year-on-year from LE 4.9 million gain to a loss of LE 6.9 million. This has been an indirect result of the financial crisis which has brought unexpected strength to the US dollar. We have since substantially reduced our exposure and hope that future movements and effects will be less severe.

"A major international recession is now expected and will be sure to affect demand. In export markets, we are hopeful that we shall be able to develop our business further through what will probably be a challenging period ahead. We may well suffer some weakness in the near future, particularly if the recession turns out to be deep and long. But our operations are competitive and sufficiently flexible and hence can accommodate reduced volumes while continuing to operate profitably. Our penetration of international markets is still low and our competitive advantages should allow us to gain market share in due course. More importantly, we see that the weakness in global markets will provide us with an opportunity for future growth as manufacturing capacity in Europe is reduced as it must in such difficult times and we increase our OEM business.

"The general expectation is that domestic markets would be somewhat insulated from the international recession. Although we hope that this will be the case, we are skeptical as any recession will surely affect tourism, exports and local investments. We will use this period to strengthen our presence in the market place and develop a solid foundation for the future.

"Lecico's fundamentals are strong and will not only enable us to weather the current financial crisis, but to benefit from it as financially weaker competitors in Europe and elsewhere come under pressure. I would also like to reconfirm to our shareholders that we have completed the purchase of 3,157,895 treasury shares which we intend to distribute to them in 2009."

Elie Baroudi, Lecico Egypt MD, added, "I am pleased to report a 15% year-on-year revenue growth in the third quarter, driven primarily by strong demand for tiles in local and regional markets. Sanitary ware also performed well in Egypt and other Middle Eastern markets but exports to Europe remained under pressure due to the economic slowdown in these markets and the anticipated reduced outsourcing by Sanitec.

"The third quarter gross profit margins were negatively impacted by the higher costs of doing business, primarily energy costs, which were increased by approximately 70% effective July 1st. Costs were also impacted by higher labor costs and other inflationary increases.

"While our operating profit has continued to show good growth under difficult international market conditions, net profit in the quarter was reduced due to foreign currency exchange losses arising from the strengthening dollar. We have taken action to restructure our foreign currency exposure to reduce losses going forward. Operationally, the weakness of Sterling and of the Euro will be negative on our income from Europe in the coming period, but this will be mitigated by the lower cost of imported supplies and of commodities in general'

"We continue to expect our performance to come under pressure from both sanitary ware sales volume and overall cost inflation in the forthcoming last quarter of the year.

Nonetheless, we remain confident that Lecico will continue to maintain its competitive position in the domestic and export markets which will allow us to deliver a satisfactory performance for the year as a whole.”

Lecico Revenue and Profitability

Profit and loss statement highlights	3Q		%	9m		%
(LE m)	2008	2007	08/07	2008	2007	08/07
Sanitary ware	172.1	171.6	100%	525.5	488.9	107%
Tiles	123.5	85.6	144%	321.6	239.3	134%
Net sales	**295.6**	**257.2**	**115%**	**847.1**	**728.2**	**116%**
Sanitary ware/net sales (%)	58.2%	66.7%	(8.5%)	62.0%	67.1%	(5.1%)
Cost of sales	(195.5)	(165.6)	118%	(548.8)	(473.5)	116%
Cost of sales/net sales (%)	(66.1%)	(64.4%)	1.7%	(64.8%)	(65.0%)	(0.2%)
Gross profit	**100.1**	**91.5**	**109%**	**298.3**	**254.7**	**117%**
Gross profit margin (%)	33.9%	35.6%	(1.7%)	35.2%	35.0%	0.2%
Distribution and administration (D&A)	(49.9)	(48.9)	102%	(153.5)	(135.7)	113%
D&A/net sales (%)	(16.9%)	(19.0%)	(2.1%)	(18.1%)	(18.6%)	(0.5%)
Net other operating income/ (expense)	(1.5)	(2.3)	65%	(7.5)	(3.3)	224%
Net other operating income/ (expense) net sales (%)	(0.5%)	(0.9%)	0.4%	(0.9%)	(0.5%)	(0.4%)
EBIT	**48.7**	**40.4**	**121%**	**137.3**	**115.7**	**119%**
EBIT margin (%)	16.5%	15.7%	0.8%	16.2%	15.9%	0.3%
Net profit	**26.2**	**27.8**	**94%**	**93.7**	**78.7**	**119%**
Net profit margin (%)	8.9%	10.8%	(1.9%)	11.1%	10.8%	0.3%

3Q 2008: Revenue growth 15% driven by strong tile sales performance

Revenue grew 15% year-on-year in the third quarter to reach LE 295.6 million. The growth is primarily driven by the strong demand for tiles in local and export markets and increased tile prices. Increases in sanitary ware prices and strong sanitary ware sales volume growth in Egypt and the Middle East were offset by the drop in volumes in Europe and reduced volumes outsourced by Sanitec.

Gross profit grew 9% to reach LE 100.1 million. Gross profit margin was down 1.7 percentage points year-on-year at 33.9%. This decline in gross profit margin was largely attributed to the significant increase in energy prices in Egypt as well as the effect of Egyptian and global inflation on other costs of production. This lead to a decrease in sanitary ware margins by 6.2%. Tile margins increased by 5.1%, as the effect of operating costs in the segment were mitigated by increases in volumes and selling prices.

Proportional distribution and administration (D&A) expenses decreased to 16.9% of net sales compared to 19.0% in the third quarter of 2007. In absolute terms, D&A expenses increased 2.1% to LE 49.9 million.

Net other operating expense was LE 1.5 million down from LE 2.3 in the same period last year.

EBIT grew by 21% year-on-year to reach LE 48.7 million for the third quarter of 2008, with the EBIT margin up 0.8 percentage points at 16.5%.

Net financing expenses were down 24% year on year during the third quarter of 2008 to reach LE 8.1 million. Interest income was down 47% year-on-year and interest expenses were down by 31% as a result of a significant reduction in both cash and borrowings.

Lecico recorded a LE 6.9 million foreign exchange loss during this quarter compared to LE 4.9 million gains during the same period in 2007 mainly due to the appreciation of the USD against the Egyptian pound in August and September.

Lecico's tax charges for the quarter were LE 5.7 million versus LE 4.8 million for the same period last year.

Net profit was down by 6% to reach LE 26.2 million, with the net profit margin decreasing 1.9 percentage points to 8.9%, compared with 10.8% in the same period last year. Excluding foreign exchange losses, the net profit margin would have been 11.2%.

9 Month 2008: Revenue Growth driven by tile volumes and general price increases

Revenue grew 16% for the first nine month of 2008. Tiles revenue was up 34%, driven by continuous strong demand and several price increases. Sanitary ware revenue grew 7% driven mainly by selective price increases

Gross profits grew 17% to LE 298.3 million with gross margin for the nine month increasing 0.2 percentage points to 35.2%.

Proportional D&A expenses were down by 0.5 percentage points year-on-year to 18.1% of net sales. Net other operating expenses were LE 7.5 million compared to LE 3.3 million for the same period last year.

EBIT for the period grew 19% year-on-year to reach LE 137.3 million, with the EBIT margin increasing 0.3 percentage points to 16.2%.

Net financing expenses were LE 24.9 million compared to LE 28.4 million for the same period last year. Total foreign exchange gains for the first nine month is LE 3.5 million compared to a gain of LE 6.7 million in the same period last year.

Net profit grew 19% year-on-year to reach LE 93.7 million, with margins for the period increasing 0.3 percentage points to 11.1%.

Segmental analysis

Sanitary ware

3Q: Sanitary ware sales volume fell by 2% or 28,000 pieces to 1.4 million pieces. There was growth year-on-year in regional markets while sales to Europe fell slightly and volumes outsourced by Sanitec dropped significantly.

The strongest growth came from Egypt, which increased 22% or 106,000 pieces to reach 588,000 pieces.

Revenues year-on-year were essentially flat at LE 172.1 million. Exports represented 52.7% of volumes, down from the 62.8% in the third quarter of 2007.

Average sanitary ware prices rose 2% year-on-year to LE 122.8 per piece, with selective price increases being somewhat offset by geographic sales mix and the strengthening of the Egyptian pound against the Euro and the Sterling.

Average cost was up 12% year-on-year at LE 85.6 per piece, largely as a result of an overall cost inflation in Egypt, particularly energy and labor costs.

Sanitary ware gross profit margin down by 6.2% percentage points year-on-year in the third quarter to reach 30.3% and gross profits down 17% to LE 52.1 million.

Sanitary ware segmental analysis						
	3Q		%	9m		%
(LE m)	2008	2007	08/07	2008	2007	08/07
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	588	482	122%	1,661	1,270	131%
Lebanon (000 pcs)	75	49	152%	127	168	76%
Export (000 pcs)	739	898	82%	2,459	2,757	89%
Total sanitary ware volumes (000 pcs)	**1,402**	**1,430**	**98%**	**4,247**	**4,195**	**101%**
Exports/total sales volume (%)	52.7%	62.8%	(10.1%)	57.9%	65.7%	(7.8%)
Sanitary ware revenue	**172.1**	**171.6**	**100%**	**525.5**	**488.9**	**107%**
Average selling price (LE/pc)	122.8	120.0	102%	123.7	116.6	106%
Average cost per piece (LE/pc)	85.6	76.1	112%	81.1	74.2	109%
Sanitary ware cost of sales	(120.0)	(108.9)	110%	(344.6)	(311.3)	111%
Sanitary ware gross profit	52.1	62.6	83%	180.9	177.6	102%
Sanitary ware gross profit margin (%)	30.3%	36.5%	(6.2%)	34.4%	36.3%	(1.9%)

9m: Sales volumes increased 1% year-on-year with the strong growth in Egypt and the Middle East being largely offset by the decrease in volumes sold to Sanitec from 981,000 pieces in 2007 to 546,000 pieces in 2008.

Average sanitary ware prices were up 6% year-on-year to LE 123.7 per piece.

Average cost per piece rose 9% year-on-year at LE 81.1 per piece.

Sanitary ware gross profit margin was down by 1.9 percentage points in the first nine months of 2008 to reach 34.4%, with gross profits growing by 2% to LE 180.9 million.

Tiles

3Q: Tile sales volumes grew by 21% year-on-year in the third quarter of 2008, to reach 6.6 million square meters. The increase in volumes was driven by continued strong demand in both the local and export markets.

Average sales prices rose 19% year-on-year to reach LE 18.7 per square meter, reflecting price increases in most markets.

There was a 10% increase in average cost per square meter due to higher energy and labor costs in Egypt.

Gross profit for the quarter was up 66% year-on-year at LE 48.0 million and the segment's gross margin increased 5.1 percentage points to reach 38.9%.

Tile segmental analysis	3Q		%	9m		%
(LE m)	2008	2007	08/07	2008	2007	08/07
Tile volumes (000 sqm)						
Egypt (000 sqm)	4,553	3,741	122%	13,360	10,550	127%
Lebanon (000 sqm)	659	317	208%	1,444	988	146%
Export (000 sqm)	1,386	1,402	99%	4,196	3,843	109%
Total tile volumes (000 sqm)	**6,599**	**5,460**	**121%**	**19,001**	**15,381**	**124%**
Exports/total sales volume (%)	21.0%	25.7%	(4.7%)	22.1%	25.0%	(2.9%)
Tile revenue	**123.5**	**85.6**	**144%**	**321.6**	**239.3**	**134%**
Average selling price (LE/sqm)	18.7	15.7	119%	16.9	15.6	109%
Average cost per sqm (LE/sqm)	11.4	10.4	110%	10.7	10.5	102%
Tile cost of sales	(75.5)	(56.7)	133%	(204.2)	(162.2)	126%
Tile gross profit	48.0	28.9	166%	117.4	77.1	152%
Tile gross profit margin (%)	38.9%	33.8%	5.1%	36.5%	32.2%	4.3%

9m: Tile sales volumes grew by 24% year-on-year in the first nine month of 2008 to reach 19 million square meters.

Growth in revenue was primarily due to increases in both volumes and prices in Egypt with a similar increase, albeit at a lesser extent, in export markets. Exports accounted for 22.1% of total sales volumes, compared with 25.0% in the same period last year.

Average tile prices improved 9% year-on-year to reach LE 16.9 per square meter.

The segment's gross profits rose 52% to reach LE 117.4 million in the first nine months of 2008 with margins up 4.3 percentage points to reach 36.5%.

Financial position

The value of Lecico's assets decreased 4% at the end of Q3 from the beginning of the year, to reach LE 1,632.7 million, driven primarily by a decrease in cash and cash investments used in the reduction of bank borrowings and dividend payments. This decrease was partially offset by an increase in inventory and fixed assets.

Total liabilities were down 2% at the end of Q3 from the beginning of the year to reach LE 916.9 million as a result of some balance sheet financial restructuring. This decrease was partially offset by an increase in long term liabilities for the buy back of treasury shares from Sanitec.

Overall, net debt to equity showed a slight decline to 0.56x.

Recent developments and outlook

Outlook for 2008: In sanitary ware, the decline in export volumes shipped to Sanitec is expected to continue in the fourth quarter of 2008. We may also see a drop in our other European export volumes, given the financial crisis and its likely effect on consumer spending. The strong performance that we have enjoyed in domestic and regional Middle Eastern markets should continue for the time being.

In tiles, demand is expected to continue at current levels through out 2008, with a slight increase in revenue as a result of the price increases introduced at the end of the first half.

The continued strengthening of the US dollar in October will create additional exchange losses for the company albeit on a smaller scale than experienced in the third quarter. Lecico has now taken steps to reduce these losses. Further more, higher interest costs on borrowings as a result of tightening credit markets will result in additional financing costs.

The fourth quarter will continue to bear the cost burden of increased energy prices put in place by the government effective June 30.

Furthermore, the financial turmoil that global markets are currently experiencing may ultimately have some spillovers on domestic markets. It is difficult to predict the impact at the present time.

While the company has taken account of these risks in its forecast, it cannot account for all possible scenarios for each of the above risks. Any improvement or significant worsening in these risk factors could lead to financial performance above or below the company’s current expectations.

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 labor, 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 (LE m)	3Q 2008	3Q 2007	% 08/07	9m 2008	9m 2007	% 08/07
Net sales	**295.6**	**257.2**	**115%**	**847.1**	**728.2**	**116%**
Cost of sales	(195.5)	(165.6)	118%	(548.8)	(473.5)	116%
Gross profit	**100.1**	**91.5**	**109%**	**298.3**	**254.7**	**117%**
Gross margin (%)	33.9%	35.6%	(1.7%)	35.2%	35.0%	0.2%
Distribution expenses	(22.4)	(21.9)	102%	(69.4)	(62.2)	112%
Administrative expenses	(27.6)	(26.9)	102%	(84.1)	(73.5)	114%
Other Operating income	1.0	0.5	188%	3.1	2.8	111%
Other Operating expenses	(2.5)	(2.8)	88%	(10.6)	(6.1)	173%
Operating profit (EBIT)	**48.7**	**40.4**	**121%**	**137.3**	**115.7**	**119%**
Operating (EBIT) margin (%)	16.5%	15.7%	0.8%	16.2%	15.9%	0.3%
Investment revenues	1.2	0.1	812%	1.4	1.2	114%
Interest revenues	2.8	5.3	53%	12.7	16.2	78%
Financing expenses	(10.9)	(15.9)	69%	(37.6)	(44.6)	84%
Foreign currencies exchange differences	(6.9)	4.9	(140%)	3.5	6.7	52%
Profits before tax and minority (PBTM)	**34.9**	**34.9**	**100%**	**117.2**	**95.1**	**123%**
PBTM margin (%)	11.8%	13.6%	(1.8%)	13.8%	13.1%	0.7%
Income tax	(6.6)	(2.2)	303%	(13.6)	(6.0)	228%
Deferred tax	0.9	(2.6)	(35%)	(1.7)	(3.5)	49%
Net Profit after tax (NPAT)	**29.2**	**30.1**	**97%**	**101.9**	**85.7**	**119%**
NPAT margin (%)	9.9%	11.7%	(1.8%)	12.0%	11.8%	0.2%
Employee profit participation	(2.4)	(2.2)	109%	(7.2)	(6.6)	109%
Net profit before minority interest	**26.8**	**27.9**	**96%**	**94.7**	**79.1**	**120%**
Minority interest	(0.6)	(0.1)	426%	(1.0)	(0.4)	259%
Net Profit	**26.2**	**27.8**	**94%**	**93.7**	**78.7**	**119%**
Net profit margin (%)	8.9%	10.8%	(1.9%)	11.1%	10.8%	0.3%

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	30-Sep-08	31-Dec-07	9M 08/FY07 (%)
Cash and short-term investments	162.9	293.9	55%
Inventory	405.2	370.2	109%
Receivables	249.5	235.7	106%
Related parties -debit balances	36.4	57.1	64%
Total current assets	**853.9**	**956.9**	**89%**
Net fixed assets	648.6	585.1	111%
Intangible assets	17.6	17.3	102%
Prepaid long-term rent	2.5	2.8	90%
Projects in progress	105.7	130.1	81%
Available for sale investments	4.1	4.1	99%
Long-term notes receivable	0.3	0.3	100%
Total non-current assets	**778.8**	**739.7**	**105%**
Total assets	**1,632.7**	**1,696.6**	**96%**
Banks overdraft	347.1	412.5	84%
Current portion of long-term liabilities	89.8	99.0	91%
Trade and notes payable	79.8	85.0	94%
Other current payable	115.6	81.2	142%
Related parties -credit balances	4.5	4.3	105%
Provisions	18.6	19.9	93%
Total current liabilities	**655.4**	**701.9**	**93%**
Long-term loans	124.0	204.2	61%
Other long-term liabilities	111.6	11.5	970%
Provisions	9.2	8.5	108%
Deferred tax	16.8	12.6	134%
Total non-current liabilities	**261.6**	**236.8**	**110%**
Total liabilities	**916.9**	**938.7**	**98%**
Minority interest	**8.5**	**8.8**	**97%**
Issued capital	200.0	100.0	200%
Treasury stock	(110.1)	(8.0)	-
Reserves	327.8	310.5	106%
Retained earnings	195.9	239.6	82%
Net profit for the year	93.7	107.0	88%
Total equity	**707.3**	**749.1**	**94%**
Total equity, minorities and liabilities	**1,632.7**	**1,696.6**	**96%**

Lecico Egypt consolidated cash flow statement

Cash flow statement	3Q		%
(LE m)	2008	2007	08/07
Cash Flow from operating activities			
Net profit for the period	93.7	78.7	119%
Depreciation and translation adjustment	51.7	41.5	124%
Intangible assets amortisation and translation adjustment	0.3	0.2	160%
Income tax expense	13.6	6.0	226%
Deferred income tax	1.7	3.5	49%
Prepaid rent expense	0.3	0.1	262%
Capital gains	(0.3)	0.0	-
Provided provisions and translation adjustment	5.2	3.9	134%
Impairment of inventory	2.5	0.4	625%
Employee share in net profit	7.2	6.6	109%
Increase in minority interest	(0.3)	2.0	(15%)
Increase (decrease) in translation reserve	17.7	(2.9)	(609%)
Increase in Inventory	(37.4)	(38.0)	99%
Increase in Receivables	6.6	(41.7)	(16%)
Increase (decrease) in Payables	22.0	45.0	49%
Utilised Provisions	(5.7)	(0.9)	629%
Paid income tax	(7.9)	(2.6)	-
Increase (Decrease) in Other Long Term Liabilities	100.1	(2.1)	(4766%)
Payments for acquiring current investment	122.5	(7.3)	(1678%)
Net cash from operating activities	**393.3**	**92.3**	**426%**
Cash flow from investing activities			
Additions to fixed assets and projects	(91.9)	(75.1)	122%
Intangible assets	(0.6)	(0.3)	202%
Net change in available for sale investments	0.0	0.1	45%
Proceeds from sales of fixed assets	1.4	0.0	-
Increase (decrease) in long-term notes receivable	0.0	0.6	-
Net cash from investing activities	**(91.0)**	**(74.6)**	**122%**
Cash flow from financing activities			
Increase (decrease) in long-term loans	(80.2)	81.6	(98%)
Increase (decrease) in current portion of long term liabilities	(9.2)	23.5	(39%)
Difference result from discounting of other long term liabilities	10.3	0.0	-
Increase in treasury stock	(93.0)	(7.1)	1310%
Payments for employees' share in net profit	(13.3)	(4.9)	272%
Dividends to Treasury Stock	0.0	0.0	-
Dividends paid	(60.0)	(19.0)	316%
Net cash from financing activities	**(245.4)**	**74.2**	(331%)
Net change in cash & cash equivalent during the period	**56.9**	**91.6**	**62%**
Net cash and cash equivalent at beginning of the period	(355.5)	(437.5)	81%
Net cash and cash equivalent at the end of the period	**(298.6)**	**(346.0)**	**86%**