

This Analysis provides a discussion of the factors underpinning the credit rating

## Lecico Egypt Group S.A.E. (Lecico Group)

### Ratings and Contacts

Category	Current Rating	Previous Rating	Analyst	Phone
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### Operating Statistics:

### Balance Sheet Statistics:

#### Lecico Group – Consolidated Results

Figures in EGP mn	FY05*	FY04	FY03	FY02
ROA (%)	9.5	15.0	12.2	6.8
ROE (%)	16.2	28.4	33.2	21.5
EBIT Margin (%)	24.1	26.9	19.2	18.9
EBITDA Margin (%)	29.6	30.7	22.1	24.7

\* Projected Figures

Figures in EGP mn	FY05*	FY04	FY03	FY02
Turnover	660.5	696.8	559.3	382.0
Total Assets	1,260.5	1,102.4	798.0	633.7
Gross Debt/EBITDA (x)	2.1	1.1	2.8	3.0
EBIT/Interest (x)	5.6	4.8	3.0	2.4

\* Projected Figures

### Strengths/Opportunities

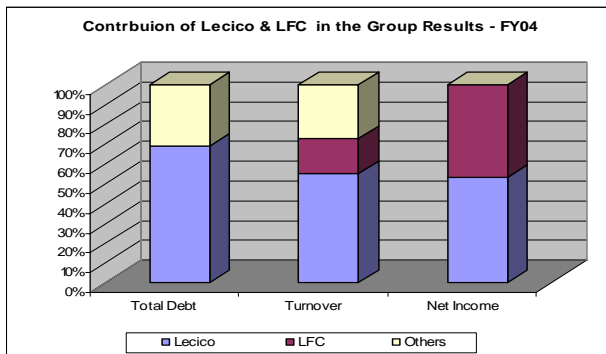
- Leading position in the domestic market, Middle East and Europe, particularly in sanitary ware business.
- Long track record with a solid reputation and a well-known brand.
- Wide geographical diversification, along with strong distribution network.
- Relatively strong and stable financial profile for the group.
- Strong management team, with significant experience in the industry.
- Well designed expansion plan.

### Weaknesses/Challenges

- Downturn in European markets may negatively affect export sales, as seen in declining performance in 1H05.
- Currency fluctuation may have an adverse impact on export sales.
- Expansion plans may lead to an increase in debt ratios.
- High dividends payout ratio, albeit in an expansion mode.
- Exposed to potential political and macro economic cycle in different countries.

## Company Fundamentals

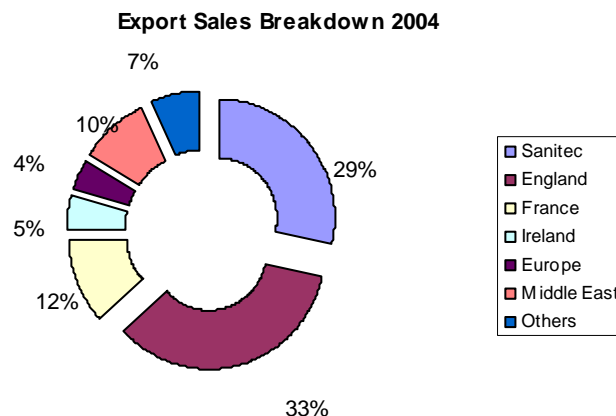
Founded in 1975 in Alexandria, Egypt, Lecico Egypt S.A.E. Group (Lecico Group) is one of the leading sanitary ware and ceramic tiles companies in Egypt. In 1997, the Gargour family entered into a 50/50 joint venture with Sanitec Ltd OY ("Sanitec"), a prominent manufacturer of sanitary ware in Europe. Subsequently, in November 2004, Lecico Group executed Egypt's first dual local and GDR offering and is now traded in both the "London Stock Exchange" and "Cairo & Alexandria Stock Exchange". As a result, the shareholders structure of the group is now as follows: Gargour family continues to retain control through a 32% stake, while Sanitec's share has been diluted to reach 15%, down from 39%; in addition to the free float that accounts for the remaining balance. (For more details, refer to annex 1).



Although Lecico is not structured as a holding company, it acts as an operating and parent company for the group. As the graph illustrates, the group's activities are derived mainly from Lecico Egypt as an operating company under the name of (Lecico), along with Lecico for Ceramics Industries ("LFC"). In FY04, the two companies, combined together, contributed 73% of turnover and 69% of total debts, meanwhile, the two entities hold more than 90% of cash balance of the group

Lecico Group's activities are organized in two main business segments: manufacturing, and marketing & distribution. The manufacturing segment is the most important segment for the group. Its focus is primarily on manufacturing of sanitary ware and ceramic tiles. Lecico group's manufacturing companies are "Lecico", (LFC) and the "Lebanese Ceramic Industries" (LLC). This is in addition to the "European Ceramics Company" (ECC), a new manufacturing entity which was established in mid 2004 and is anticipated to start operation in 2006 (please refer to Annex 1). Because of the significance to the group profile of Lecico and LFC, our analysis is based on these two entities only.

Due to its high quality service, technical expertise, and efficient mobilization of resources, the company has been able to establish a strong presence in highly competitive markets. Hence, it succeeded in exporting to more than 55 countries around the world; as such its export sales account for around 50% of the combined total sales in June 2005. In our view, this figure is anticipated to grow in the short to medium term, following the completion of the undergoing expansion plan. The group's key markets apart from the Middle East, are England and France, representing 30% and 12% of its combined export sales in 2004, respectively. It is of note that prices in international markets are significantly higher than in Egypt, which ultimately translates into substantially higher profitability in Lecico's export sales. In late 2004, the company faced a slow down in demand in some of its major markets (i.e UK and Lebanon). Nonetheless, management aims to improve the market share in existing markets and to expand its presence in other markets, such as the Middle East and other regions in Europe.



## **Key Rating Considerations:**

### ***A Leading Position in the Domestic Market, in Addition to a Powerful Presence in the International Market***

The group had an estimated market share in Egypt of 38% and 16% for sanitary ware and ceramic tiles respectively, in 2004, which is anticipated to expand further by year 2007, backed by an increase in production capacity. According to management, the group will maintain a dominant position in its home market, while increasing its presence in international markets capitalizing on its long track record, high quality products, which cater to different tastes, in addition to economies of scale and state-of-the-art technology. Furthermore, it has good accessibility to export markets through a well-located distribution network (i.e. fully owned subsidiaries, third parties... etc). In the meantime, in terms of targeted market niche, Lecico Group will persist in focusing on the middle and lower end, in light of the fact that the company is a market leader in these areas. However, the company plans to gradually increase its sales in the upper end bracket. At the same time, the company manufactures on behalf of well-known producers in the sanitary ware field.

### ***A Number of Factors Impose Challenges for the Group's Operations***

The group's overall performance boomed in 2004. Nonetheless, the first half of 2005 carried many challenges to management. For instance, the slowdown the group has faced in major export markets (i.e. UK and Lebanon) coupled with the appreciation of the Egyptian pound, have negatively affected its export sales. In response, Lecico began a sales push aimed at targeting new markets and increasing sales in existing markets. As a part of these efforts, Lecico launched a strong marketing campaign in the local market as part of a comprehensive effort to enhance its brand image. On the other hand, the two main shareholders (Gargour Family and Sanitec) have decided to reduce on a temporary basis the management fee for the Egyptian subsidiaries for the first six months of 2005 by 25%, in addition to waiving the management fee for LLC for the full current year. Furthermore, operation of the frit plant is anticipated to relieve – to a certain extent – the pressure on margins. The coming year will be tough for Lecico to sustain its notable growth rates; nevertheless, and based on previous experience with management, we believe that the group is most likely to overcome these challenges in the foreseeable future.

### ***Sourcing Agreement with Sanitec, which is Considered One of the Group's Growth Drivers***

In 2003 and in line with Sanitec policy to outsource its goods from relatively cheaper manufacturers, Lecico Group entered into a four-year renewable agreement with Sanitec (one of the group's main shareholders). Under this agreement, both parties have the right to terminate this agreement after the end of 2005, after giving six months notice. In the event of termination, Sanitec's purchase obligations have to be gradually reduced by 20% each year thereafter and for the coming three years.

Lecico provided Sanitec with 683,000 pieces in 2004 (as of June 05: 354,000 pieces), which represent around 29% and 30% of export sales in FY04 and 1H05, respectively. In light of the negative trend in European markets, management anticipates reduction in the level of volumes supplied to Sanitec. **MERIS** believes that although this downtrend will have an adverse impact on the group's operations in the short term, this purchase agreement will strengthen the business and financial profile over the longer term.

### ***Well Designed Expansion Plan, which Has Started to Reap Fruits***

In an effort to enhance vertical and horizontal integration and to meet the increase in demand, Lecico has undertaken an aggressive expansion plan during the last years and will carry on until year 2007; covering both the sanitary ware and tiles segments.

In terms of sanitary ware, Lecico and LFC have a combined production capacity of approximately 3.8 mn pieces in FY04 up from 3.2 mn pieces in 2003 (anticipated to reach 4mn pieces by the end of FY05). Following the completion of the expansion plan in 2007, we anticipate this figure to stand at 6.5 mn pieces, which represents more than 90% of the group's total capacity. It is worth noting that, historically, management was scheduling to increase its combined production capacity through its Borg El Arab Plant (phase 3 & 4). However, in 2004, management decided to form an independent entity, mainly to take the advantage of an extra 10 years of tax exemption. Accordingly, ECC will take over the construction of the pending two phases on an arm's length basis with LFC. With equal note, the investment cost of the project will be US\$ 19 mn, sourced from internal and external resources. ECC will also be located at Borg El Arab industrial area and will share some facilities and services with LFC to save cost. The bulk of the new company's production will be directed to export markets.

As for the ceramic tiles, in 2004 Lecico added another 3 mn sqm to the existing capacity at the Khorshid plant. As such, the total capacity is anticipated to jump to almost 17-mn sqm by the end of 2005, reporting approximately 20% growth in volume on a Y-O-Y basis (2003: 12 mn sqm). Tile export sales as a percentage of total ceramic tiles sales have increased to reach 14% of production in June 2005 compared to 10% in the same period in last year. It is of note that the significant improvement in tile business has offset to a certain extent the decline in the sanitary ware segment.

**Management Intends to Closely Control Cost (Frit Plant)**

In year 2003, management has applied a cost saving program, according to which management will closely control the operating cost and consequently the foreign exchange resources, through setting up a frit production facility. The frit is a key component for making "Glaze", which accounts for around 19% of the operating cost of tiles. The proposed capacity – first phase – of the frit facility is approximately 13,000 tons per year, with an investment cost of US\$ 2.5 mn, financed through internal resources and will save around US\$ 1.5 mn annually from the group's imported raw materials. The first phase started operation in June 2005. In our view, this investment will have a positive impact on the group's cost structure and accordingly its financial performance.

**Highly Exposed to Construction Sector Volatility; Nonetheless, the Group's Overall Performance Has Improved, Backed by Diversified Products and Geographical Mix**

Although the company's business is linked to the cyclicity of the construction sector, its broad geographical mix has mitigated the effect of this threat. Therefore, group operating margins have proven comparatively resilient to the current economic downturn, which has particularly affected the construction industry and consumer spending.

**Financial Analysis:**

**Maintaining the Overall Turnover Levels; Nonetheless, Margins Have Been Impacted**

**Figure 2: Revenue & Profitability**

Figures in EGP mn	1H05	FY04	FY03	FY02
Revenue	330.2	696.8	559.3	382.0
Revenue Growth (%)	0.0	25.0	46.0	36.0
EBIT	79.5	187.6	107.6	72.1
EBITDA	97.6	213.8	123.4	94.4
EBITDA Margin (%)	29.6	30.7	22.1	24.7
EBIT Margin (%)	24.1	26.9	19.2	18.9
Interest Expense	(14.2)	(39.2)	(35.4)	(30.0)
Interest Income	5.7	4.0	3.9	2.8
Net Income	51.2	142.8	87.5	44.2
Net Income Margin (%)	15.5	20.5	15.6	11.6

In FY04, the group reported a notable jump in turnover and profitability figures. This increase was driven by volume increase in both sanitary ware (+7%) and ceramic tiles (+5%) associated with the expansion plan.

In June 2005, and on a Y-O-Y basis, revenue figures remained almost stable (EGP 330.2 mn compared to EGP 328.6 mn in June 2004), backed by the growth in value in ceramic tiles by 26%, which offset the notable decline in sanitary ware segment (-11%). Nonetheless, margins have been hampered by the decline in sanitary ware volume in the first half, coupled with the negative effect of the appreciation of the local currency. However, as mentioned

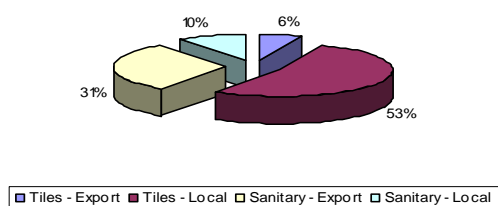
earlier, the frit plant started operation in June 2005, and is anticipated to have a positive impact on the operating cost and accordingly profitability margin (as mentioned above it is projected to save US\$ 1.5 mn annually from the cost of imported raw materials). Accordingly, this will offset to a certain extent the pressure imposed on profitability margins.

On the net income side, figures show a notable decrease (1H05: EGP 51.2 mn, 1H04: EGP 67.0 mn), driven by an EGP 16.9 mn, one-off FX losses as a result of the Egyptian pound appreciation against the group's principal foreign currency holdings, in particular US\$ holdings, associated with the GDRs proceeds.

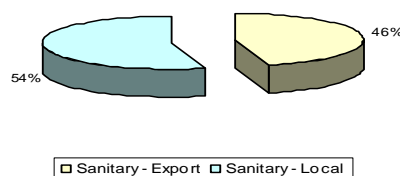
**Sanitary Ware is Considered a Key Driver for the Group's Growth**

Despite the slow down in sanitary ware export sales, sanitary ware will continue to be the group's growth driver, capitalizing on its broader profitability margin compared to tiles, around 50% and 30%, respectively.

**Khorshid Plant Revenue Analysis for FY04**



**LFC Revenue Analysis for FY04**



**Although EBITDA Figures Improved, Cash Generation Ability Has Been Hampered**

**Figure 3: Cash Flow & Coverages**

Figures in EGP mn	1H05	FY04	FY03	FY02
EBITDA	97.6	213.8	123.4	94.4
Changes in Working Capital	(75.4)	(57.9)	(92.7)	(61.8)
Tax	(2.8)	(10.9)	(3.3)	(2.0)
Interest Paid	(14.2)	(39.2)	(35.4)	(30.0)
CAPEX	(82.0)	(116.6)	(46.5)	(41.7)
Dividends Paid	(64.5)	(46.8)	(8.7)	(8.9)
Net Free Cash Flow	(141.3)	(57.6)	(63.2)	(50.0)
Retained Cash Flow	55.4	130.8	75.2	40.5
RCF/Capex (X)	0.7	1.2	1.6	1.0
EBITDA / Interest Exp. (X)	6.9	5.5	3.5	3.1
Dividend Payout Ratio (%)	45.0	54.0	20.0	43.0

EBITDA figures have shown an impressive improvement during the last years, peaking in FY04, reporting more than 70% increase. Nonetheless, net free cash flow has been adversely affected, reaching their lowest levels in 1H05, as a result of the high dividends payout policy and the aggressive expansion plan. It is anticipated that the capex figures will continue to increase in the medium term mainly due to the expansion mode. Management is cognizant of the need to closely control its working capital, but so far, no actions have been taken.

In terms of coverage ratios, EBITDA to interest expenses has improved during the last three years, backed by the notable increase in EBITDA figures.

**Sufficient Resources of Foreign Currency to Meet the Company's Foreign Obligations**

Around 80% of the combined raw material (approx in 1H05: EGP 94 mn, FY04: EGP 180 mn) is imported, in addition to other expenses including interest expense, management fee and expertise's salaries which is in the aggregate is around US\$ 8mn annually. Nonetheless, Lecico has never experienced any shortage of foreign exchange resources, thanks to export sales (combined sales in 1H05: EGP 117 mn, FY04: EGP 240 mn), which is considered sufficient to cover the company's foreign currency obligations. In **MERIS** view, the recent appreciation in local currency has had an adverse impact on export returns.

**Increase in Debt Levels as a Result of the Aggressive Capex Program**

It is worth noting that the group net debt has improved starting from FY04, backed by the increase in cash and cash equivalents figures. Nonetheless, gross debt levels increased, which is anticipated to continue in the future, taking into account the IFC/CIB proposed loan, which has been undertaken mainly to finance the capex program associated with the sanitary ware expansion. The eight-year loan (including a two year grace period), is equivalent to US\$ 13 mn, with an applicable interest rate of 2.5% above six months US\$ LIBOR. The loan is secured by an irrevocable power of attorney to mortgage the future movable and immovable assets related to phases 3 & 4 (ECC). The terms and conditions of the loan agreement highlighted various covenants under which the company (on a consolidated and non-consolidated basis) shall not incur any additional short or long-term debt that pushes the company's long-term debt to equity ratio beyond 50:50 or the current ratio to less than 1.0:1.0. It is of note that the initial amount of the IFC/CIB loan was US\$ 20 mn of which an amount of US\$ 13 mn was to be used in financing the sanitary ware expansion, while the remaining balance would be used to replace a portion of LLC's existing short-term debt. However, in light of the change in the lending environment in Lebanon and the introduction of the new interest rate regime, management has decided to depend on refinancing through Lebanese banks for existing short term debts of LLC. According to management, the company will obtain the first installment, which is equivalent to US\$ 5 mn, within the coming three months.

The improvement in the capitalization ratio is mainly attributed to the increase in shareholder's equity and reserves, as a result if the GDR offering.

**Figure 4: Financial Leverage**

Figures in EGP mn	1H05	FY04	FY03	FY02
Short-term Debt	330.9	139.7	248.4	200.7
Long-term Debt	61.6	83.3	83.8	67.7
Other Financial Obligations	16.9	16.9	15.7	13.9
Total Financial Debt	409.4	239.9	347.9	282.4
Cash and Cash Equivalents	(258.8)	(264.2)	(140.6)	(85.3)
Net Financial Debt	150.6	(24.3)	207.3	197.1
Net Worth	683.9	700.7	303.9	223.8
Gross Debt / EBITDA (X)	4.2	1.1	2.8	3.0
Adjusted Debt / Adj. Capitalization (%)	37.2	25.3	51.1	53.7
Adjusted RCF / Net Adj. Debt (X)	0.4	(5.4)	0.4	0.2
FFO/ Interest Expense (x)	4.9	4.0	4.1	2.5

**The Group's Debt Structure**

Lecico Group raises the majority of its external debt at the parent company level. As of 30 June 2005, approximately 75% of the consolidated debt was raised directly by Lecico, including the European Investment Bank "EIB" loan, which will mature in 2009. The loan was denominated in foreign currency (US\$ and EUR) – equivalent to US\$ 6.6 mn and EUR 10 mn, which were fully utilized. It is of note, the US\$ tranche was fully paid in 2004.

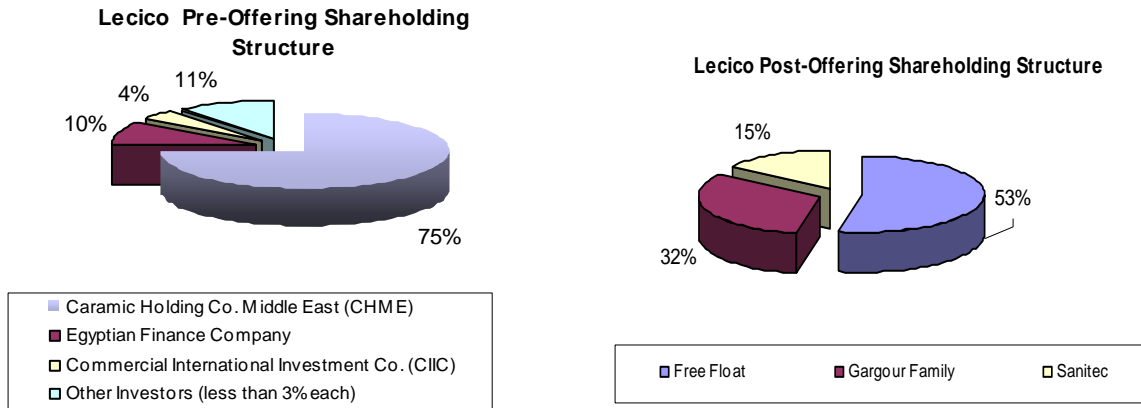
This loan was taken up primarily to finance the Borg El Arab plant, which is owned by LFC, in addition to the expansion of the tile production line. The loan, secured by a letter of guarantee issued by the Commercial International Bank of Egypt (CIB), will be repaid in foreign currency and bears a fixed interest rate (6.17%) for the utilized portion in US\$, while for the EUR portion the applicable interest rate is LIBOR+0.15%. Under the terms of the agreement, Lecico has undertaken not to take on any other debts that would push the cash flow/debt service ratio below 2:1x. The company has been in compliance with this covenant so far; the ratio stood at 6.9 times as of 30 June 2005 (FY04: 5.3).

The remaining balance of the group long-term debt includes a loan on the books of LLC, the debt is equivalent to US\$ 1.8 mn and will mature in 2008. The loan bears an annual interest rate of 3 months LIBOR plus 7.1% of which 7% is recovered from the Central Bank under its investment subsidy scheme. The loan was undertaken mainly to finance general investment needs.

## Annex 1: Background and Group Structure

### Background and Shareholders Structure:

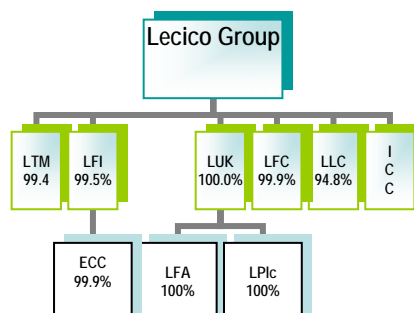
In 1975, the Gargour family incorporated Lecico as a Joint Stock Company under law No. 43/1974 (amended by laws No. 230/1989 and 8/1997). In 1997, Gargour family entered into 50/50 joint venture with Sanitec Ltd OY ("Sanitec"), a prominent manufacturer of sanitary ware in Europe. In late 2004, the group has exercised a simultaneous offering transaction in the local and the international market. Although, Sanitec has diluted its shares in the group, the company continues to have two representatives in Lecico's Board of Directors. Moreover, Sanitec provides Lecico with assistance in the technological and production facilities, quality improvement and training fields. As such, we do not foresee any changes in the relation between the two entities in the near future.



**MERIS** believes that the company is well-managed with an experienced and capable management team. Although the company in nature is a family-owned business, Mr. Gilbert Gargour's involvement in the day-to-day management is modest. It is worth noting that there are no major changes in the day-to-day management since the public offering. Hence, it is vested in the chairman and a team of senior executives that includes the Managing Director and three General Managers, who are responsible for manufacturing, finance, legal and administration, in addition to the plant managers. Moreover, there are three executive committees namely, "Product Development Committee", "Quality Control Committee" and "Sanitary Ware Production Committee", which contain senior management and technical expert. The Board of Directors consists of 11 members, 3 representing Gargour family, 2 representing Sanitec, the Managing Director and the General Manager for Manufacturing and four independent members.

### Corporate Structure:

Since establishment, the company has reported significant organic growth in investments. As the chart below details, the company's current corporate structure encompasses six subsidiaries, where its ownership interests range from 94% to 100%. Three of these are production companies; one is engaged in distribution, while the rest are inactive subsidiaries.



**I) Manufacturing Segment:  
Lecico for Ceramic Industries (LFC):**

LFC's Financial Performance			
EGPmn	1H05	2004	2003
Turnover	61.7	122.7	92.1
Net Profit	27.2	66.9	71.5
EBITDA	28.72	66.1	48.7
Short-Term Debt	1.1	0.0	0.0
Long-Term Debt	0.0	0.0	0.0

LFC was established in 1997 as a joint stock company. The initial authorized and paid in capital totaled EGP 1.0 mn and EGP 250,000, respectively, with a large increase to EGP 250 mn and 110 mn in 2003. Lecico used to retain 90.9% stake in the company, while the remaining balance used to be held by a financial institution under a risk capital funding arrangement with European Investment

Bank ("EIB"). As per the terms of this agreement, Lecico executed its buy-back-option rights in late 2004 and acquired the remaining balance.

At present, LFC's operations are focused on the manufacture of sanitary ware under the Lecico brand name and also on behalf of other export customers, while the parent company carries out marketing and distribution of its products. LFC carries no debt and thus can maximize its net profit after-tax. As the above table illustrates, in FY04, LFC's financial performance, measured by turnover and EBITDA has shown a significant increase (more than 30%), reflecting the increase in production capacity associated with the implementation of phase 2. Nonetheless, LFC's overall performance in the first half of 2005 has shown some signs of decline due to the drop in export sales as we highlighted earlier.

**The Lebanese Ceramic Industries (LLC):**

Lecico owns 94.8% of LLC, a company that manufactures and markets sanitary ware and ceramic tiles, based in Lebanon. The origin of LLC dates back to 1959, as a joint stock company. It was the predecessor company and one of the founders of Lecico Egypt. Lecico has acquired a controlling interest in LLC in 2000.

LLC Key Financials			
USD mn	1H05	2004	2003
Turnover	7.1	17.4	17.0
Net Profit	(0.1)	1.7	0.9
EBITDA	0.5	2.8	2.9
Short-Term Debt	9.4	6.3	8.8
Long-Term Debt	4.2	4.9	1.2

1USD = 1.5m LBP

As the only sanitary ware manufacturer in Lebanon, LLC has a dominant share of the domestic market with about 55% in 2004. The prices in the Lebanese market are much stronger than in Egypt and other countries in the region. LLC also produces ceramic tiles where it has 15% of the domestic market in Lebanon.

Historically, LLC was responsible for marketing Lecico's products in the Middle East, while Egypt was responsible for Europe and Africa. This situation has not remained advantageous to either side, as Lebanon's operating costs have increased and capacity in Egypt has become available at very low marginal cost. Consequently, management has decided to switch the main focus of LLC to the Lebanese market where prices are attractive and LLC is planning in the future to develop its presence in higher market segments.

Despite the slight improvement in LLC's financial performance in FY04, the business has been vulnerable to political instability in Lebanon in 2005, which was reflected in the company's results in the 1H05. In terms of debts, both the short- and long-term debts have increased as a result of the expansion in tile production.

**European Ceramics Company (ECC):**

In 2004, the company was founded as a joint stock company with an EGP 12.5 mn paid up capital. As mentioned earlier, ECC will take over the construction of the pending two phases of LFC on an arm's length basis and will be operating by year 2006, in order to take advantage of tax incentives. With equal note, the investment cost of the project will be US\$ 19 mn, sourced from internal and external resources. ECC will also be located in Borg El Arab industrial area and will share some facilities and services with LFC to save cost. The bulk of the company's production will be directed to export markets.

## II) Marketing & Distribution Segment:

LUK's Key Financials			
GBP mn	1H05	2004	2003
Turnover	6.4	16.5	15.8
Net Profit	(0.3)	0.4	0.1
EBITDA	(0.1)	0.7	0.3
Short-Term Debt	0.2	0.2	0.2
Long-Term Debt	0.0	0.0	0.0

### **Lecico UK (LUK):**

LUK is a wholly owned subsidiary based in England with a GBP 1 mn paid in capital. The company was established in 1987, to take over the marketing and distribution role of Lecico's products in England, France and South Africa. Historically, LUK used to have a subsidiary in South Africa "LSFA". However, due to losses

incurred, management has decided to make this subsidiary dormant and to depend on an independent agency to undertake the marketing of Lecico's products in South Africa. The parent company has given plc permission to source products from other manufacturers, in order to meet the increase in demand.

In the first half of 2005, sales to Lecico plc "Lplc" and Lecico France "LFA" were 423,000 pieces, compared to almost one million pieces in FY04. As the above table illustrates, growth rates have shown negative signs in 2005, which was attributed to recession in the UK market. According to management this slowdown is anticipated to continue till the end of this year.

### **Others:**

#### **Lecico for Financial Investments (LFI):**

In November 2001, Lecico established LFI to act as a holding company of all non-Egyptian companies in order to extend its tax shelter. Lecico retains a majority shareholding in LFI (99.5%), and its authorized and paid-in capital stands at EGP 15 mn and EGP 1.5 mn respectively. LFI acts as the holding company for ECC.

#### **Lecico for Trading and Marketing (LTM):**

Historically, the company used to be named as "TGF for Consulting and Trading". However, in mid 2004, the company's name was changed to come under the umbrella of Lecico's brand name. The company was established in 1992 and is based in Borg El Arab industrial area. Its core activities are importing raw materials as well as complementary products needed for the manufacture of ceramic tiles and sanitary ware. The company's authorized and paid-in capital both stand at EGP 250,000. This company is currently inactive.

#### **International Ceramic Company:**

In 2004, Lecico purchased 192,000 m<sup>2</sup> of land in Borg El Arab City. This plot will be added to the group's existing facilities, to be used in future organic growth. According to management, currently, this entity will be used as centralized warehouses for the company's export products.

## Annex 2: Financial Summary – Lecico Egypt Group S.A.E. (Lecico)

(EGP mn)	30/6/2005	31/12/2004	31/12/2003	31/12/2002
<b>Income Statement</b>				
Turnover	330.2	696.8	559.3	382.0
Gross Profit Margin (%)	45.5	46.8	42.5	44.6
EBITDA	97.6	213.8	123.4	94.4
EBIT	79.5	187.6	107.6	72.1
Interest Income	5.7	4.0	3.9	2.8
Net Income	51.2	142.8	87.5	44.2
<b>Balance Sheet</b>				
Cash and Equivalents	258.8	264.2	140.6	85.3
Total Assets	1,260.5	1,102.4	798.0	633.7
Short-Term Bank Debt	330.9	139.7	248.4	200.7
Long-Term Bank Debt	61.6	83.3	83.8	67.7
Other Financial Obligations	16.9	16.9	15.7	13.9
Total Debt	409.4	239.9	347.9	282.4
Common Equity	100.0	100.0	84.0	70.0
Net Worth	683.9	700.7	303.9	223.8
<b>Profitability Ratios</b>				
Return on Assets (%)	4.7	15.0	12.2	6.8
Return on Equity (%)	10.1	28.4	33.2	21.5
EBIT Margin (%)	24.1	26.9	19.2	18.9
Net Profit Margin (%)	15.5	20.5	15.6	11.6
<b>Liquidity Ratio</b>				
Cash & Equivalents / Total Assets (%)	20.5	24.0	17.6	13.5
Cash & Equivalents / Short T. Debt (%)	78.2	189.1	56.6	42.5
<b>Coverage Ratios</b>				
EBITDA/Interest Expense (x)	6.9	5.5	3.5	3.1
Net Debt/EBITDA (x)	1.5	(0.1)	1.7	2.1
Net Debt/Equity (%)	22.0	(3.5)	68.2	88.1

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