



## Third Quarter 2004 Results

**Alexandria, 20 December, 2004** – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the third quarter of 2004.

### Highlights

#### 3Q 2004

- Sanitary ware revenue up 16% to LE 120.9 million, driven by 17% growth in volumes to 1.14 million pieces (50.7% exports)
- Tile revenues up 36% to LE 66.6 million, partially driven by a 16% growth in volumes to 4.37 million square meters
- Lecico revenues up 23% to LE 187.5 million (64.5% from sanitary ware)
- EBIT up 28% to LE 55.1 million, margin up 1.3 percentage points to 29.4%
- Net profit up 37% to LE 40.5 million, margin up 2.3 percentage points to 21.6%

#### 9m 2004

- Sanitary ware revenue up 32% to LE 348.9 million, driven by 17% growth in volumes to 3.27 million pieces (56.1% exports)
- Tile revenues up 24% to LE 167.1 million, partially driven by a 5% growth in volumes to 11.53 million square meters
- Lecico revenues up 29% to LE 516.0 million (67.6% from sanitary ware)
- EBIT up 93% to LE 147.8 million, margin up 9.5 percentage points to 28.6%
- Net profit up 72% to LE 107.5 million, margin up 5.2 percentage points to 20.8%

Commenting on the results, Gilbert Gargour, Lecico Egypt's Chairman and CEO added: "Following the successful completion of our capital increase and global offering, it gives me great pleasure to announce to both our old and new shareholders our third quarter results. The third quarter continued the trend of export-led revenue growth and improving profitability that Lecico delivered in the first half of the year. With the advantages of Egypt as a market and as a platform for exports to Europe, and with a consistent strategy to produce quality products to satisfy those markets, we hope to continue to deliver strong growth and healthy margins for our shareholders."

## Lecico Revenue and Profitability

(LE m)	3 Q		%	9m		%
	2004	2003	04/03	2004	2003	04/03
Sanitary ware	120.9	104.0	116%	348.9	264.8	132%
Tiles	66.6	49.0	136%	167.1	135.0	124%
<b>Net sales</b>	<b>187.5</b>	<b>152.9</b>	<b>123%</b>	<b>516.0</b>	<b>399.8</b>	<b>129%</b>
Sanitary ware/net sales (%)	64.5%	68.0%	(3.5%)	67.6%	66.2%	1.4%
Cost of sales	(106.1)	(92.8)	114%	(290.6)	(248.1)	117%
Cost of sales/net sales (%)	(56.6%)	(60.7%)		(56.3%)	(62.1%)	
<b>Gross profit</b>	<b>81.3</b>	<b>60.1</b>	<b>135%</b>	<b>225.4</b>	<b>151.7</b>	<b>149%</b>
Gross profit margin (%)	43.4%	39.3%	4.0%	43.7%	37.9%	5.7%
Distribution and administration (D&A)	(26.9)	(23.0)	117%	(81.3)	(67.3)	121%
D&A/net sales (%)	(14.4%)	(15.1%)		(15.8%)	(16.8%)	
Net other operating income	0.7	5.9	12%	3.7	(7.8)	-
Net other operating income/net sales (%)	0.4%	3.8%		0.7%	(2.0)%	
<b>EBIT</b>	<b>55.1</b>	<b>43.0</b>	<b>128%</b>	<b>147.8</b>	<b>76.6</b>	<b>193%</b>
EBIT margin (%)	29.4%	28.1%	1.3%	28.6%	19.2%	9.5%
<b>Net profit</b>	<b>40.5</b>	<b>29.5</b>	<b>137%</b>	<b>107.5</b>	<b>62.5</b>	<b>172%</b>
Net profit margin (%)	21.6%	19.3%	2.3%	20.8%	15.6%	5.2%

**3Q 2004: Very satisfactory results compared to strong third quarter in 2003.** Revenue grew 23% year-on-year to reach LE 187.5 million, driven by increased sales volumes in both sanitary ware and tiles, particularly in exports.

Gross profit grew 35% year-on-year to reach LE 81.3 million, with the margin increasing by 4.0 percentage points to reach 43.4%. This growth in profitability was driven by increased production volumes, inventory reduction and the positive impact of Egyptian currency weakness.

Proportional distribution and administration (D&A) expenses improved year-on-year falling 0.7 percentage points to 14.4% of net sales compared to 15.1% of net sales in the same period last year.

Net other operating income fell sharply to LE 0.7 million, from LE 5.9 million in the same period last year. However, last year's net other operating income was unusually high due to a write-back of provisions.

EBIT increased by 28% year-on-year to reach LE 55.1 million for the third quarter of 2004, with the EBIT margin improving by 1.3 percentage points to reach 29.4%.

Net profit increased by 37% year-on-year to reach LE 40.5 million, with the net profit margin improving by 2.3 percentage points to 21.6%, compared with 19.3% net profit margin in the third quarter of 2004.

**9m 2004: Results benefit from strong currency impact in the first half.**

Revenues continued the growth trend for the year, with nine month revenues up 29% year-on-year at LE 516.0 million. Sales growth was volume-led in the third quarter, with the stronger revenue growth realized in the first half largely due to currency effects.

Gross margins are marginally higher than in the third quarter at 43.7%, primarily due to the increased weight of lower-margin tiles and domestic sanitary ware sales in revenue for the third quarter. Growth in gross profits in the nine months is more pronounced due to greater currency impact on results for the first half.

Proportional D&A expenses were down 1.0 percentage point year-on-year at 15.8% of net sales.

Net other operating income was LE 3.7 million, compared to a net expense of LE 7.8 million for the same period last year. This reflects a move from net expenses over the last three years to net income in 2004 as a result of the completion of provisioning for doubtful receivables incurred in 2000-2001.

EBIT reached LE 147.8 million, up 93% year-on-year.

Net profit increased by 72% year-on-year to reach LE 107.5 million, with margins for period up 5.2 percentage points from the same period last year. Again, the higher growth in profits and margins year-on-year in the first half is primarily a result of the weakness in the currency, which normalized somewhat from the third quarter of 2003 onwards.

## Segmental analysis

### Sanitary ware

**3Q 2004:** Sanitary ware sales volumes grew by 17%, with sales in Egypt and Lebanon reduced slightly to allow for greater export volumes. Export volumes grew 50% to account for 50.7% of volumes compared with 39.6% of volumes in the same period last year.

Despite this increase in exports, average prices were slightly lower year- on-year at LE 106 per piece, even though average export prices improved quarter-on-quarter. This was due to an unusually high-value, high-cost business mix in sanitary ware exports in the third quarter of 2003.

Sanitary ware gross profit margin improved by 3.7 percentage points year-on-year to reach 48.4%.

(LE m)	3 Q		%	9m		%
	2004	2003	04/03	2004	2003	04/03
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	481	499	96%	1,250	1,302	96%
Lebanon (000 pcs)	79	86	92%	185	201	92%
Export (000 pcs)	576	384	150%	1,832	1,289	142%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>1,136</b>	<b>969</b>	<b>117%</b>	<b>3,267</b>	<b>2,792</b>	<b>117%</b>
Exports/total sales volume (%)	50.7%	39.6%	11.1%	56.1%	46.2%	9.9%
<b>Sanitary ware revenue</b>	<b>120.9</b>	<b>104.0</b>	<b>116%</b>	<b>348.9</b>	<b>264.8</b>	<b>132%</b>
Average selling price (LE/pc)	106	107	99%	107	95	113%
Sanitary ware cost of sales	(62.4)	(57.5)	108%	(174.1)	(151.0)	115%
Sanitary ware gross profit	58.5	46.4	126%	174.8	113.8	154%
Sanitary ware gross profit margin (%)	48.4%	44.7%	3.7%	50.1%	43.0%	7.1%

**9m 2004:** Sanitary ware sales volumes grew by 17% year-on-year in the first nine months of 2004, with sales in Egypt and Lebanon being reduced slightly to allow more volumes for export. Export volumes grew 42% to account for 56.1% of volumes sold over the three quarters, compared with 46.2% of volumes sold in the same period last year.

As a result, average sanitary ware prices rose 13% to LE 107 per piece for the period, compared to an average of LE 95 per piece in the first nine months of 2003. In addition to impact of the increase in export volumes on the blended average prices, average domestic and export prices also rose year-on-year for the nine month period.

Sanitary ware gross profit margin improved by 7.1 percentage points year-on-year the first nine months of 2004 to reach 50.1% on the back of higher prices and the larger proportion of higher-margin exports.

## Tiles

**3Q 2004:** Tile sales volumes grew by 16% year-on-year as a result of the 4.1 million square meters in capacity added at the end of the first half of the year. Average net prices rose 17% to reach LE 15 per square meter. This was largely due to an adjustment in the net prices of domestic tiles to reflect higher costs and a reduction in discounts allocated to distributors. This continued the trend of the first half of the year.

As a result of this increase in average prices and particulars of product mix for the quarter, the gross margin for Lecico's tile segment rose 6.3 percentage points to reach 34.3%. Management does not believe these tile margins are sustainable and would expect an adjustment back towards the average segment margins seen in previous periods.

(LE m)	3 Q		%	9m		%
	2004	2003	04/03	2004	2003	04/03
Tile volumes (000 sqm)						
Egypt (000 sqm)	3,605	3,078	117%	9,598	9,284	103%
Lebanon (000 sqm)	287	334	86%	749	907	83%
Export (000 sqm)	480	349	138%	1,179	737	160%
<b>Total tile volumes (000 sqm)</b>	<b>4,372</b>	<b>3,761</b>	<b>116%</b>	<b>11,526</b>	<b>10,928</b>	<b>105%</b>
Exports/total sales volume (%)	11.0%	9.3%	1.7%	10.2%	6.7%	3.5%
<b>Tile revenue</b>	<b>66.6</b>	<b>49.0</b>	<b>136%</b>	<b>167.1</b>	<b>135.0</b>	<b>124%</b>
Average selling price (LE/sqm)	15	13	117%	15	12	117%
Tile cost of sales	(43.8)	(35.3)	124%	(116.5)	(97.1)	120%
Tile gross profit	22.8	13.7	166%	50.6	37.9	134%
Tile gross profit margin (%)	34.3%	28.0%	6.3%	30.3%	28.1%	2.2%

**9m 2004:** Tile sales volumes grew by 5% year-on-year, largely as a result of capacity expansion in the second quarter. Volume growth was driven by Egypt and exports, which rose to account for a greater volume of sales than Lebanon.

Average prices rose 17% year-on-year to reach LE 15 per square meter. As a result of this increase in prices and unusually high margins in the third quarter, the tile segment's gross margin rose 2.2 percentage points to reach 30.3% for the first nine months of 2004.

## Financial position

The value of Lecico's assets increased by 15% to LE 920.2 million, mainly as a result of increases in working capital and projects in progress, the latter reflecting the beginnings of the Company's aggressive capital investment plans.

Total liabilities increased by 9% to LE 509.4 million at the end of September, mainly as a result of increases in payables and long-term loans. Interest bearing debt increased 8% to reach LE 359.9 million as a result of new long-term debt taken to finance expansion projects and restructure its short-term bank debts.

Shareholders equity grew by 25% or LE 380.0 million by the end of September, primarily as a result of 102% growth in retained earnings and the fact that net profit for the first nine months of 2004 is already 23% greater than the entire profit for the previous year.

Net working capital increased 20% to LE 271.0 million from LE 225.8 million at 31 December 2003, largely as a result of increases in inventory and receivables, causing the current ratio to increase from 1.3 to 1.5.

## 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, investment costs and tax rates 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

(LE m)	3 Q		%	9m		%
	2004	2003		2004	2003	
<b>Net sales</b>	<b>187.5</b>	<b>152.9</b>	<b>123%</b>	<b>516.0</b>	<b>399.8</b>	<b>129%</b>
Cost of sales	(106.1)	(92.8)	114%	(290.6)	(248.1)	117%
<b>Gross profit</b>	<b>81.3</b>	<b>60.1</b>	<b>135%</b>	<b>225.4</b>	<b>151.7</b>	<b>149%</b>
	43.4%	39.3%		43.7%	37.9%	
Distribution expenses	(8.1)	(8.7)	94%	(31.6)	(27.9)	113%
Administrative expenses	(18.8)	(14.4)	131%	(49.6)	(39.4)	126%
Other Operating income	0.8	0.4	183%	3.9	1.7	236%
Other Operating expenses	(0.0)	5.5	-1%	(0.2)	(9.5)	-
<b>Operating profit (EBIT)</b>	<b>55.1</b>	<b>43.0</b>	<b>128%</b>	<b>147.8</b>	<b>76.6</b>	<b>193%</b>
	29.4%	28.1%		28.6%	19.2%	
Investment revenues	0.6	0.0	-	0.6	0.1	-
Gains on sale of investment	(0.5)	0.0	-	0.2	0.0	-
Interest revenues	0.9	1.3	70%	2.6	2.9	89%
Financing expenses	(9.1)	(9.4)	97%	(27.9)	(26.8)	104%
Foreign currencies exchange differences	0.8	(3.9)	-	1.4	15.2	9%
<b>Profits before tax and minority (PBTM)</b>	<b>47.8</b>	<b>31.0</b>	<b>154%</b>	<b>124.6</b>	<b>68.0</b>	<b>183%</b>
Income tax	(5.1)	(0.0)	-	(11.9)	(1.2)	988%
<b>Net Profit after Tax</b>	<b>42.7</b>	<b>31.0</b>	<b>138%</b>	<b>112.7</b>	<b>66.8</b>	<b>169%</b>
Minority interest	(2.2)	(1.5)	146%	(5.2)	(4.2)	124%
<b>Net Profit</b>	<b>40.5</b>	<b>29.5</b>	<b>137%</b>	<b>107.5</b>	<b>62.5</b>	<b>172%</b>

## Lecico Egypt consolidated balance sheet

(LE m)	30-Sep-04	31-Dec-03	04/03 (%)
Cash and cash equivalents	145.5	140.6	104%
Trading investments	0.6	0.2	306%
Inventory	203.6	177.0	115%
Receivables	166.8	147.2	113%
Related parties -debit balances	36.4	23.0	159%
<b>Total current assets</b>	<b>552.9</b>	<b>488.0</b>	<b>113%</b>
Net fixed assets	291.9	291.2	100%
Intangible assets	0.1	0.1	136%
Projects in progress	66.9	9.1	735%
Available for sale investments	4.5	5.1	88%
Long-term notes receivable	3.9	4.5	87%
<b>Total non-current assets</b>	<b>367.2</b>	<b>310.0</b>	<b>118%</b>
<b>Total assets</b>	<b>920.2</b>	<b>798.0</b>	<b>115%</b>
Banks overdraft	215.2	232.1	93%
Current portion of long-term liabilities	28.0	18.8	149%
Trade and notes payable	56.6	40.5	140%
Other current payable	53.8	54.5	99%
Related parties -credit balances	11.7	12.0	98%
Provisions	13.8	14.4	96%
<b>Total current liabilities</b>	<b>379.1</b>	<b>372.4</b>	<b>102%</b>
Long-term loans	116.7	83.8	139%
Other long-term liabilities	13.7	13.2	104%
<b>Total non-current liabilities</b>	<b>130.3</b>	<b>97.0</b>	<b>134%</b>
<b>Total liabilities</b>	<b>509.4</b>	<b>469.3</b>	<b>109%</b>
<b>Minority interest</b>	<b>30.7</b>	<b>24.8</b>	<b>124%</b>
Issued capital	84.0	84.0	100%
Treasury stock	(0.5)	(4.9)	11%
Reserves	103.0	94.8	109%
Retained earnings	86.0	42.5	202%
Net profit for the year	107.5	87.5	123%
<b>Total equity</b>	<b>380.0</b>	<b>303.9</b>	<b>125%</b>
<b>Total equity, minorities and liabilities</b>	<b>920.2</b>	<b>798.0</b>	<b>115%</b>

## Lecico Egypt consolidated cash flow statement

(LE m)	9m		%
	2004	2003	
<b>Cash Flow from operating activities</b>			
Net profit for the period	107.5	62.5	172%
Depreciation and translation differences	19.0	17.1	111%
Intangible assets amortisation	0.0	0.2	18%
Gain on sale of investments	(0.0)	0.0	-
Capital gains	(0.1)	(0.2)	59%
Provisions and translation differences	0.8	9.5	8%
Increase in minority interest	5.9	2.0	302%
Increase in translation reserve	0.8	11.8	7%
<b>Adjusted operating profit</b>	<b>134.0</b>	<b>102.9</b>	<b>130%</b>
<b>Changes in working capital</b>			
Increase in Inventory	(37.6)	(39.5)	95%
Increase in Receivables	(33.5)	(58.8)	57%
Increase in Payables	25.1	24.0	105%
Utilised Provisions	(0.9)	(3.8)	24%
Increase in Trading Investment	(0.4)	(0.0)	-
<b>Net cash from operating activities</b>	<b>86.7</b>	<b>24.8</b>	<b>350%</b>
<b>Cash flow from investing activities</b>			
Additions to fixed assets and projects	(66.5)	(35.9)	185%
Increase in intangible assets	(0.0)	0.0	-
Net change in available for sale investments	0.6	(4.7)	-
Proceeds from sales of fixed assets	0.1	0.2	53%
Decrease in long-term notes receivable	0.6	0.3	198%
<b>Net cash used in investing activities</b>	<b>(65.2)</b>	<b>(40.2)</b>	<b>162%</b>
<b>Cash flow from financing activities</b>			
Decrease in bank overdraft	(16.9)	55.2	-
Increase in long-term loans	42.0	25.3	166%
Increase in other long-term liabilities	0.5	(0.5)	-
Increase in treasury stock	4.4	0.0	-
Dividends paid	(46.7)	(5.7)	817%
<b>Net cash used in financing activities</b>	<b>(16.6)</b>	<b>74.3</b>	<b>-22%</b>
<b>Net change in cash during the period</b>	<b>4.9</b>	<b>58.9</b>	<b>8%</b>
Cash at beginning of the period	140.6	85.3	165%
<b>Cash at the end of the period</b>	<b>145.5</b>	<b>144.2</b>	<b>101%</b>