



## Full Year 2005 Results

**Alexandria, 15 March, 2006** – Lecico Egypt (Stock symbols: LECIq.L; LECI LI; LCSW.CA; LECI EY) announces its consolidated results for the full year of 2005.

### Highlights

#### FY 2005

- Lecico revenues down 6% to LE 652.4 million (59.6% from sanitary ware)
- Sanitary ware revenue down 17% to LE 389.0 million, driven by a 9% drop in volumes to 3.86 million pieces (58.7% exports)
- Tile revenues up 16% to LE 263.4 million, driven by a 15% growth in volumes to 17.70 million square meters
- EBIT down 26% to LE 139.6 million, margin down 5.5 percentage pts to 21.4%
- Net profit down 35% to LE 88.8 million, margin down 5.9 percent pts to 13.6%

#### 4Q 2005

- Lecico revenues down 16% to LE 151.7 million (56.5% from sanitary ware)
- Sanitary ware revenue down 29% to LE 85.7 million, partially driven by a 12% drop in sales volumes to 0.88 million pieces (61.5% exports)
- Tile revenues up 9% to LE 65.9 million, driven by a 16% growth in volumes to 4.43 million square meters
- EBIT down 37% to LE 25.2 million, margin down 5.4 percentage pts to 16.6%
- Net profit down 61% to LE 11.2 million after adjustment to bring accounting policies in line with IFRS, margin down 8.5 percentage pts to 7.4%

“While the last quarter of 2005 has seen a confirmation, and in some cases an acceleration, of the difficulties we witnessed during the year, it also started to show some of the positive results of our actions.” comments Gilbert Gargour, Lecico Egypt’s Chairman and CEO. “Our Sanitary ware export business has suffered mostly from the translation effect of a strong Egyptian pound – particularly against Euro and Sterling. We believe that our portfolio of export currencies is sound in the medium term. To hedge somewhat against short term weakness in our export currencies we have decided to

increase our exposure to these currencies on the balance sheet and will benefit in 2006 from the fact that borrowing costs will be lower than in Egyptian pound.

“We benefit from a diversified export market which has seen weaknesses in the UK and France, our main destinations. Yet we were able to compensate for those weaknesses in almost all other markets and expect that these markets will continue to grow in 2006. While we hope that the UK market will revert to growth some time this year, we are assured that we will see good growth in our business with Sanitec, and are therefore confident on export volumes in the coming year.

“In Egypt the loss of volume has been to some extent voluntary in the face of our inability to affect price increases in 2005. An improving economic environment this year should allow us to be more successful. Our local Sanitary ware business in Lebanon has continued to suffer from political uncertainties in the country. This is a highly profitable business which we think will provide very rewarding opportunities in the future.

“Our tile business continues to be strong and has been enhanced to some extent by the push towards higher value export sales. This trend will continue in 2006 and we should see additional benefits from the successful expansion of our frit facilities.”

“I am confident that our more aggressive sales focus, the roll-out of our sanitary ware expansions and our new investments in fired clay sanitary ware and additional tile capacity will secure, strong and sustained future growth for Lecico.” Elie Baroudi, Lecico Egypt MD, added, “but 2006 is likely to remain a challenging year particularly with Egyptian pound strength continuing to work against us and the expansion efforts in our markets taking time to develop.

“Despite our best efforts to grow sales volumes in sanitary ware, our success will be dependent on the overall direction of consumer demand particularly in the UK and Egypt.

“Our main aim continues to be to successfully grow existing market shares and make inroads into new markets. I am very hopeful that our efforts will start showing some positive successes later in the year. Our business may continue to be under pressure in the short term, but through the initiatives we are taking we intend to continue growing Lecico and believe the results will be clear in the medium and long term.”

**Management fee reduced for 2005:** Intage and Sanitec have committed to align their management fee to the interests of all the shareholders. As a consequence they have decided to waive all of their Lebanese management fees and 25% of their Egyptian management fees for the entire year of 2005, ensuring that their overall fee is reduced in line with the drop in net profits available to all shareholders.

**Aligning accounting treatment with IFRS:** In the fourth quarter, Lecico has adjusted its accounting policies to follow IFRS standards. Accordingly, Lecico is now including accruals for employee profit participation as an expense on its P&L. This is materially different from Egyptian Accounting Standards, which includes this expense in declared dividends and deducts this directly from reserves in the subsequent period.

## Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	4Q		%	FY		%
	2005	2004	05/04	2005	2004	05/04
Sanitary ware	85.7	120.1	71%	389.0	469.0	83%
Tiles	65.9	60.7	109%	263.4	227.8	116%
<b>Net sales</b>	<b>151.7</b>	<b>180.8</b>	<b>84%</b>	<b>652.4</b>	<b>696.8</b>	<b>94%</b>
Sanitary ware/net sales (%)	56.5%	66.4%	(9.9%)	59.6%	67.3%	(7.7%)
Cost of sales	(100.5)	(106.0)	95%	(410.0)	(396.7)	103%
Cost of sales/net sales (%)	(66.2%)	(58.7%)	113%	(62.8%)	(56.9%)	110%
<b>Gross profit</b>	<b>51.2</b>	<b>74.7</b>	<b>69%</b>	<b>242.4</b>	<b>300.1</b>	<b>81%</b>
Gross profit margin (%)	33.8%	41.3%	(7.6%)	37.2%	43.1%	(5.9%)
Distribution and administration (D&A)	(26.7)	(32.5)	82%	(106.8)	(113.8)	94%
D&A/net sales (%)	(17.6%)	(18.0%)	0.4%	(16.4%)	(16.3%)	(0.0%)
Net other operating income	0.7	(2.4)	-30%	4.1	1.3	310%
Net other operating income/net sales (%)	0.5%	(1.3%)	1.8%	0.6%	0.2%	0.4%
<b>EBIT</b>	<b>25.2</b>	<b>39.8</b>	<b>63%</b>	<b>139.6</b>	<b>187.6</b>	<b>74%</b>
EBIT margin (%)	16.6%	22.0%	(5.4%)	21.4%	26.9%	(5.5%)
<b>Net profit</b>	<b>11.2</b>	<b>28.6</b>	<b>39%</b>	<b>88.8</b>	<b>136.1</b>	<b>65%</b>
Net profit margin (%)	7.4%	15.8%	(8.5%)	13.6%	19.5%	(5.9%)

### FY 2005: Impact of demand drop in key markets amplified by strengthening pound.

Revenue for 2005 was down 6% year-on-year at LE 652.4 million. The softness in demand for sanitary ware in Lecico's main markets, coupled with the impact of a stronger Egyptian pound on exports drove the drop in sales by impacting volumes, average prices and margins. Sterling and the euro, which account for over 90% of export revenues, each depreciated by approximately 7% against the Egyptian pound during 2005, with the trend accelerating significantly in the fourth quarter.

Gross profit for the year fell 19% to LE 242.4 million, with the margin falling 5.9 percentage points to reach 37.2%. The drop in profitability was due to the drop in sanitary ware margins and the increased proportion of lower margin tile business in gross profits. Tiles accounted for 32% of gross profits in 2005 compared to 22% in 2004.

Proportional D&A expenses were flat year-on-year at 16.4% of net sales. Actual D&A expenses were down 6.0% year-on-year at LE 106.8 million.

Net other operating income was LE 4.1 million, compared to LE 1.3 million for 2004.

EBIT fell by 26% year-on-year to reach LE 139.6 million, with the EBIT margin falling 5.5 percentage points to reach 21.4%.

Net financing expenses continued to benefit from an improved post-offering balance sheet, with higher interest income reducing net expense by 53% to LE 16.5 million.

Lecico incurred large one-off FX losses on revaluation of the company's dollar offering proceeds and continued to see smaller losses over the year as the Egyptian pound strengthened. Total FX losses for the year reached LE 20.1 million, compared to a gain of LE 1.7 million in 2004.

Lecico benefited from a lower effective tax rate and lower minority interest charges in 2005. This was despite the inclusion of deferred tax liabilities for the first time to comply with IFRS. The new Egyptian tax laws introduced during 2005 grant identifiable accelerated tax allowances upon which a deferred tax liability arises under IFRS. This deferred tax charge amounted to LE 3.5 million out of a total tax expense of LE 7.0 million. This compares with a tax expense of LE 10.9 million in 2004.

Net profit for both years was adjusted by the inclusion of employee profit participation as an expense to bring Lecico accounts into accordance with IFRS. This treatment is not adopted by most Egyptian companies as Egyptian Accounting Standards include this expense as part of dividend distribution. This change in policy reduced net profit by LE 7.1 million in 2005 and LE 7.3 million in 2004. The full amount of this expense was incurred in the fourth quarter.

Net profit fell by 35% year-on-year to reach LE 88.8 million, with the net profit margin falling 5.9 percentage points to 13.6%, compared with 19.5% in 2004.

#### **4Q 2005: Further strengthening of Egyptian pound and US dollar squeezes margins.**

Revenue fell 16% year-on-year in the fourth quarter to reach LE 151.7 million primarily as a result of the impact of Egyptian pound appreciation on export sales values compounded by continued weakness in sanitary ware sales. The Egyptian pound appreciated by around 20% against the sterling and 13% against the euro year-on-year with an acceleration in the fourth quarter. The effect of the currency change alone accounted for a 6% drop in revenues in the fourth quarter.

Gross profit for the quarter fell 31% year-on-year to reach LE 51.2 million; the margin decreasing by 7.6 percentage points to reach 33.8%. Lower sanitary ware production volumes, a strengthening Egyptian pound and a shifting business mix all contributed to weaker selling prices and margins in the sanitary ware division this quarter.

Proportional distribution and administration (D&A) expenses fell 0.4 percentage point year-on-year to 17.6% of net sales for the quarter. In absolute terms, D&A expenses for the quarter were down 18.0% year-on-year at LE 26.7 million.

Net other operating income for the quarter was LE 0.7 million, compared to a loss of LE 2.4 million in the same period last year.

Operating (EBIT) profit for the quarter fell by 37% year-on-year to reach LE 25.2 million, with the EBIT margin falling by 5.4 percentage points to 16.6%.

Net financing expenses continued to benefit from an improved post-offering balance sheet, with higher interest income reducing net interest expense for the quarter by 78% year-on-year to LE 2.2 million.

Lecico incurred FX losses of LE 2.5 million in the quarter compared to an FX gain of LE 0.3 million in the same period last year. These losses are the result of Egyptian pound strength against Lecico's major trading currencies – the euro and the sterling.

For the year as a whole, Lecico benefited from lower effective tax rates and minority interest charges. This was despite the inclusion of deferred tax liabilities for the first time to comply with IFRS. The new Egyptian tax laws introduced during 2005 grant identifiable accelerated tax allowances upon which a deferred tax liability arises under IFRS. This deferred tax charge amounted to LE 3.5 million out of a total tax expense of LE 2.7 million for the quarter. This compares to a write-back of LE 1.0 million in tax provisions in the same period last year.

Net profit for the fourth quarters of both 2004 and 2005 were adjusted by the inclusion of employee profit participation as an expense to bring Lecico accounts into accordance with IFRS. Most Egyptian companies, who report under Egyptian Accounting Standards, do not include this expense on their profit and loss statements. This change in accounting policy reduced net profit for the quarter by LE 7.1 million in 2005 and LE 7.3 million in 2004. The full amount of this expense was incurred in the fourth quarter.

As a result of all of the above year-end adjustments, net profit for the quarter fell 61% year-on-year to reach LE 11.2 million, with the net profit margin falling by 8.5 percentage points to 7.4%.

## Segmental analysis

### Sanitary ware

**FY:** Sanitary ware sales volumes fell 403,487 pieces or 9% year-on-year to total 3.86 million pieces sold in 2005. The drop in sales volume was due primarily to continued softening in demand in Egypt and the UK.

Demand, pricing and margins all suffered as a result of the sustained weakness in the UK, Egypt and Lebanon. This softness in demand combined with Egyptian currency strength, have driven a reduction in average prices with exports going to lower price and margin markets. The appreciation of Egyptian pound alone in 2005 reduced average prices by approximately 3% (in LE terms).

Average sanitary ware prices were down 8% at LE 101 per piece in 2005. Sanitary ware revenues were down 17% year-on-year at LE 389.0 million.

The slowdown in production volumes also put additional upward pressure on costs. Sanitary ware gross profit margin fell by 7.7 percentage points year-on-year in 2005 to reach 42.2% and gross profits fell 30% to LE 164.3 million for the year.

Sanitary ware segmental analysis						
(LE m)	4Q		%	FY		%
	2005	2004		2005	2004	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	284	351	81%	1,383	1,600	86%
Lebanon (000 pcs)	55	90	60%	211	276	77%
Export (000 pcs)	542	556	97%	2,267	2,389	95%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>880</b>	<b>997</b>	<b>88%</b>	<b>3,861</b>	<b>4,265</b>	<b>91%</b>
Exports/total sales volume (%)	61.5%	55.8%	5.7%	58.7%	56.0%	2.7%
<b>Sanitary ware revenue</b>	<b>85.7</b>	<b>120.1</b>	<b>71%</b>	<b>389.0</b>	<b>469.0</b>	<b>83%</b>
Average selling price (LE/pc)	97	120	81%	101	110	92%
Average cost per piece (LE/pc)	60	61	99%	58	55	106%
Sanitary ware cost of sales	(52.9)	(60.5)	88%	(224.7)	(234.6)	96%
Sanitary ware gross profit	32.8	59.6	55%	164.3	234.4	70%
Sanitary ware gross profit margin (%)	38.2%	49.6%	(11.4%)	42.2%	50.0%	(7.7%)

**4Q:** Sanitary ware sales volumes fell 116,684 pieces or 12% year-on-year in the fourth quarter to total 880,000 pieces sold in 4Q 2005. The drop in sales volumes was due primarily to continued softening in demand in Egypt and the UK. However, Lecico delivered strong growth in exports to the Middle East, Sub-Saharan Africa and certain European markets (Ireland in particular).

Average sanitary ware prices were weaker year-on-year, falling 19% to LE 97 per piece. The drop in prices reflects weaker average export prices, approximately 10% of the drop is due to the impact of Egyptian currency strength and 9% is due to the shift in sales from the UK to lower-priced markets, which is further distorted by unusually high prices in the same period of last year.

Sanitary ware revenues for the quarter were down 29% year-on-year at LE 85.7 million.

Sanitary ware gross profit margin fell by 11.4 percentage points year-on-year in the fourth quarter to reach 38.2% and gross profits fell 45% to LE 32.8 million for the period.

The drop in profitability was the result of lower prices and higher costs. Average sanitary ware costs primarily rose on the back of slower production inflating per unit costs. Production volumes reached their lowest level all year in the fourth quarter, down 17% year-on-year and capacity utilization fell below 85% for the first time in three years resulting in an increase in fixed costs per piece.

**Sanitary ware exports:** Lecico's success in growing sales to the Middle East, Ireland and Africa went some way towards offsetting the drop in sales in the UK. Excluding all sales to the UK, total export volumes for Lecico were up 9% year-on-year.

Sanitary ware exports by destination					
(000s pieces)	31-Dec-05	% of total	31-Dec-04	% of total	% 05/04
UK	677.3	30%	825.2	35%	82%
Sanitec	636.1	28%	683.0	29%	93%
France	256.4	11%	304.2	13%	84%
Ireland	135.6	6%	114.3	5%	119%
Europe	114.0	5%	124.0	5%	92%
Middle East	254.6	11%	167.1	7%	152%
Other	192.6	8%	170.9	7%	113%
<b>Total exports</b>	<b>2,266.7</b>	<b>100%</b>	<b>2,388.7</b>	<b>100%</b>	<b>95%</b>

The volume of sales to Sanitec fell 7% year-on-year to reach 0.64 million pieces and account for 28% of total exports in 2005. The drop in volumes was primarily due to the slowdown in the UK market, which negatively impacted Lecico's overall sales volumes despite the company's gain in overall market share, with the sales to non-UK members of the Sanitec group growing year-on-year. Management expects the volume of pieces sold to Sanitec to grow to above 0.70 million pieces in 2006.

## Tiles

**FY:** Tile sales volumes grew by 15% year-on-year in 2005 to reach 17.70 million square meters. Demand growth came primarily from Egypt and Lecico's export markets. Exports accounted for 17.8% of total sales volumes, compared with 10.3% in the same period last year.

Average tile prices were flat year-on-year at LE 15 per square meter. The tile segment's gross margin grew 0.8 percentage points year-on-year to average 29.6% for the year and gross profits rose 19% to reach LE 78.1 million.

Tile segmental analysis						
(LE m)	4Q		%	FY		%
	2005	2004		2005	2004	
Tile volumes (000 sqm)						
Egypt (000 sqm)	3,390	3,190	106%	13,595	12,788	106%
Lebanon (000 sqm)	193	213	91%	948	962	99%
Export (000 sqm)	843	405	208%	3,155	1,584	199%
<b>Total tile volumes (000 sqm)</b>	<b>4,427</b>	<b>3,807</b>	<b>116%</b>	<b>17,698</b>	<b>15,334</b>	<b>115%</b>
Exports/total sales volume (%)	19.0%	10.6%	8.4%	17.8%	10.3%	7.5%
<b>Tile revenue</b>	<b>65.9</b>	<b>60.7</b>	<b>109%</b>	<b>263.4</b>	<b>227.8</b>	<b>116%</b>
Average selling price (LE/sqm)	15	16	93%	15	15	100%
Average cost per sqm (LE/sqm)	11	12	90%	10	11	99%
Tile cost of sales	(47.5)	(45.6)	104%	(185.3)	(162.1)	114%
Tile gross profit	18.4	15.1	122%	78.1	65.7	119%
Tile gross profit margin (%)	27.9%	24.9%	3.0%	29.6%	28.9%	0.8%

**4Q:** Tile sales volumes grew by 9% year-on-year in the fourth quarter. Average prices fell 7% year-on-year to reach LE 15 per square meter, largely as a result of the effect of the strengthening of the Egyptian pound on exports and some additional discount provisions in the local market.

Margins continued to improve as a result of the roll out of Lecico's frit plant, the segment's margin grew 3.0 percentage points year-on-year to reach 27.9%. Tile gross profits were 22% higher year-on-year at LE 18.4 million.

## Financial position

The value of Lecico's assets rose by 24% over the year to reach LE 1,364.7 million, driven primarily by continued investments in capacity growth and an increase in receivables and inventories.

Total liabilities grew 60% to LE 643.5 million on the back of increasing debt over the period, net debt to equity for the period reached 0.24x.

## Recent developments and outlook

**Outlook for 2006:** The year ahead is likely to be shaped by Lecico's ability to continue growing sales in new and existing markets, thus taking advantage of the ongoing roll-out of additional capacity and to a lesser but significant extent by the ability to improve the values obtained from local sales. However, Lecico remains exposed to the impact of demand trends in the UK and Egypt and exchange rate directions, which were the principal drivers of weaker performance in 2005.

Although its too early to be definitive, initial indications therefore point to continued year-on-year weakness in the first quarter with a return to growth possible towards the second half of 2006.

In the UK, there are still no strong signs of a recovery in DIY and housing sectors. Indeed, early indicators at Lecico plc show continued year-on-year weakness in the first quarter to date and the most optimistic analysts hoping for a recovery in the second half. Lecico plc is investing in expanding its sales team and targeting new, previously ignored market segments. As a result, despite the likelihood of a lacklustre market, Lecico expects to see a year-on-year growth in volumes to the UK. However, these may well be achieved at a lower than average prices and the majority of the improvement in volumes to come in the second half of the year.

In Egypt, early indicators suggest the first quarter may be flat year-on-year with continued growth in tile sales volumes.

In Lebanon, early indicators remain inconclusive but it is noteworthy that we are beginning to witness relative sanitary ware growth, In aggregate, it would seem the market is likely to be flat to slightly weak barring changes in the political environment which remains fragile.

Lecico is working to penetrate new markets and expand activities in current markets in order to boost export sales, particularly in the Middle East and Europe. This includes a setting up of several trading companies to act as regional distribution hubs across the Middle East and adding human resources to help target new European markets. Management hopes to see the beginning of the benefits of this sales push later in the year.

The Egyptian pound has continued to strengthen in the early part of 2006, with the pound over 10% stronger year-on-year against both the euro and the sterling. Since over 40% of Lecico's revenues are priced in either euros or sterling, this obviously has significant implications for the company's financial outlook in 2006.

**New and ongoing capital investment plans:** Over the course of the coming two years, Lecico will continue to roll-out its announced expansions in fired clay, sanitary ware and tiles capacities.

In tiles, Lecico is planning a two phase expansion of its current tile plant in Alexandria. The plan is to add approximately 4.4 million square meters of tile capacity. The factory is expected to cost around USD 5 million and the first 2.2 million square meter phase of the

expansion should be operational around the beginning of 2007. The entire project should be completed by the end of the second quarter of next year.

Fired clay is a specialized form of sanitary ware used to make larger pieces without distortion, these pieces cost about twice as much as vitreous china sanitary ware to produce with correspondingly higher selling prices. Typical pieces include shower trays and kitchen sinks. Lecico currently has an annual capacity of around 60,000 fired clay pieces and this expansion could take fired clay capacity as high as 200,000 pieces per annum depending on the evolving demand picture. If fully realized, the investment would cost around USD 5 million and would necessitate a 300,000 piece reduction in vitreous china sanitary ware capacity. Lecico believes this investment will make it one of the largest low cost producers of fired clay and may open up opportunities for further future expansions.

Lecico is continuing to prepare for the launch of two new 1 million piece per annum sanitary ware lines in Borg El Arab in 2006 and 2007. The first sanitary ware line is expected to begin operations late in 2006.

**Further reduction in management fee:** To underline the commitment of Intage and Sanitec to all shareholders in Lecico in this difficult operating environment, CMS – the joint management company of Intage and Sanitec – has decided to waive 25% of its Egyptian management fee again for the fourth quarter in alignment with the fall in net profits for all shareholders. In the fourth quarter this amounted to LE 0.83 million in addition to the waiving of all fees for Lebanon. CMS' management fee is calculated at 2% of gross sales for all manufacturing entities and is part of administrative expenses.

### **FY 2005 results conference call**

EFG-Hermes will host a conference call on Thursday, 16 March 2006 to discuss Lecico's 4Q and FY 2005 results at 2:00pm GMT (9:00am EST). To join the conference call, please dial +44 (0) 20 8974 7950 , passcode 389225#. A replay facility will also be available by telephone for one week at +44 (0) 1296 618 700, pin number 270997.

### **Dividend proposal and AGM**

Lecico will hold its Annual General Meeting (AGM) at 1:00 p.m. on 4th April 2006 at the Nile Hilton Hotel, Cairo. Lecico extends the invitation to attend to all shareholders.

Lecico will be presenting a review of its annual financial performance as outlined in this document at the AGM. The board is likely to propose a dividend of LE 3.00 per share, with a total distribution to shareholders of LE 60 million, subject to the AGM's approval.

## 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

Income statement						
(LE m)	4Q		%	FY		%
	2005	2004		2005	2004	
<b>Net sales</b>	<b>151.7</b>	<b>180.8</b>	<b>84%</b>	<b>652.4</b>	<b>696.8</b>	<b>94%</b>
Cost of sales	(100.5)	(106.0)	95%	(410.0)	(396.7)	103%
<b>Gross profit</b>	<b>51.2</b>	<b>74.7</b>	<b>69%</b>	<b>242.4</b>	<b>300.1</b>	<b>81%</b>
Gross margin (%)	33.8%	41.3%	(7.6%)	37.2%	43.1%	(5.9%)
Distribution expenses	(10.6)	(18.5)	57%	(44.4)	(50.2)	88%
Administrative expenses	(16.1)	(14.0)	115%	(62.4)	(63.6)	98%
Other Operating income	0.6	6.8	9%	4.3	10.7	40%
Other Operating expenses	0.1	(9.2)	-	(0.2)	(9.4)	2%
<b>Operating profit (EBIT)</b>	<b>25.2</b>	<b>39.8</b>	<b>63%</b>	<b>139.6</b>	<b>187.6</b>	<b>74%</b>
Operating (EBIT) margin (%)	16.6%	22.0%	(5.4%)	21.4%	26.9%	(5.5%)
Investment revenues	0.0	(0.3)	-	0.0	0.3	-
Gain on sale of investment	0.1	0.1	-	0.1	0.3	-
Interest revenues	5.3	1.5	361%	16.0	4.0	398%
Financing expenses	(7.5)	(11.3)	66%	(32.5)	(39.2)	83%
Foreign currencies exchange differences	(2.5)	0.3	-	(20.1)	1.7	-
Employee profit share	(7.1)	(7.3)	-	(7.1)	(7.3)	97%
<b>Profits before tax and minority (PBTM)</b>	<b>13.5</b>	<b>22.8</b>	<b>59%</b>	<b>95.9</b>	<b>147.4</b>	<b>65%</b>
PBTM margin (%)	8.9%	12.6%	(3.7%)	14.7%	21.2%	(6.5%)
Income tax	0.8	1.0	72%	(3.5)	(10.9)	33%
Deferred tax	(3.5)	0.0	-	(3.5)	0.0	-
<b>Profit after Tax</b>	<b>10.7</b>	<b>23.8</b>	<b>45%</b>	<b>88.9</b>	<b>136.5</b>	<b>65%</b>
Minority interest	0.4	4.8	9%	(0.1)	(0.4)	16%
<b>Net Profit</b>	<b>11.2</b>	<b>28.6</b>	<b>39%</b>	<b>88.8</b>	<b>136.1</b>	<b>65%</b>
Net profit margin (%)	7.4%	15.8%	(8.5%)	13.6%	19.5%	(5.9%)

## Lecico Egypt consolidated balance sheet

<b>Balance Sheet</b>				
(LE m)	31-Dec-05	31-Dec-04	9m 05/FY04 (%)	
Cash, equivalents and short-term investments	319.4	264.2	121%	
Inventory	271.4	226.8	120%	
Receivables	197.3	149.0	132%	
Related parties -debit balances	30.2	42.8	71%	
<b>Total current assets</b>	<b>818.3</b>	<b>682.8</b>	<b>120%</b>	
Net fixed assets	409.2	338.8	121%	
Intangible assets	16.1	16.0	100%	
Prepaid long-term rent	0.7	0.8	86%	
Projects in progress	112.7	53.3	212%	
Available for sale investments	5.5	4.7	117%	
Long-term notes receivable	2.1	3.2	66%	
<b>Total non-current assets</b>	<b>546.3</b>	<b>416.7</b>	<b>131%</b>	
<b>Total assets</b>	<b>1,364.7</b>	<b>1,099.6</b>	<b>124%</b>	
Banks overdraft	416.8	113.4	368%	
Current portion of long-term liabilities	28.1	29.2	96%	
Trade and notes payable	55.6	62.4	89%	
Other current payable	56.1	75.0	75%	
Related parties - credit balances	9.1	11.5	79%	
Provisions	7.4	7.4	100%	
<b>Total current liabilities</b>	<b>573.0</b>	<b>298.8</b>	<b>192%</b>	
Long-term loans	49.1	83.3	59%	
Other long-term liabilities	11.6	13.9	83%	
Provisions	6.3	7.1	-	
Deferred tax	3.5	0.0	-	
<b>Total non-current liabilities</b>	<b>70.5</b>	<b>104.3</b>	<b>68%</b>	
<b>Total liabilities</b>	<b>643.5</b>	<b>403.1</b>	<b>160%</b>	
<b>Minority interest</b>	<b>5.2</b>	<b>5.2</b>	<b>99%</b>	
Issued capital	100.0	100.0	100%	
Treasury stock	(3.7)	0.0	-	
Reserves	368.1	372.3	99%	
Retained earnings	162.7	82.8	197%	
Net profit for the period	88.8	136.1	65%	
<b>Total equity</b>	<b>716.0</b>	<b>691.3</b>	<b>104%</b>	
<b>Total equity, minorities and liabilities</b>	<b>1,364.7</b>	<b>1,099.6</b>	<b>124%</b>	

## Lecico Egypt consolidated cash flow statement

Cash flow statement (LE m)	FY		%
	2005	2004	
<b>Cash Flow from operating activities</b>			
Net profit for the period	88.8	136.1	65%
Depreciation and translation differences	37.6	26.1	144%
Intangible assets amortisation	0.2	0.1	232%
Employee profit participation	7.1	7.3	97%
Deferred tax expense	3.5	0.0	-
Prepaid rent expenses	0.1	0.1	100%
Gain on sale of investments	0.0	(0.3)	-
Capital gains	(0.1)	2.8	-
Provisions and translation differences	(2.2)	7.4	-
Reversal of provisions	0.0	(6.0)	-
Increase in minority interest	(0.0)	(18.8)	-
Increase in translation reserve	(3.0)	0.8	-
<b>Adjusted operating profit</b>	<b>132.0</b>	<b>155.7</b>	<b>85%</b>
<b>Changes in working capital</b>			
Increase in inventory	(44.3)	(51.1)	87%
Increase in receivables	(34.0)	(3.7)	915%
Increase in payables	(28.1)	23.5	-
Utilised provisions	(0.6)	(20.4)	-
Increase in trading investment	(54.8)	(4.9)	-
<b>Net cash from operating activities</b>	<b>(29.8)</b>	<b>99.1</b>	<b>-</b>
<b>Cash flow from investing activities</b>			
Additions to fixed assets and projects	(166.3)	(121.7)	137%
Increase in intangible assets	(0.2)	(0.6)	44%
Net change in available for sale investments	(0.8)	0.9	-
Proceeds from sales of fixed assets	0.2	0.2	71%
Decrease in long-term notes receivable	1.1	1.2	89%
<b>Net cash used in investing activities</b>	<b>(166.1)</b>	<b>(119.9)</b>	<b>139%</b>
<b>Cash flow from financing activities</b>			
Net proceeds from capital increase	0.0	290.7	-
Increase in long-term liabilities and current portion	(37.6)	10.7	-
Decrease in treasury stocks	(3.7)	4.9	-
Paid participation in profit of employees	(5.9)	(4.4)	133%
Dividends paid	(59.9)	(43.7)	137%
<b>Net cash used in financing activities</b>	<b>(107.1)</b>	<b>258.1</b>	<b>-</b>
<b>Net change in cash during the period</b>	<b>(303.0)</b>	<b>237.3</b>	<b>-</b>
Net cash and equivalents at beginning of the period	145.8	(91.5)	-
<b>Net cash and equivalents at the end of the period</b>	<b>(157.1)</b>	<b>145.8</b>	<b>-</b>