

A modern bathroom interior featuring white ceramic fixtures (toilet, bidet, and two sinks) against a wall with a complex geometric pattern. The lighting is dramatic, with spotlights on a dark vanity area. The overall aesthetic is clean and contemporary.

# Leccio

**An Egyptian Exporter**

**Full Year 2010 Results Presentation**

**March 2011**

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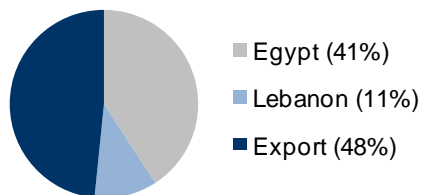


# Corporate Summary

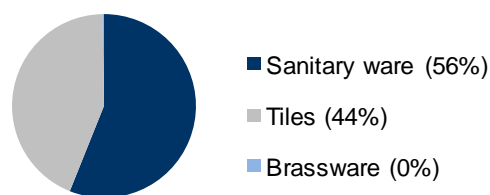
## Introduction: An Egyptian exporter

- Lecico Egypt S.A.E. is one of the world's largest sanitary ware producers and a large tiles producer
- Lecico was founded in 1959 and has been majority owned by the Gargour family since 1969
- The company has a global competitive advantage making European quality sanitary ware at Egyptian costs
- The company is a significant exporter with c44% of Lecico's sanitary ware sales volume going into Europe
- Lecico finished major capacity expansions in tile and sanitary ware in 2007 which boosted capacity to 21.4m sqm of tiles and 6.7m pieces of sanitary ware and fire clay
- In Summer 2010, Lecico began brassware production with a 300,000 piece per annum capacity factory
- In Summer 2011, Lecico is expected to begin production in its new tile factory in Borg El Arab. The factory is expected to reach 17m sqm capacity over the following 4 years

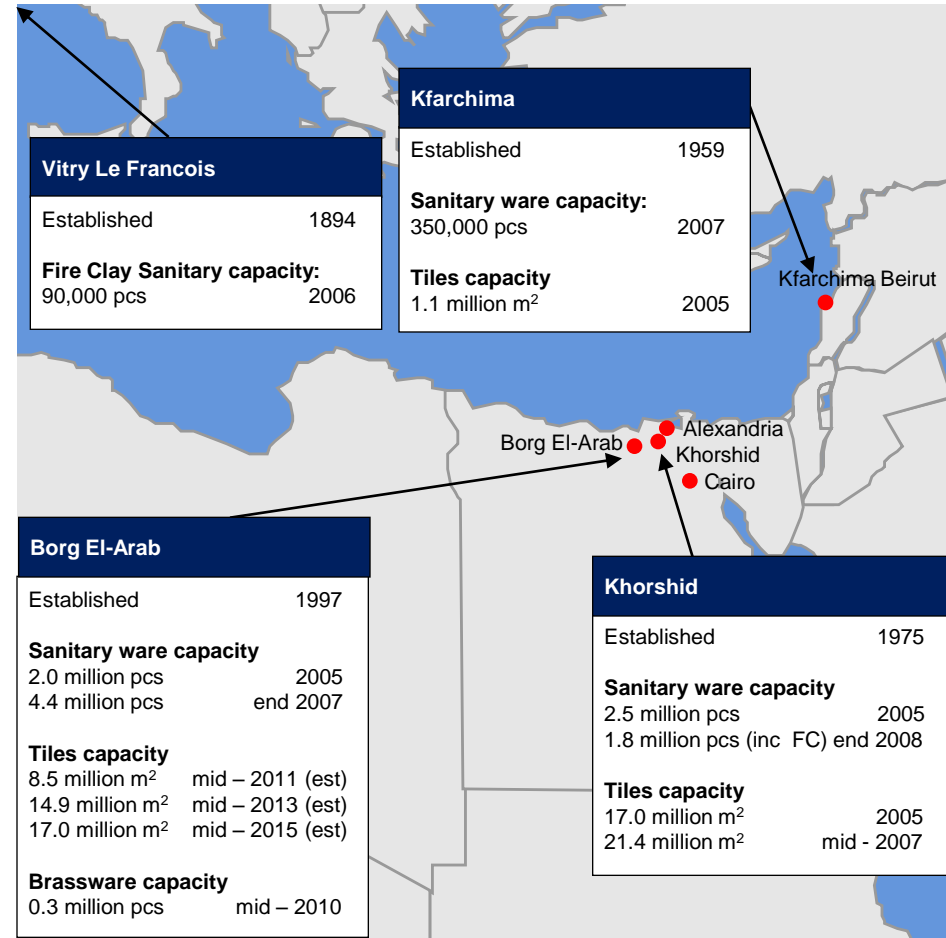
Split of domestic and export<sup>1</sup>



Split of sanitary ware and tiles<sup>1</sup>



Note: (1) FY 2010



\* All production facilities are owned and controlled by Lecico



Corporate Profile

# Investment case



## Experience

- Brand with over 50 years of history
- Multi-national management
- Decades of OEM exports to Europe

## Regional leadership

- Sanitary ware market leader in Egypt and Lebanon
- Largest producer in the Middle East

## Growing exports

- c58% of sanitary ware is exported
- SW exports 9% CAGR (2000-10)
- 10%+ UK, France & Ireland mkt share

## Significant cost advantage

- USD 10.50/piece cost (50% of peers)
- cUSD 1.50/piece shipping to Europe
- European quality product

## Aggressive expansion program

Tile capacity more than doubled and sanitary ware capacity grew 49% since 2000

Substantial further tile capacity expansion underway

## Strong historic growth record

18% Revenue CAGR (2000-2009)  
24% Net Profit CAGR

Supplier for key European brands

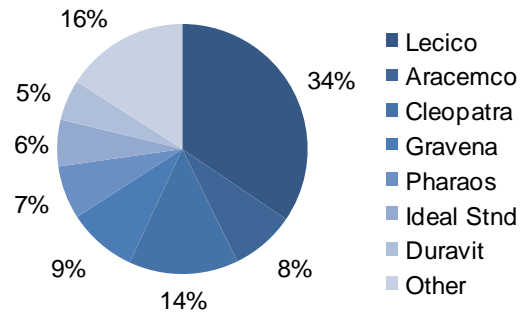
Export-led growth



## Domestic market leadership

### Market leadership in Egypt

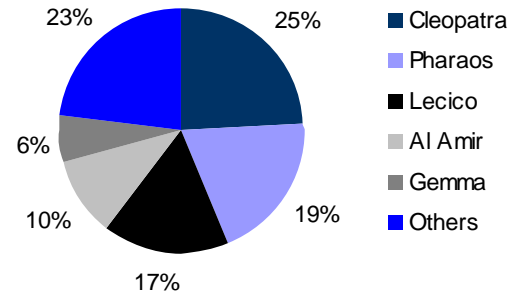
#### Sanitary ware market (5.8 million pieces)<sup>1</sup>



- Leading sanitary ware market share
- 2.0m piece Lecico capacity expansion ongoing

Note: (1) Management estimates for 2009

#### Tile market (80 million m<sup>2</sup>)<sup>2</sup>

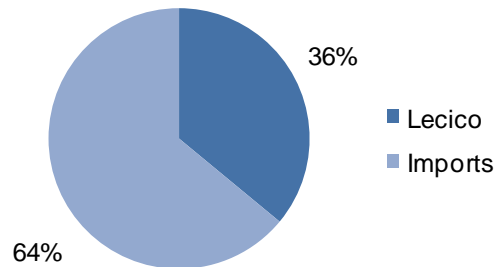


- Competitive pricing to support distributors' sanitary ware sales
- 4.4 m sqm Lecico capacity expansion ongoing

Note: (3) Management estimates for 2005

### Market leadership in Lebanon

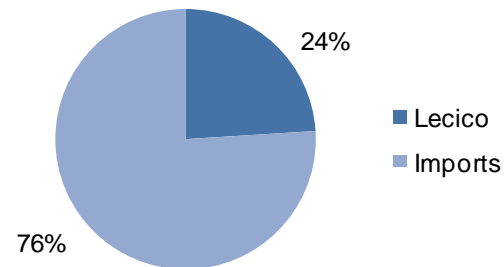
#### Sanitary ware market (0.58 million pcs)<sup>3</sup>



- Leading sanitary ware market share
- Branded as European quality

Note: (3) Management estimates for 2009

#### Tile market (8.5 million m<sup>2</sup>)<sup>3</sup>

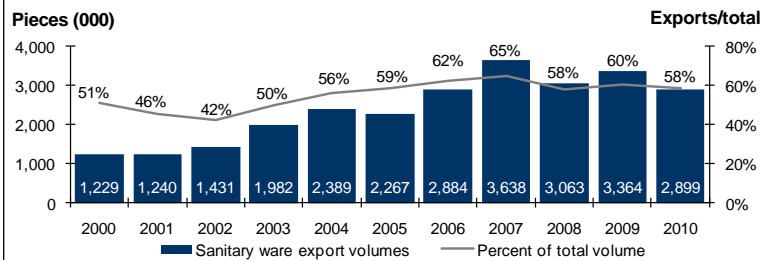


- Number two market share in tile sales
- Presence maintained to complement sanitary ware sales

## Growing exports

### Growth in group's exports

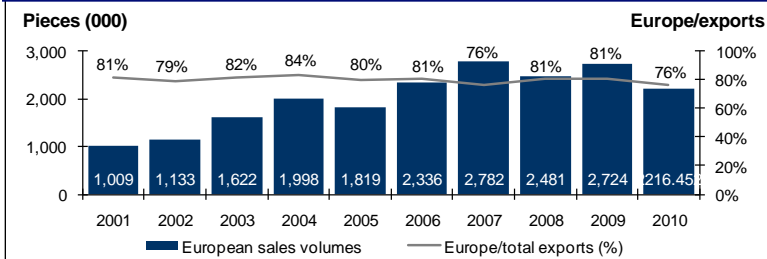
#### Lecico's total export volumes (sanitary ware)



- Sanitary ware export volumes grew at 9% CAGR (2001-2010)
- 2010 Volumes fell due to warehouse fire, UK slowdown and repositioning France

### Export focus on Europe

#### Europe as percentages of total exports

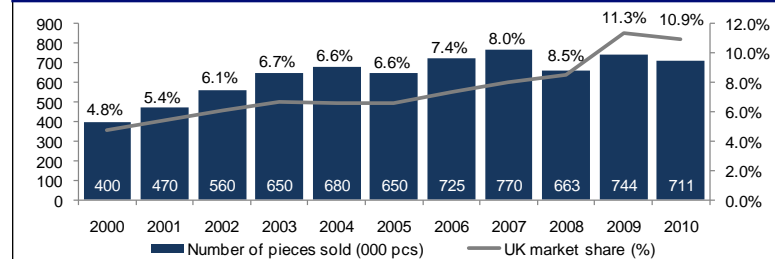


- Average of over 80% of exports are to Western Europe
- 2011 should see improvement on new markets and OEM

#### Egypt's leading sanitary ware exporter

- Lecico exports c60% of its sales vs. 20% for local peers
- Lecico sells to over 50 countries (including OEM sales)
- Approximately 30% of exports (17% of sanitary ware sales) are for other brands
- Lecico represents over 50% of Egypt's sanitary ware exports with the balance split among 9 manufacturers

#### Growth of Lecico brand sanitary ware market share in UK



- UK estimated c11% market share in Lecico-branded sales
- A further c14% market share in OEM sales to the UK

# Significant cost advantage



## International cost advantage

### Lecico produces sanitary ware at an all-in average cost of US\$13.5/piece

- In Egypt, ceramic manufacturing cost averages US\$10.0/piece of sanitary ware
- The difference reflects higher packing costs for EU-destined exports and significantly higher industrial cost in Lebanon
- Our information suggests other low cost producers' manufacturing cost averages US\$15-30 / piece
- While European producers average US\$35+ / piece depending on their market

### Why is Lecico able to produce so cheaply?

- **Egypt:** Low energy costs, low labour cost, low investment costs, low effective taxes
- **Size:** Economies of scale, standard global plant size: 1m pieces
- **Experience:** Over 45 years as a company and almost 40 years as a sanitary ware producer
- **Utilization:** 85-90% capacity utilization rate versus 70% industry average in Egypt
- **Efficiency:** Production per employee is over twice that of local competitors

### Investment, distribution and overheads benefit from regional economies of scale

- Sanitary ware investment cost approx US\$20-30 / piece vs. US\$25-40 / piece global standard
- Low shipping cost to Europe: US\$1.50 per sanitary ware piece vs. approx US\$6+ for Asian manufactures



Growth strategy



## Expand regional and international exports

- Aim to increase market growth
  - UK, Ireland, France



- Potential future markets

- Germany, Algeria, Saudi Arabia, Iraq, Syria



- New and expanded OEM contracts – Sanitec, Heritage, SFA and others

## Build multi-brand and service options solutions for customers

- Local service options in key markets (stock, delivery, tailor-made NPD)
- International manufacturing options: direct container delivery at competitive pricing
- Dual brand + strategy: European brands (Sarreguemines), Commercial brand (Lecico) and OEM

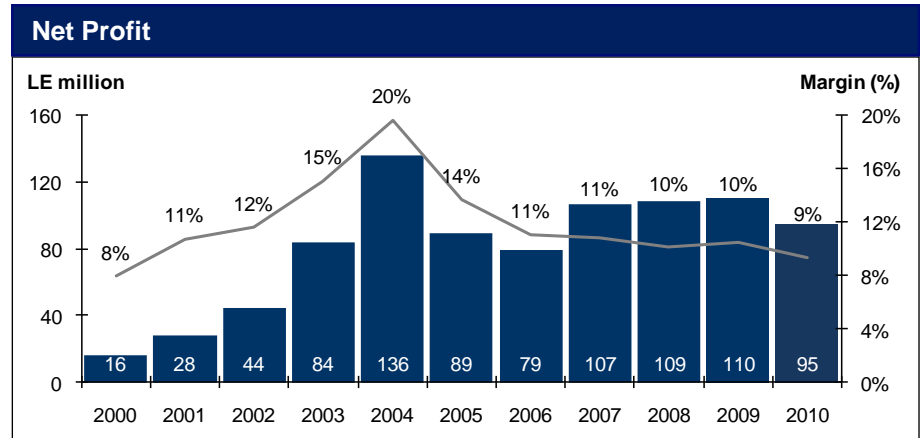
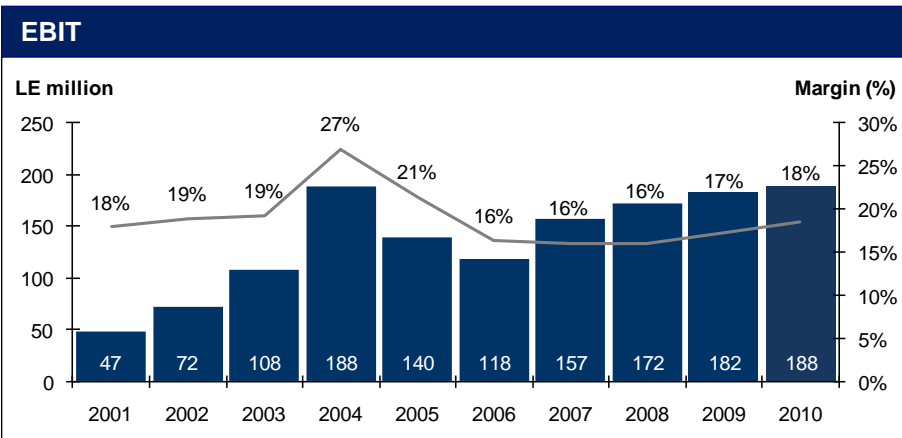
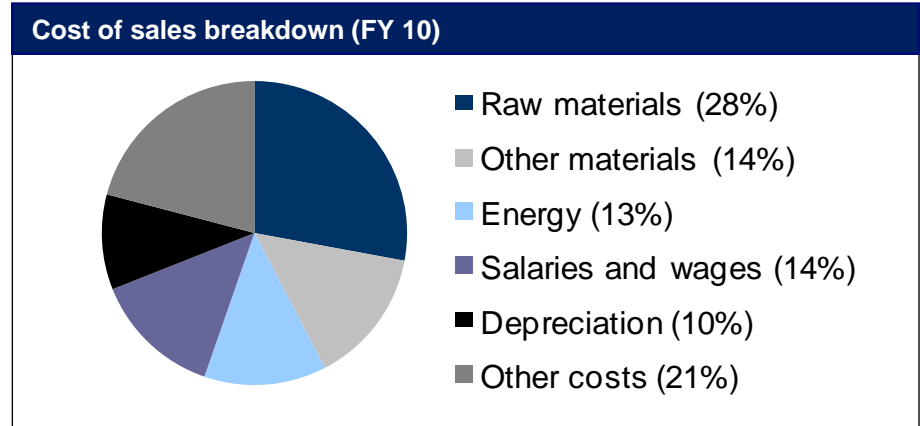
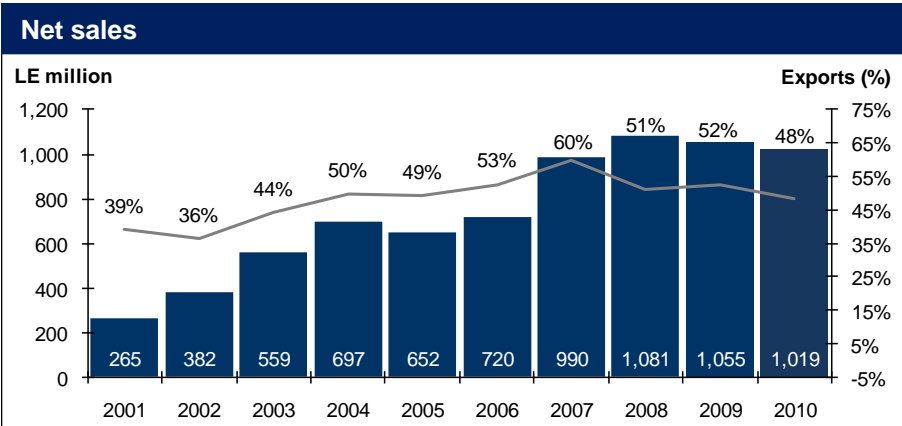
## Commercial strategy: Offer more for less

- Strategy based on giving all the benefits of European supplier at best prices
- Consistent and dependable world-class quality, service, manufacturing and design
- Advantages over European peers: Greater flexibility as a partner at better prices

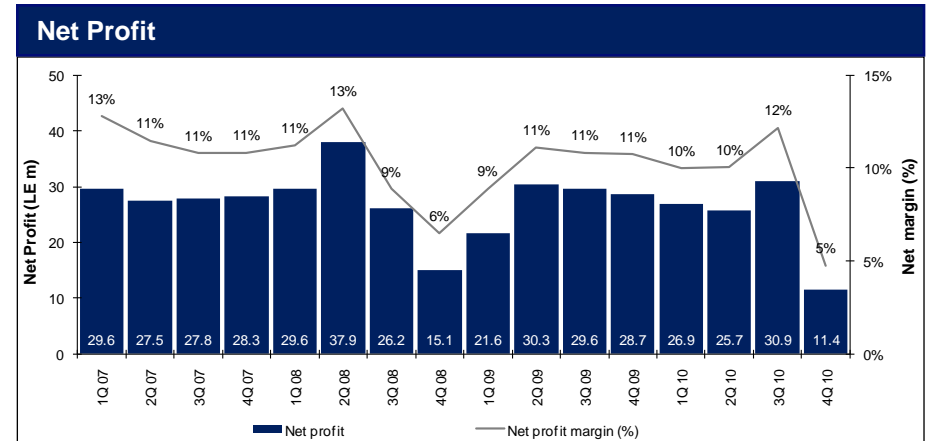
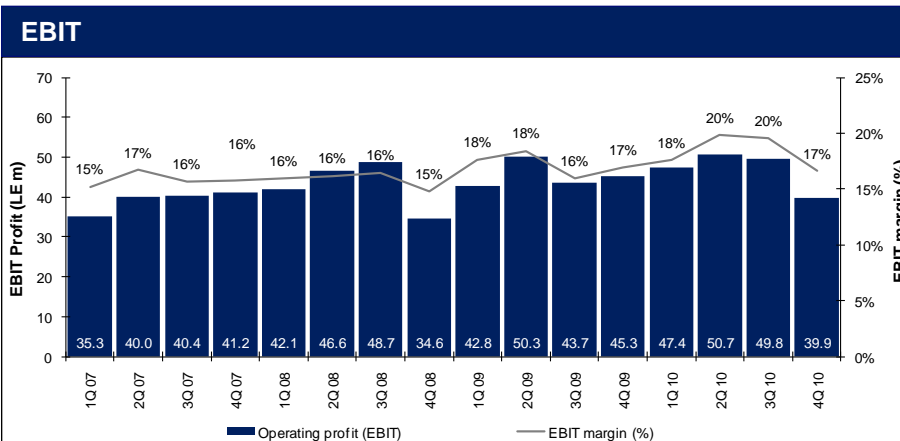
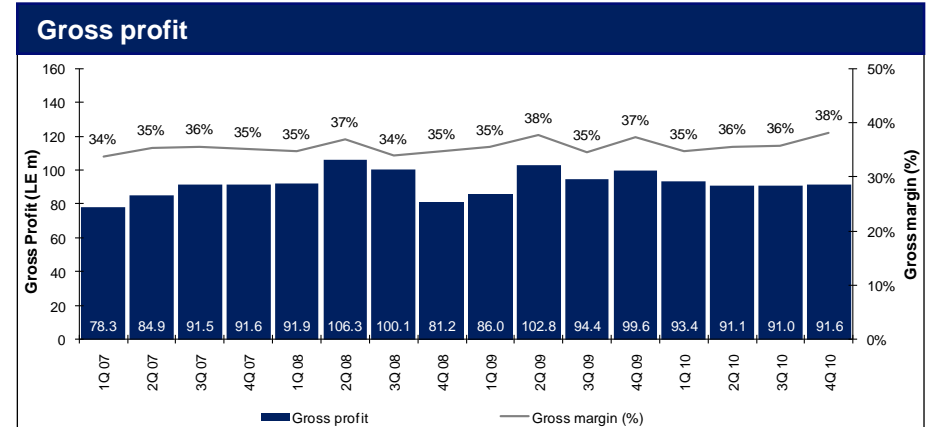
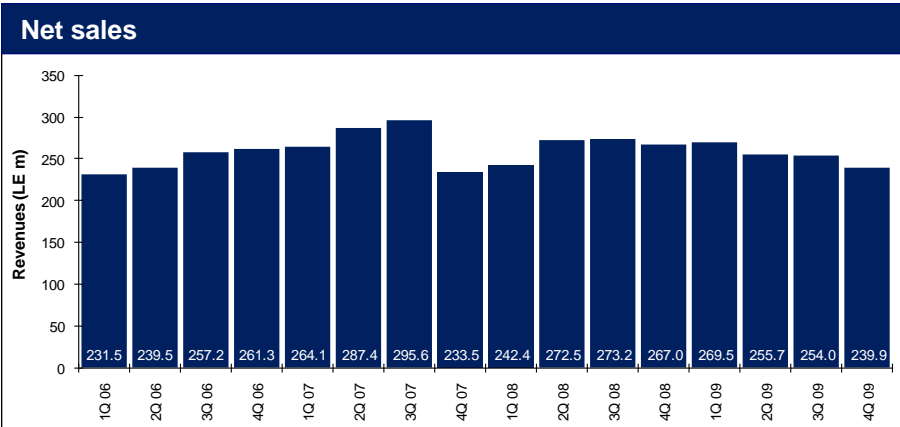


# Financial overview

# Profit and loss



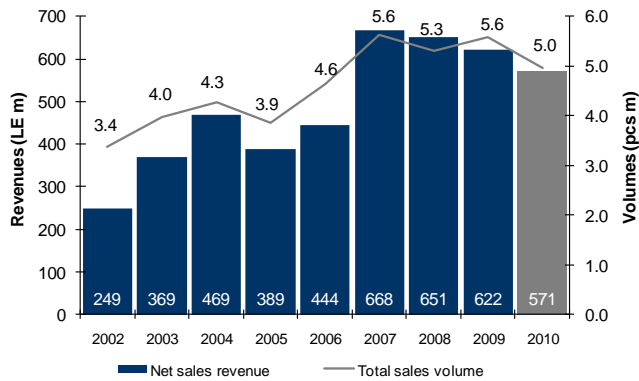
# Quarterly P&L Trends



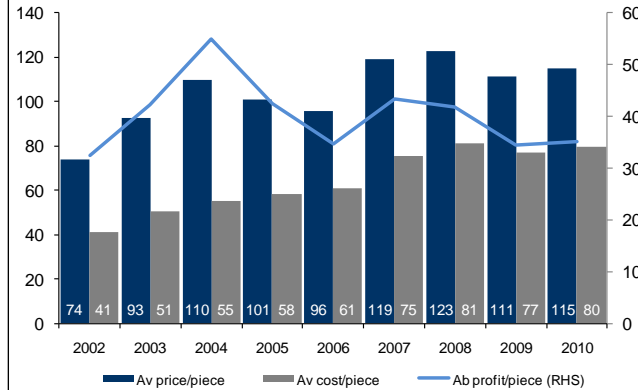
# Segmental analysis



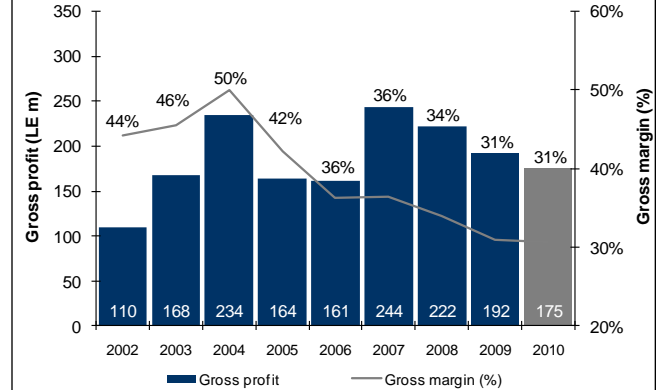
### Sanitary ware – sales volumes and revenue



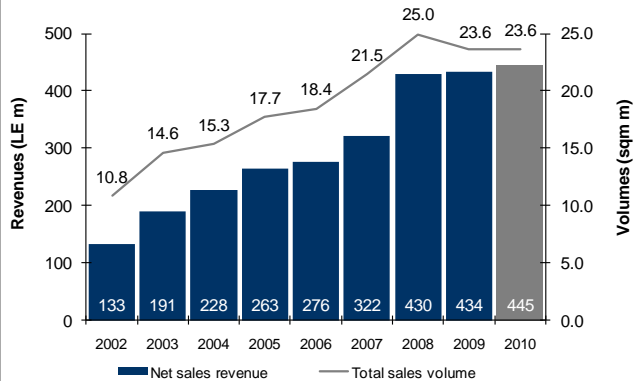
### Sanitary ware – selling price and cost per piece



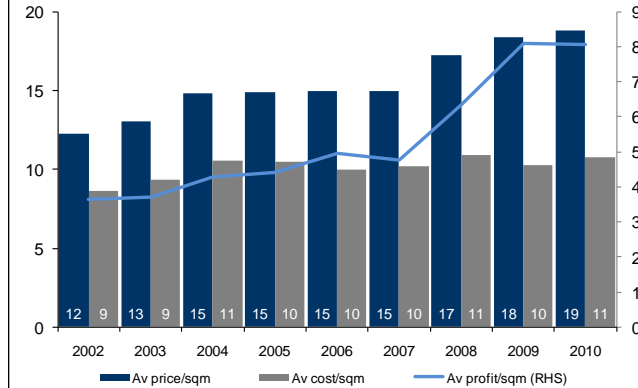
### Sanitary ware – gross profit and margin



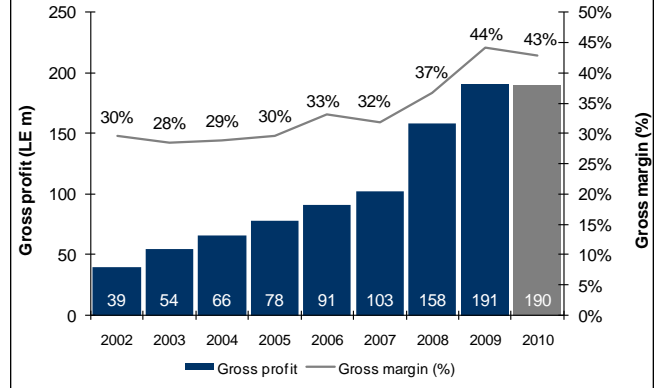
### Tiles – sales volumes and revenues



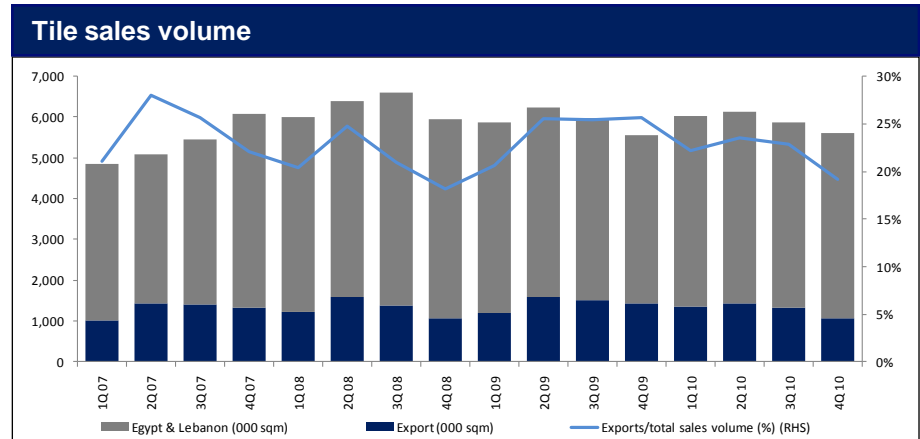
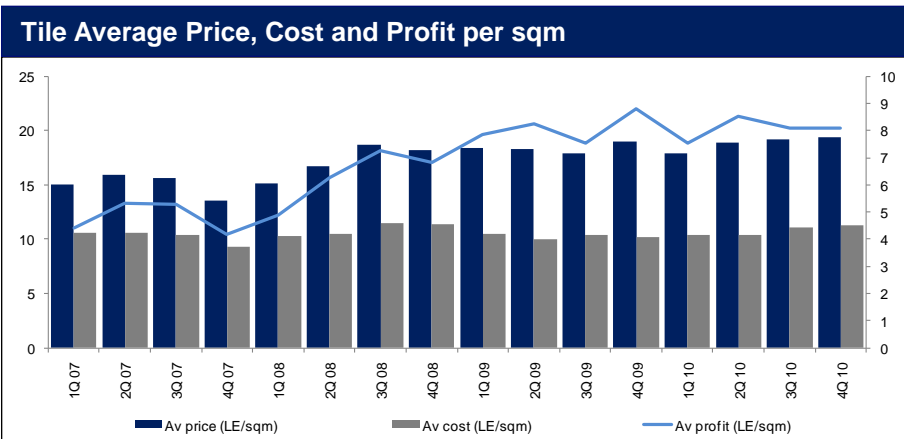
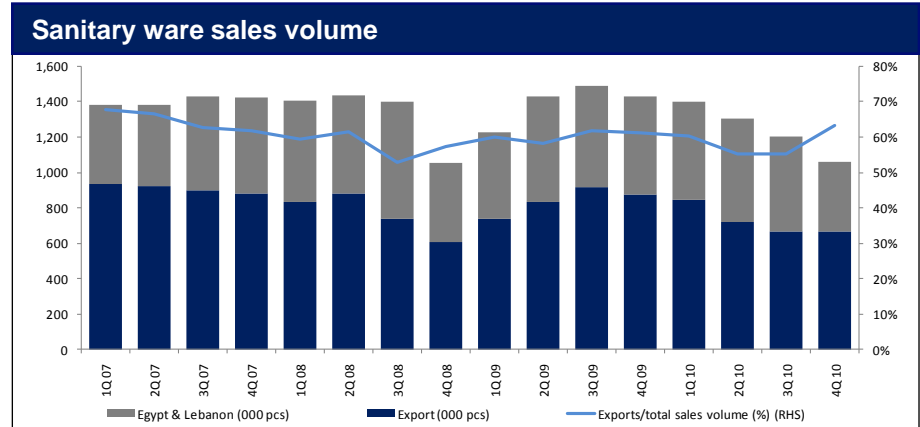
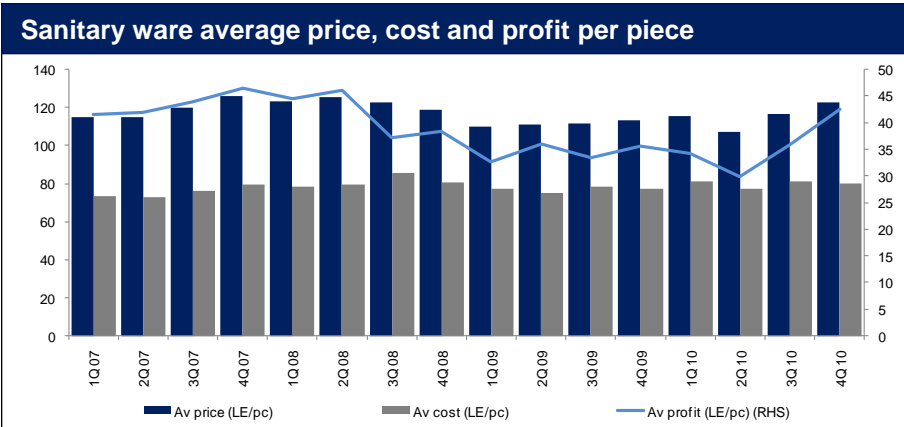
### Tiles – selling price and cost per sqm



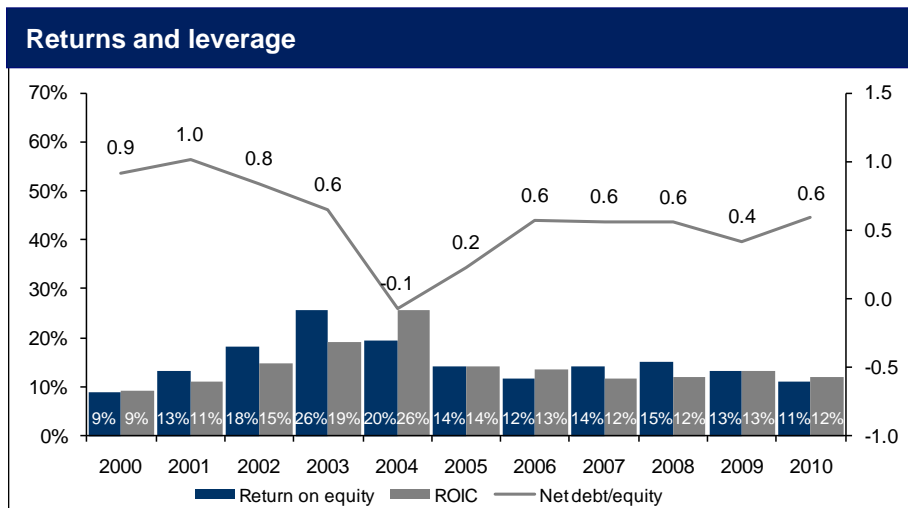
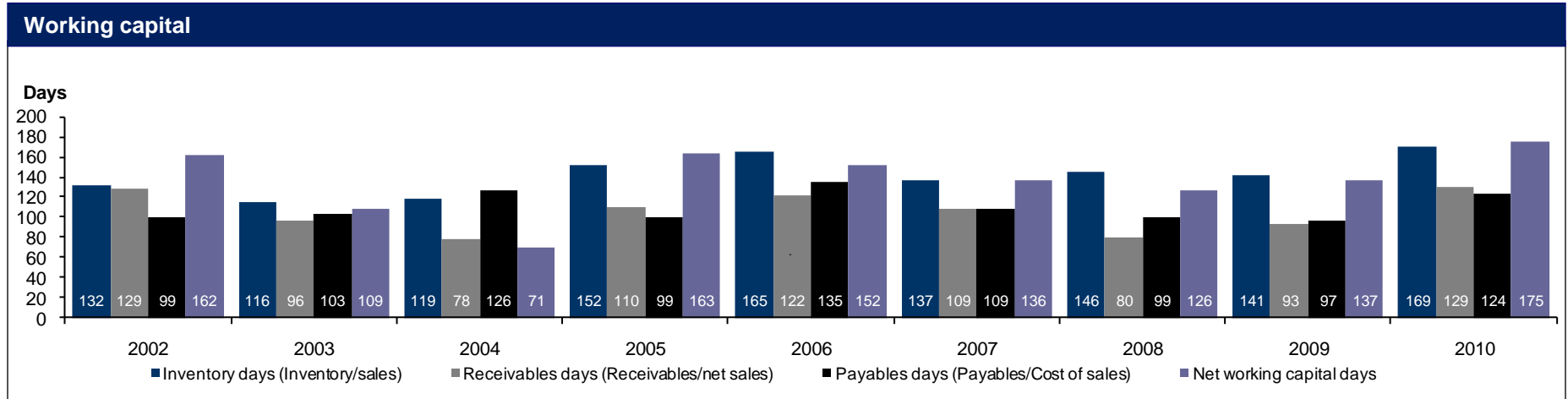
### Tiles – gross profit and margin



# Quarterly Segmental trends



## Balance sheet and cash flow



### Capital expenditures 2011e

| Project                                     | Investment cost (LE m) |
|---|------------------------|
| Maintenance work                            | 30.0                   |
| Gres Porcellanato Tile plant phase 1        | 35.0                   |
| Casting shop expansions                     | 30.0                   |
| Frit and Brassware                          | 2.0                    |
| <b>Total planned specific project capex</b> | <b>97.0</b>            |

## P&L summary 4Q and FY 2010



| Income statement                              |              |              |            |                |                |             |
|---|--------------|--------------|------------|----------------|----------------|-------------|
| (LE m)  | 4Q           |              | %          | FY             |                | %           |
|   | 2010         | 2009         | 10/09      | 2010           | 2009           | 10/09       |
| <b>Net sales</b>                              | <b>239.9</b> | <b>267.0</b> | <b>90%</b> | <b>1,019.2</b> | <b>1,055.2</b> | <b>97%</b>  |
| Cost of sales                                 | (148.3)      | (167.4)      | 89%        | (651.9)        | (672.1)        | 97%         |
| <b>Gross profit</b>                           | <b>91.6</b>  | <b>99.6</b>  | <b>92%</b> | <b>367.3</b>   | <b>383.1</b>   | <b>96%</b>  |
| Gross margin (%)                              | 38.2%        | 37.3%        | 0.9%       | 36.0%          | 36.3%          | (0.3%)      |
| Distribution and Administrative expenses      | (43.0)       | (47.6)       | 90%        | (171.4)        | (186.0)        | 92%         |
| Net Other Operating income                    | (8.7)        | (6.7)        | 129%       | (7.9)          | (14.5)         | 54%         |
| <b>Operating profit (EBIT)</b>                | <b>39.9</b>  | <b>45.3</b>  | <b>88%</b> | <b>188.0</b>   | <b>182.6</b>   | <b>103%</b> |
| Operating (EBIT) margin (%)                   | 16.6%        | 17.0%        | (0.4%)     | 18.4%          | 17.3%          | 1.1%        |
| Investment revenues                           | (0.0)        | 0.0          | 0%         | 2.1            | 1.6            | 131%        |
| Finance income                                | 0.6          | 1.6          | 36%        | 5.3            | 6.8            | 78%         |
| Finance expense                               | (17.9)       | (10.4)       | 172%       | (60.5)         | (51.2)         | 118%        |
| <b>Profits before tax and minority (PBTM)</b> | <b>22.6</b>  | <b>36.5</b>  | <b>62%</b> | <b>134.9</b>   | <b>139.8</b>   | <b>96%</b>  |
| PBTM margin (%)                               | 9.4%         | 13.7%        | (4.2%)     | 13.2%          | 13.3%          | (0.1%)      |
| Income and deferred tax                       | (6.5)        | (6.1)        | 107%       | (28.4)         | (19.7)         | 144%        |
| <b>Net Profit after tax (NPAT)</b>            | <b>16.1</b>  | <b>30.4</b>  | <b>53%</b> | <b>106.5</b>   | <b>120.1</b>   | <b>89%</b>  |
| NPAT margin (%)                               | 6.7%         | 11.4%        | (4.7%)     | 10.4%          | 11.4%          | (1.0%)      |
| Employee profit participation                 | (4.3)        | (2.8)        | 154%       | (13.2)         | (10.8)         | 122%        |
| <b>Net profit before minority interest</b>    | <b>11.8</b>  | <b>27.6</b>  | <b>43%</b> | <b>93.3</b>    | <b>109.3</b>   | <b>85%</b>  |
| Minority interest                             | (0.4)        | 1.1          | 0%         | 1.5            | 0.9            | 0%          |
| <b>Net Profit</b>                             | <b>11.4</b>  | <b>28.7</b>  | <b>40%</b> | <b>94.8</b>    | <b>110.2</b>   | <b>86%</b>  |
| Net profit margin (%)                         | 4.8%         | 10.7%        | (5.9%)     | 9.3%           | 10.4%          | (1.1%)      |

# Segmental Analysis 4Q and FY 2010



## Sanitary ware segmental analysis

|  | 4Q           |              | %          | FY           |              | %          |
|--|--------------|--------------|------------|--------------|--------------|------------|
|  | 2010         | 2009         |            | 2010         | 2009         |            |
| Sanitary ware volumes (000 pcs)              |              |              |            |              |              |            |
| Egypt (000 pcs)                              | 348          | 513          | 68%        | 1,866        | 2,034        | 92%        |
| Lebanon (000 pcs)                            | 41           | 43           | 95%        | 202          | 179          | 113%       |
| Export (000 pcs)                             | 669          | 873          | 77%        | 2,899        | 3,364        | 86%        |
| <b>Total sanitary ware volumes (000 pcs)</b> | <b>1,058</b> | <b>1,429</b> | <b>74%</b> | <b>4,967</b> | <b>5,577</b> | <b>89%</b> |
| Exports/total sales volume (%)               | 63.2%        | 61.1%        | 2.1%       | 58.4%        | 60.3%        | (1.9%)     |
| <b>Sanitary ware revenue (LEm)</b>           | <b>129.5</b> | <b>161.4</b> | <b>80%</b> | <b>571.4</b> | <b>621.5</b> | <b>92%</b> |
| Average selling price (LE/pc)                | 122.4        | 112.9        | 108%       | 115.0        | 111.4        | 103%       |
| Average cost per piece (LE/pc)               | 80.0         | 77.5         | 103%       | 79.8         | 77.0         | 104%       |
| Sanitary ware cost of sales                  | (84.6)       | (110.7)      | 76%        | (396.4)      | (429.5)      | 92%        |
| Sanitary ware gross profit                   | 44.9         | 50.7         | 89%        | 175.0        | 192.0        | 91%        |
| Sanitary ware gross profit margin (%)        | 34.7%        | 31.4%        | 3.3%       | 30.6%        | 30.9%        | (0.3%)     |

## Tile segmental analysis

|                                     | 4Q           |              | %           | FY            |               | %           |
|-------------------------------------|--------------|--------------|-------------|---------------|---------------|-------------|
|                                     | 2010         | 2009         |             | 2010          | 2009          |             |
| Tile volumes (000 sqm)              |              |              |             |               |               |             |
| Egypt (000 sqm)                     | 4,037        | 3,632        | 111%        | 16,102        | 15,817        | 102%        |
| Lebanon (000 sqm)                   | 505          | 505          | 100%        | 2,336         | 2,071         | 113%        |
| Export (000 sqm)                    | 1,078        | 1,430        | 75%         | 5,195         | 5,743         | 90%         |
| <b>Total tile volumes (000 sqm)</b> | <b>5,620</b> | <b>5,567</b> | <b>101%</b> | <b>23,633</b> | <b>23,631</b> | <b>100%</b> |
| Exports/total sales volume (%)      | 19.2%        | 25.7%        | (6.5%)      | 22.0%         | 24.3%         | (2.3%)      |
| <b>Tile revenue (LEm)</b>           | <b>108.9</b> | <b>105.6</b> | <b>103%</b> | <b>444.9</b>  | <b>433.7</b>  | <b>103%</b> |
| Average selling price (LE/sqm)      | 19.4         | 19.0         | 102%        | 18.8          | 18.4          | 103%        |
| Average cost per sqm (LE/sqm)       | 11.3         | 10.2         | 111%        | 10.8          | 10.3          | 105%        |
| Tile cost of sales                  | (63.5)       | (56.7)       | 112%        | (254.5)       | (242.6)       | 105%        |
| Tile gross profit                   | 45.4         | 48.9         | 93%         | 190.4         | 191.1         | 100%        |
| Tile gross profit margin (%)        | 41.7%        | 46.3%        | (4.6%)      | 42.8%         | 44.1%         | (1.3%)      |

# Balance Sheet Summary YE 2010



| Balance Sheet<br>(LE m)                         | 31-Dec-10      | 31-Dec-09      | FY10/FY09 (%) |
|---|----------------|----------------|---------------|
| Cash and short-term investments                 | 112.4          | 99.6           | 113%          |
| Inventory                                       | 473.3          | 408.5          | 116%          |
| Receivables                                     | 318.4          | 237.6          | 134%          |
| Related parties -debit balances                 | 42.6           | 32.0           | 133%          |
| <b>Total current assets</b>                     | <b>946.7</b>   | <b>777.7</b>   | <b>122%</b>   |
| Net fixed assets                                | 663.3          | 672.1          | 99%           |
| Intangible assets                               | 23.1           | 23.9           | 97%           |
| Projects in progress                            | 150.0          | 91.6           | 164%          |
| Other non-current assets                        | 28.9           | 6.3            | 459%          |
| <b>Total non-current assets</b>                 | <b>865.3</b>   | <b>793.8</b>   | <b>109%</b>   |
| <b>Total assets</b>                             | <b>1,812.0</b> | <b>1,571.5</b> | <b>115%</b>   |
| Banks overdraft                                 | 557.1          | 333.4          | 167%          |
| Current portion of long-term liabilities        | 56.9           | 53.8           | 106%          |
| Trade and notes payable                         | 69.3           | 65.9           | 105%          |
| Other current payable                           | 151.3          | 113.1          | 134%          |
| <b>Total current liabilities</b>                | <b>834.6</b>   | <b>566.2</b>   | <b>147%</b>   |
| Long-term loans                                 | 11.5           | 57.5           | 20%           |
| Other long-term liabilities                     | 92.0           | 115.7          | 79%           |
| <b>Total non-current liabilities</b>            | <b>103.4</b>   | <b>173.2</b>   | <b>60%</b>    |
| <b>Total liabilities</b>                        | <b>938.0</b>   | <b>739.4</b>   | <b>127%</b>   |
| <b>Minority interest</b>                        | <b>2.9</b>     | <b>3.5</b>     | <b>83%</b>    |
| Issued capital                                  | 300.0          | 200.0          | 150%          |
| Reserves  | 294.3          | 282.9          | 104%          |
| Retained earnings                               | 182.0          | 235.5          | 77%           |
| Net profit for the year                         | 94.8           | 110.2          | 86%           |
| <b>Total equity</b>                             | <b>871.1</b>   | <b>828.6</b>   | <b>105%</b>   |
| <b>Total equity, minorities and liabilities</b> | <b>1,812.0</b> | <b>1,571.5</b> | <b>115%</b>   |



Share performance and data

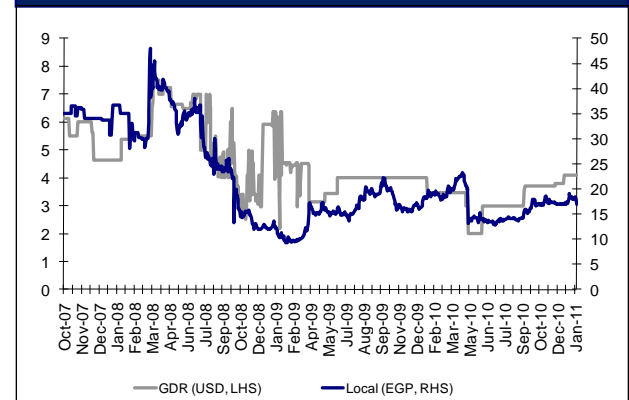
# Shareholding structure and performance



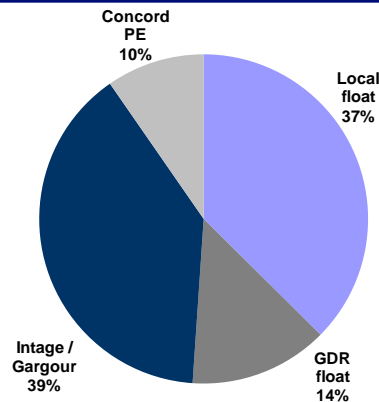
## Liquidity has moved to local share and improved

- **Lecico valued at a market cap of US\$ 173 million with a 51% free float**
  - Almost all activity has moved from GDR to local share
  - As part of its annual profit distribution, Lecico increased number of shares from 40m to 60m in May 2010
  - Lecico plans to increase its shares to 80m in 1H 2011 through another bonus issue
  - Local share trades US\$ 118,000 per day and on 100% of trading days (12m thru January 2011)
  - Trading frequency has gone to 100% of market days from c 40% of market days in 2005-2007
- **Lecico trades at a trailing PER multiple of 10.8x 2010 earnings**
  - EV/EBITDA of 5.8x.
  - Price to book value of 1.2x
  - Dividend Yield of 5.9%

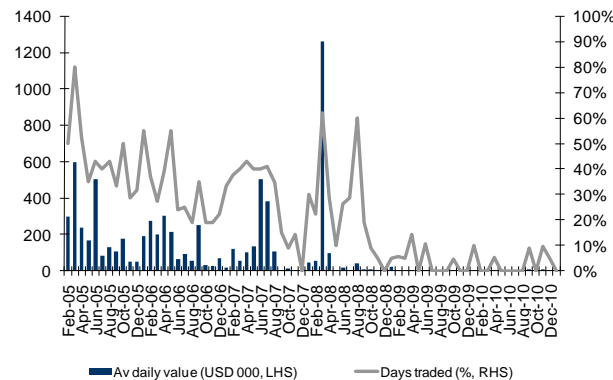
### Lecico share price comparison



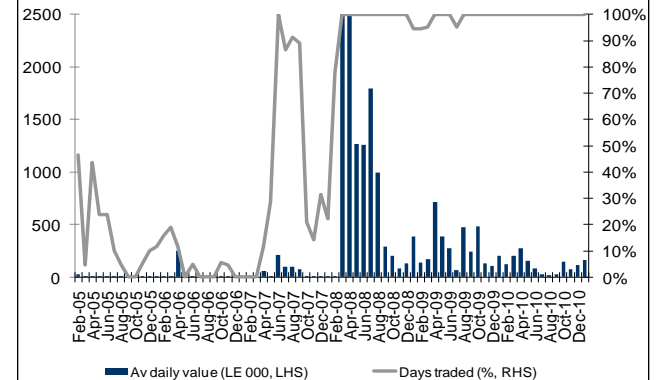
### Shareholding structure



### Share liquidity overview (GDR)



### Share liquidity overview (Local)



Thank you

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**Lecico**

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