



Full Year 2005 Results

Lecico announces 35% drop in net profits for 2005 due to demand weakness in key markets and appreciation of the Egyptian pound against main trading currencies

Alexandria, 14 March, 2006 – Lecico Egypt announced consolidated results for the year ended 31 December 2005. Revenue for the year was down 6% at LE 652.4 million. Operating profit (EBIT) was down 26% to LE 139.6 million (EBIT margin down 5.5 percentage points at 21.4%). Net profit for the year was down 35% to LE 88.8 million (net margin down 5.9 percentage points at 13.6%).

For the fourth quarter of 2005, revenue was down 16% year-on-year at LE 151.7 million. Operating profit (EBIT) for the quarter was down 37% at LE 25.2 million (EBIT margin was down 5.4 percentage points at 16.6%). Net profit was down 61% to LE 11.2 million after year-end adjustments (net margin was down 8.5 percentage points at 7.4%).

2004 and 2005 numbers were adjusted to include employee profit participation as an expense so that the Lecico accounts comply with IFRS under which it reports. Most Egyptian companies report under Egyptian Accounting Standards and do not consequently expense this item. A deferred tax liability was also included for the first time to take into account timing differences that arise from the new tax legislation introduced in Egypt during 2005. These items have reduced net profit by LE 10.6 million in 2005 and LE 7.3 million in 2004. All were all incurred in the fourth quarter.

“The last quarter of 2005 has seen a confirmation, and in some cases an acceleration, of the difficulties witnessed during the year. However, we have also seen the early results of our efforts to return to growth.” comments Gilbert Gargour, Lecico Egypt’s Chairman and CEO. “In 2006, we will see the benefits of our investments in adding casting capacity, expanding kiln capacity, and beginning to produce our major imported raw material for tiles internally. Furthermore, our efforts to grow existing markets and penetrate new ones should deliver sustainable growth in volumes in 2006 and beyond.”

“2006 is likely to remain a challenging year given continued Egyptian pound strength and the continued risks to demand in our main markets,” added Elie Baroudi, Lecico Egypt MD. “However, I am confident that our aggressive sales focus and the roll-out of new capacities will begin to deliver secure, strong and sustained growth for Lecico this year.”

Management fee reduced for 2005: Intage and Sanitec have always been committed to align their management fee to the interests of all shareholders. Consequently, they have decided to waive their Lebanese management fee and reduce their Egyptian management fee by 25 % for 2005, to reflect falling profits available to shareholders.

The full statements for the period with segmental analysis are available on our website.

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 and investment costs resulting from its economies of scale and location in Egypt and Lebanon. Lecico's marketing strategy is to use its cost advantages to target the mass market with high quality pieces at competitive prices.

Lecico exports over half its sanitary ware production and has a significant presence in the United Kingdom and other European markets. Most of the Company's exports are done under the Lecico brand, although it also produces for other European brands. Lecico has a strategic relationship with Sanitec, a leading producer of sanitary ware in Europe, and benefits from this relationship through information sharing, extensive knowledge transfer programs and significant outsourcing contracts for Sanitec's brands.

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