



## Second Quarter 2005 Results

Lecico announces 4% increase in revenues for 2Q 2005, despite continued slow demand in major markets and slight increase in foreign exchange losses

**Alexandria, 15 August, 2005** – Lecico Egypt announced consolidated results for the second quarter of 2005. Revenue was up 4% year-on-year at LE 177.6 million, but a slow down in production and Egyptian pound appreciation impacted profitability. Operating profit (EBIT) for the quarter was down 24% at LE 42.8 million (EBIT margin was down 9.0 percentage points at 24.1%). Net profit was down 13% to LE 34.7 million (net profit margin was down 3.7 percentage points at 19.5%).

For the first half of 2005, Lecico reported revenue of LE 330.2 million, up marginally year-on-year. EBIT was down 14% at LE 79.5 million (margin was down 4.1 percentage points at 24.1%). Profit for the period was negatively impacted by a large foreign exchange loss, driving first half net profit down 24% year-on-year to LE 51.2 million (margin was down 4.9 percentage points at 15.5%). Excluding the FX impact, recurring net profit was up 2.4% at LE 68.1 million (margin was up 0.4 percent points to 20.6%).

“This has not been a satisfactory period” comments Gilbert Gargour, Lecico Egypt’s Chairman and CEO. “A confluence of negative factors has made this the toughest season we have seen in five years, which is particularly unfortunate in Lecico’s first year of public life. Given these factors, performance has been relatively resilient: our tile business is having record results; exports, excluding the UK, are up almost 40%; and first half net profits, excluding FX losses, have grown over last year in value and margin.

“All our efforts are now devoted to returning to growth as quickly as possible. This process has started and shall yield results. Clearly this will require time as well as effort. 2005 will remain a challenging and difficult year, but we should not lose sight of the bigger picture: Lecico remains one of the lowest cost producers of quality Sanitary Ware in the world and we will continue using these advantages to grow.”

Elie Baroudi, Lecico Egypt MD, added, “While pressure may continue over the short term, our objectives are clear: continue expanding into new markets, improving market share in existing markets, and focusing on optimizing quality and improving costs. We intend to keep delivering on these targets regardless of cyclicity in our markets.”

**Management fees reduced for 2005:** Intage and Sanitec have always been committed to align their management fees to the interests of all shareholders. As a consequence we have decided that for the first half of 2005, our Egyptian management fee will be reduced by 25 % commensurate with the drop in net profits year-to-date.

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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