Chairman's statement

2014 has been a year of two distinct halves: a particularly strong first half followed by the most challenging period we have ever seen.

RECORD PERFORMANCE IN FIRST HALF

Lecico reached new record levels in sales and profitability; reaping the rewards of a conservative strategy over the previous three years that has seen us grow capacity, improve operational profitability and strengthen our balance sheet.

Sanitary ware, tiles and brassware all recorded the highest ever six month revenue in our company's history.

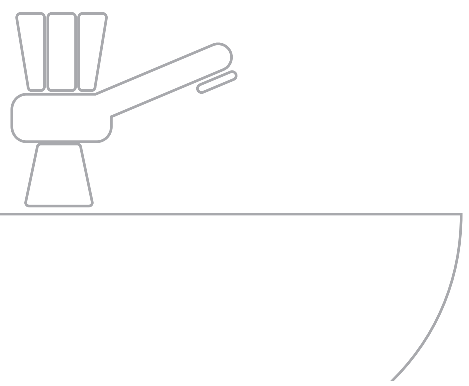
Lecico Egypt's first half results are the strongest in our history with record sales and profits and continuing improvement in margins.

In this period, we delivered our highest ever six month gross, operating and net profit numbers in absolute values. Consolidated margins also returned to levels not seen in the past four years.

These improvements are a tribute to the efforts of Lecico's management team achieving significant improvements in manufacturing efficiency, exiting our loss-making business in France and keeping good discipline on expenses, assets and investments. This allowed us to leverage the profits of our core operations as we move down the profit and loss statement.

It is a blessing that we entered into the extremely challenging second half from this historic position of strength.

> "In the first half, Lecico reached new record levels in sales and profitability"



LIMITED PROFITABILITY IN THE SECOND HALF

Lecico has seen a substantial drop in business and margins are at the lowest levels we have ever seen – excluding exceptional charges. Gross, operating and net margins all fell by nine percentage points from the first half to the second – with the net margin dropping to just 1% of sales.

Political instability in the region saw a significant reduction in demand for sanitary ware and tiles in our Middle Eastern markets. Libya, Iraq and Syria were all large markets for Egyptian manufacturers.

The Egyptian Government more than doubled energy prices to industry causing significant increases in fuel prices. It also increased taxes on operations to reform the economy. These combined resulted in a 20% increase in our costs from July onwards. We are implementing price increases where possible. However, challenging market conditions mean that we are unlikely to be able to pass on the full effect of these cost increases immediately.

We have seen increasingly aggressive discounting from our competitors as they fight to hold on to market share. This has put downward pressure on market prices at exactly the time that sizeable increases are needed to offset our industry-wide costs.

As well as raising our own costs, the increase of energy prices to consumers has reduced demand in the local market. For the first time in over a decade, Lecico has faced overcapacity in both tiles and sanitary ware.

For the first time in over a decade, Lecico has faced overcapacity in both tiles and sanitary ware in Egypt.

A DIFFICULT PERIOD AHEAD

In the short term, we are confident that the steps taken by the Egyptian Government, added to the inherent strength of our local economy, will see a recovery and further growth in Egypt.

The current political turmoil in the region is illogical and unsustainable and should come to a rational conclusion.

We can expect some seasonal recovery in demand in the second and third quarter in Egypt and this may be further bolstered by the Government's plans to stimulate the economy.

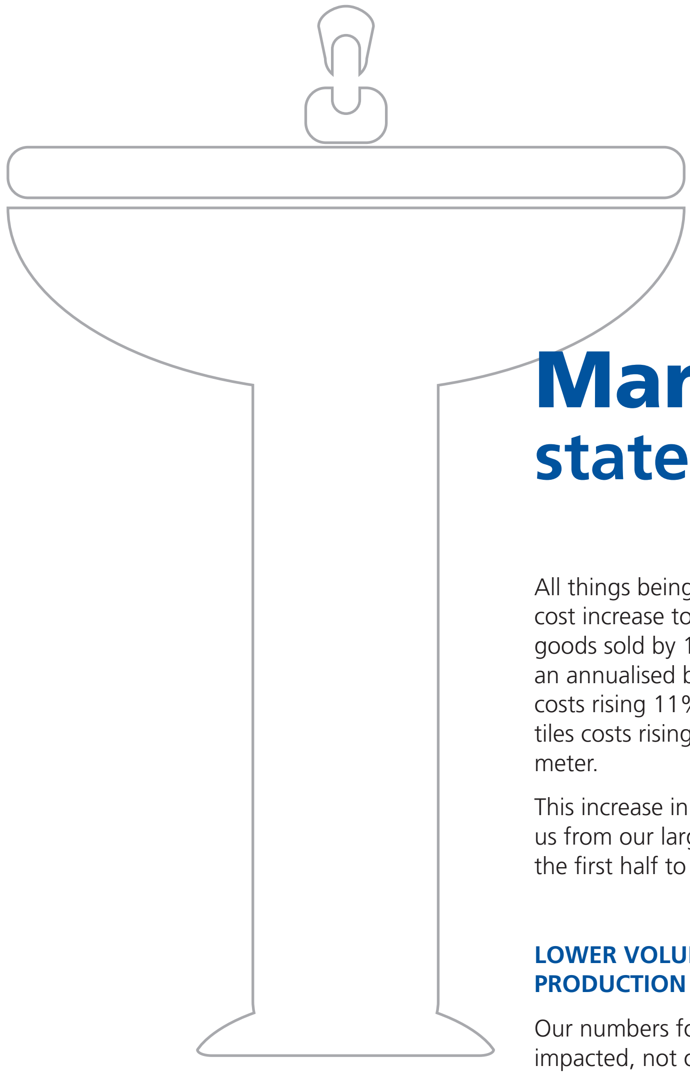
Our sanitary ware exports should continue to be strong and our exports in tiles should see some positive development.

We, at Lecico continue to believe Egypt to be one of the strongest markets in the region and the best place to produce tiles and sanitary ware competitively in the medium and long term.

We will continue to work hard on the fundamental strengths of the Company to weather this challenging period.

I am confident we can show you a recovery from these difficult operating conditions over the course of the coming year

Gilbert Gargour
Chairman and CEO



Managing Director's statement

> "I am pleased that Lecico was able maintain profitability in the second half."

We are facing perhaps the biggest challenge in our history in terms of cost inflation together with extremely difficult market conditions in Egypt and across our Middle Eastern markets.

In light of this, I am pleased that Lecico was able to maintain profitability in the second half.

ENERGY DRIVEN COST INCREASE

The Government increases in energy prices on July 1st 2014 are the largest we have ever seen in Lecico in both absolute and percentage terms and they have had a profound effect on the margins for our industry.

Prior to this increase, Energy accounted for approximately 17% of Lecico's cost of goods sold and was split about 70/30 between natural gas and electricity.

The Government increased natural gas prices 133% to USD 7.00 per mtbu and raised electricity prices 33% to EGP 0.42 per KwH.

All things being equal we expected this cost increase to raise Lecico's cost of goods sold by 18% or LE 200 million on an annualised basis with sanitary ware costs rising 11% or LE 11 per piece and tiles costs rising 28% or LE 4 per square meter.

This increase in costs was enough to take us from our largest reported net profit in the first half to losses in the second half.

LOWER VOLUMES AND REDUCED PRODUCTION

Our numbers for the second half were impacted, not only by the cost increase we faced, but by a drop in demand as Libya was effectively shut down for most of the second half. Many Middle Eastern markets experienced falling demand due to political instability.

In Egypt we also saw a sharp slowdown in demand at the end of the year. Perhaps as a consequence of the c 75% increase in petrol and 65% in diesel fuel prices enacted at the same time as Lecico's energy cost hikes. This was a significant increase that directly impacted most consumers' pockets and put inflationary pressure on a range of goods and services.

As a result of falling demand in these markets, Lecico's sales volumes in the second half were down over 10% compared to the first. This led to some stock build-up but also to almost two months of sanitary ware production holidays in the period. This was prudent from a cash management perspective but added extra pressure to our average costs and margins.

PRICE INCREASE COVERS SOME COST INFLATION

To cover these increase in costs, Lecico needed to increase prices by an average of 15%. We were able to report a profit in the quarter by raising our average prices by 8% in August and September. We increased prices in Egypt and in some export markets translating into a 3% increase in average sanitary ware prices and a 15% increase in average tile prices.

We had hoped to raise prices further in the second half but weak market demand made enacting even these price increases challenging. The August increase is expected to cover around 60-65% of the increase in costs driven by energy hikes.

LOOKING TO REBUILD PROFITS GOING FORWARD

We succeeded to maintain profitability in the second half through these price increases and through continuing to improve efficiency in production while also saving some energy and labour costs through production stoppages. It is not straightforward to strip out the impact of energy increases from the margin pressure of lower sales and production, but in this perfect storm of external shocks to our business I am pleased that we have kept our head above water.

This is the position from which we enter 2015 and it is a significant challenge for the year ahead with pressure on volumes, revenues and costs as seen in the second half – and in particular the fourth quarter.

We are engaging in a number of defensive and offensive strategic moves to try and improve our top line and cost positions in these circumstances. Although 2015 will start with an operating environment similar to that seen in the fourth quarter, I hope to be able to improve on these results month by month and deliver satisfactory numbers for the year as a whole.

Taher Gargour
Managing Director