



Lecico to merge its factories for enhanced efficiency

Alexandria, 18th September 2024 – Lecico Egypt’s Board of Directors approved a motion to merge its three sanitary ware and tile manufacturing subsidiary companies in Egypt into Lecico Egypt S.A.E. (the parent company) to improve operational and financial efficiencies, as Lecico Egypt already owns 100% of these subsidiaries.

Taher Gargour, CEO of Lecico Egypt, stated “I am very excited to announce our plans to merge Lecico for Ceramics, European Ceramics, and International Ceramics into Lecico Egypt. The merger will have significant tax, cost and efficiency benefits for the Company, our customers, and suppliers.

“The merger will significantly improve the workload for our operational team by eliminating the need to separate inventories, invoicing, tax filings and VAT filings for each subsidiary. This should allow us to ensure a balanced tax rate, avoid taxes on inter-company profit transfers and rationalize working capital as we work from one inventory.

“For our customers, business will be simplified as they are invoiced and pay only one company. The merger will also facilitate Lecico’s collection of export subsidies and VAT credits as the customers business goes through one entity.

“For our suppliers, this will highlight our buying power and allow us to ensure best prices for the size of our purchases. It will also facilitate their dealing with us as they only process one payment instead of up to four separate payments.

“Overall, this merger will be a significant benefit to Lecico both in terms of streamlining operations and processes as well as saving extra costs in working capital, taxes and VAT. I look forward to implementing this with our shareholder’s approval.”

The Board meeting also proposed adding to the company’s purpose the manufacture of porcelain tiles, wooden pallets, packing material and moulds and new materials necessary to serve its industry fully.

Lecico will call for an EGM to approve the merger after the Company receives approval from the Financial Regulatory Authority. Management expects to call for an EGM on the merger in the fourth quarter of this year and hopes to complete the merger – subject to shareholder approval – in the first half of 2025.

Subject to shareholder approval, Lecico plans to merge Lecico for Ceramics, European Ceramics and International Ceramics into Lecico Egypt. Lecico Egypt owns 100% of each of the operating Companies already.

Lecico will reduce its paid-in capital from LE 400m to LE 200m by reducing the par value of each share in order to write-off some investments as recommended by the

Assessment Committee of GAFI including our investment in Lebanon, the UK and some of our current assets.

Taher Gargour, CEO of Lecico Egypt, commenting on the reduction in equity, added “While I understand the cautious approach of GAFI to assessing the risks in some of Lecico’s investments and trade receivables and wanting to write them down, Lecico is confident in the health of these assets and has already covered any risk through provisions where necessary. This is a part of the regulatory procedure for the merger and the Company plans to look at capitalizing retained profits to return to current par value per share post the merger. This should only have a positive effect on our financials.”

About Lecico

Lecico (Stock symbols: 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, with over 50 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.

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