



Third Quarter 2023 Results

Alexandria, 14th November 2023 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for the third quarter 2023.

Highlights

3Q 2023

- Lecico revenue up 43% to LE 1,218.7 million (68% from sanitary ware).
- Sanitary ware revenue up 62% to LE 828.7 million, volumes down 10% to 1.07 million (74.7% exports).
- Tile revenue up 5% to LE 311.6 million, volumes down 30% to 4.3 million square meters (13.3% exports).
- Brassware revenue up 68% to LE 78.5 million, sales volume up 25% to 55,128 pieces.
- EBIT profit of LE 199.3 million compared to EBIT loss of LE 94.4 million in 3Q 2022.
- Net profit of LE 78.6 million compared to net loss of LE 9.6 million in 3Q 2022.

9M 2023

- Lecico revenue up 56% to LE 3,619.9 million (66.9% from sanitary ware).
- Sanitary ware revenue up 69% to LE 2,423.5 million, volumes down 12% to 3.2 million pieces (74.4% exports).
- Tile revenue up 28% to LE 968.3 million, volumes down 13% to 14.2 million square meters (12.6% exports).
- Brassware revenues up 67% to LE 228.2 million, sales volume up 25% to 171,761 pieces.
- EBIT profit of LE 780.2 million compared to EBIT loss of LE 100.9 million in 2022.
- Net profit of LE 335.5 million compared to net loss of LE 40.9 million in 2022.

Lecico Egypt Chairman, Gilbert Gargour commented, “I am pleased to report a strong third quarter for 2023 with a price-led year-on-year improvement and a healthy bottom line despite lower sales volumes and significant reduction in production to destock and improve our working capital cycle.

“Weak demand in Europe and economic conditions in Egypt are weighing more and more heavily on our market outlook, and Lecico is working hard to maximize sales while improving efficiency and cutting costs. The results for the quarter show we can continue to deliver significant profits despite tough conditions.

Taher Gargour, Lecico Egypt CEO, added, “I am very pleased that our margins held up in the third quarter. Despite the diseconomies of scale as we reduced sanitary production by almost 50% from the run-rate of the first half, Lecico was still able to deliver double-digit operating

margins and a healthy net profit for the quarter. I am also pleased to see our net debt fall by LE 72 million during the quarter as we destocked and reduced our working capital.

“Our intention is to continue destocking in the fourth quarter to try and get our stock levels to a healthy point by the year end and reduce debt further. However, we are seeing a further slowdown in our domestic and export markets as inflation drives down spending globally.

“Revenue for the quarter was up 43% year-on-year and up 3% quarter-on-quarter with continued price appreciation helping offset lower sales volumes.

“Gross profit for the quarter was up 217% year-on-year but down 18% on last quarter as we cut production of sanitary ware driving up unit costs but allowing us to destock and unlock working capital.

“As we look ahead to the last quarter of 2023 and to the year ahead, we are seeing a significant weakening of demand in most of our markets. While we are working to offset this with new products, new customers, and better penetration, I do not expect sales volumes to improve in the quarters ahead.

“Our margins should remain constrained in the fourth quarter as we continue to underproduce and destock but that should improve in 2024 as we plan to finish destocking this year and raise production levels to match sales volumes next year.

“Lecico is in the middle of a very volatile trading period, but we are working hard to preserve the strong improvement in our financial results seen so far in 2023 in the face of these uncertainties.”

Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	3Q		%	9M		%
	2023	2022	23/22	2023	2022	23/22
Sanitary ware	828.7	511.8	162%	2,423.5	1,433.3	169%
Tiles	311.6	296.1	105%	968.3	753.7	128%
Brassware	78.5	46.7	168%	228.2	136.4	167%
Sales	1,218.7	854.6	143%	3,619.9	2,323.4	156%
Sanitary ware/sales (%)	68.0%	59.9%	8.1%	66.9%	61.7%	5.3%
Cost of sales	(859.5)	(741.3)	116%	(2,320.7)	(1,922.0)	121%
Cost of sales/sales (%)	(70.5%)	(86.7%)	(16.2%)	(64.1%)	(82.7%)	(18.6%)
Gross profit	359.2	113.3	317%	1299.2	401.4	324%
Gross profit margin (%)	29.5%	13.3%	16.2%	35.9%	17.3%	18.6%
Distribution and administration (D&A)	(165.7)	(121.7)	136%	(466.4)	(335.5)	139%
D&A/sales (%)	(13.6%)	(14.2%)	(0.6%)	(12.9%)	(14.4%)	(1.6%)
Net other operating income/ (expense)	5.8	(86.0)	-	(52.7)	(166.8)	32%
Net other operating income/ (expense) sales (%)	0.5%	(10.1%)	-	(1.5%)	(7.2%)	(5.7%)
EBIT	199.3	(94.4)	-	780.2	(100.9)	-
EBIT margin (%)	16.3%	-	-	21.6%	-	-
Net profit (loss)	78.6	(9.6)	-	335.5	(40.9)	-
Net profit margin (%)	6.5%	-	-	9.3%	-	-

3Q 2023: Healthy bottom line despite production cut in sanitaryware

Lecico reported a net profit of LE 78.6 million for the quarter, down 53% quarter-on-quarter as the Company cut production by 42% in order to work down the stocks built up in the first half. Despite this, the Company still reported healthy operating and net profits compared to the same period last year as Lecico's exports benefitted from a significant devaluation of the Egyptian Pound and all segments saw local margins improve with price increases more than covering the initial impact of inflation. All key profit lines showed a strong improvement on core operations.

Since the start of 2023, the switch to reporting Lebanon on the "Sayrafa" exchange rate and using hyper-inflation accounting treatment in line with IAS 21 and 29 also improved operating profit as COGs and overheads are now much closer to the real black market exchange rate on which the country and our subsidiary operate.

Lecico revenues for the third quarter increased by 43% year-on-year to reach LE 1,218.7 million (3Q 2022: LE 854.6 million) despite significantly lower sales volumes, with higher prices driving up revenues in all segments. Local revenues were up 18% year-on-year to reach LE 474.1 million (3Q 2022: LE 402.2 million) and export revenues were up 65% year-on-year to reach LE 744.6 million (3Q 2022: LE 452.4 million).

Quarter-on-Quarter revenues increased by 3% (2Q 2023: LE 1,184.5 million) as a result of around 3.5% higher sales volumes. Local revenues increased 4% quarter-on-quarter to reach LE 474.1 million (2Q 2023: LE 454.3 million) and exports increased 2% quarter-on-quarter to reach LE 744.6 million (2Q 2023: LE 730.2 million).

Lecico's cost of goods sold increased by 16% year-on-year to LE 859.5 million (3Q 2022: LE 741.3 million).

Quarter-on-Quarter Lecico's cost of goods sold increased by 15% (2Q 2023: LE 744.9 million).

Lecico's gross profit for the third quarter increased 217% year-on-year to LE 359.2 million (3Q 2022: LE 113.3 million) primarily on the back of price increases and devaluation driving a strong improvement in all segments. Lecico's gross profit margin increased 16.2 percentage points to 29.5% compared to 13.3% in the same period last year.

Quarter-on-quarter gross profit decreased by 18% (2Q 2023: LE 439.6 million) and Lecico's gross margin decreased 7.6 percentage points (2Q 2023: 37.1%) in large part due to diseconomies of scale as the Company reduced sanitary ware production 40% quarter-on-quarter and sold from stocks built up in the first half.

In absolute terms, distribution and administration (D&A) expenses increased by 36% to LE 165.7 million (3Q 2022: LE 121.7 million), but proportional D&A expenses were down by 0.6 percentage points to 13.6% (3Q 2022: 14.2%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 10% (2Q 2023: LE 150.9 million) and proportional D&A expenses were up by 0.9 percentage points (2Q 2023: 12.7%).

Lecico reported LE 5.8 million in net other operating income compared to net other operating expenses of LE 86 million in the same period last year. The higher other operating expense in the third quarter of 2022 is primarily due to exceptional one-off charges in that quarter.

Quarter-on-quarter Lecico reported LE 5.8 million in net other operating income compared to net other operating expenses of LE 14.1 million in 2Q 2023.

Lecico EBIT profit of LE 199.3 million compared to EBIT loss of LE 94.4 million in 3Q 2022.

Quarter-on-quarter Lecico's EBIT profit dropped 27% or LE 75 million (2Q 2023: LE 274.6 million) and the EBIT margin decreased 6.8 percentage points (2Q 2023: 23.2%).

Lecico reported LE 78.6 million in net financing expenses compared to net financing income of LE 102.5 million in the same period last year. This increase in financing expense is due to the increase in debt levels, interest rates and finance tools year-on-year. The positive financing income in 3Q 2022 was due to a large exceptional exchange gain in Lebanon in that quarter as the Company sold off USD 320,000 in that quarter.

Quarter-on-quarter Lecico reported LE 78.6 million in net financing expense compared to net financing expense of LE 39.9 million in 2Q 2023. The lower financing expense in 2Q 2023 was due to an LE 18.7 million exchange variance gain compared to LE 11.7 exchange variance loss in this quarter.

Lecico reported net tax charge of LE 33.1 million in the third quarter versus tax charge LE 13.4 million in the same period last year.

Lecico reported net profit of LE 78.6 million in the third quarter compared to a net loss of LE 9.6 million in the same period last year.

Quarter-on-Quarter, Lecico's net profit dropped by 53% (2Q 2023: LE 167.9 million) with decrease in margin 7.7 percentage (2Q 2023: 14.2%).

9M 2023: A strong recovery on the back of devaluation-led price increases

Lecico revenues for the first nine months increased by 56% year-on-year to LE 3,619.9 million (9M 2022: LE 2,323.4 million) due to a price-led growth in revenues in all segments as the devaluation of the Egyptian Pound and large price increases to offset inflation both pushed up average prices.

Lecico's cost of goods sold was up 21% year-on-year to LE 2,320.7 million (9M 2022: LE 1,922 million).

Gross profit increased by 224% to reach LE 1,299.2 million (9M 2022: LE 401.4 million) and the Company's gross profit margin was up 18.6 percentage points to 35.9% compared to 17.3% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 39% to LE 466.4 million (9M 2022: LE 335.5 million), but proportional D&A expenses were down by 1.6 percentage points to 12.9% (9M 2022: 14.4%).

Lecico reported LE 52.7 million in net other operating expenses compared to net other operating expenses of LE 166.8 million in the same period last year. The higher other operating expense in the first nine months of 2022 is primarily due to exceptional losses incurred in the same period last year.

Lecico reported an EBIT profit of LE 780.2 million for the first nine months compared to an EBIT loss of LE 100.9 million in the same period last year.

Lecico reported LE 247.7 million in net financing expense compared to net financing income of LE 121.9 million in the same period last year. This increase in financing expense in the first nine months 2023 is partly due to the significant increase in interest rates and the growth in debt levels over last year, However, most of the increase in financing expenses came from the significant exchange variance loss in Lebanon from applying hyperinflation (IAS 21 and 29) in the first quarter of 2023.

Lecico reported net tax charge of LE 179.7 million versus a tax charge of LE 50.7 million in the same period last year.

Lecico reported net profit of LE 335.5 million compared to net loss of LE 40.9 million in the same period last year.

Segmental analysis

Sanitary ware

3Q: Sanitary ware sales volumes decreased by 10% (down 124,170 pieces). Local sales volumes decreased by 13% (down 38,570 pieces) and export sales volumes decreased by 10% (down 87,883 pieces), but Lebanon sales volumes increased by 40% (up 2,284 pieces).

Quarter-on-quarter total sales volumes increased by 5% (up 46,518 pieces). Local volumes increased 17% (up 37,452 pieces), export sales volumes increased 1% (up 11,152 pieces), but sales in Lebanon decreased 21% (down 2,087 pieces).

Average sanitary ware prices increased by 81% year-on-year at LE 772.1 per piece (3Q 2022: LE 427.4) following a series of price increases over the course of the year plus the impact of the significant devaluation on export prices. Quarter-on-quarter average prices decreased by 2% (2Q 2023: LE 785.8).

Revenues were up 62% year-on-year at LE 828.7 million (3Q 2022: LE 511.8 million). Quarter-on-quarter revenues were up 3% (2Q 2023: LE 806.8 million).

Average cost of sales per piece increased by 34% year-on-year at LE 544.1 per piece due to the Company's decision to cut production sharply in the quarter in order to sell off some of the stocks built up in the first half. Significant inflation globally and locally particularly following the devaluation in the Egyptian Pound was also a factor in the cost inflation.

Quarter-on-quarter, the average cost of sales increased by 15% (2Q 2023: LE 471.8 per piece) with production volumes down 41%.

Gross profit increased 861% to LE 244.7 million (3Q 2022: LE 25.5 million) and the margin was up 24.6 percentage points to 29.5% (3Q 2022: 5%).

Quarter-on-quarter gross profit decreased by 24% (2Q 2023: LE 322.4 million) and the gross margin decreased by 10.4 percentage points (2Q 2023: 40%).

Sanitary ware segmental analysis	3Q		%	9M		%
	2023	2022		2023	2022	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	263	302	87%	796	953	83%
Lebanon (000 pcs)	8	6	140%	25	25	101%
Export (000 pcs)	802	890	90%	2,384	2,677	89%
Total sanitary ware volumes (000 pcs)	1,073	1,197	90%	3,204	3,655	88%
Exports/total sales volume (%)	74.7%	74.3%	0.4%	74.4%	73.2%	1.1%
Sanitary ware revenue (LE m)	828.7	511.8	162%	2,423.5	1,433.3	169%
Average selling price (LE/pc)	772.1	427.4	181%	756.3	392.1	193%
Average cost per piece (LE/pc)	544.1	406.1	134%	469.9	349.1	135%
Sanitary ware cost of sales	(584.0)	(486.3)	120%	(1,505.7)	(1,275.9)	118%
Sanitary ware gross profit	244.7	25.5	961%	917.8	157.4	583%
Sanitary ware gross profit margin (%)	29.5%	5.0%	24.6%	37.9%	11.0%	26.9%

9M: Sanitary ware sales volume decreased by 12% to 3.2 million pieces (down 450,809 pieces). Egyptian volumes decreased 17% (down 157,710 pieces), export volumes decreased 11% (down 293,423 pieces), but sales in Lebanon increased by 1% (up 324 pieces).

Average sanitary ware prices were up 93% year-on-year to LE 756.3 per piece (9M 2022: LE 392.1) because of price increases and the devaluation of the Egyptian Pound.

Revenues were up 69% year-on-year at LE 2,423.5 million (9M 2022: LE 1,433.3 million).

Average cost of sales increased 35% at LE 469.9 per piece. (9M 2022: LE 349.1) with production volumes down 6%.

Gross profit increased 483% to LE 917.8 million (9M 2022: LE 157.4 million) and the margin up 26.9 percentage points to 37.9% (9M 2022: 11%).

Tiles

3Q: Tile sales volumes decreased 30% year-on-year (down 1.9 million square meters) to reach 4.3 million square meters. Local sales volumes decreased 32% (down 1.7 million square meters), export sales decreased 16% (down 109,592 square meters) and Lebanon sales volumes decreased 40% (down 49,087 square meters).

Quarter-on-quarter sales volumes increased 3% (up 127,000 square meters). Local volumes increased 5% (up 179,000 square meters), but export volumes decreased 6% (down 39,000 square meters), and Lebanon volumes decreased 15% (down 13,000 square meters).

Average net prices per square meter increased by 51% year-on-year at LE 71.8 per meter (3Q 2022: LE 47.6) because of price increases and the impact of the devaluation on export prices. Quarter-on-quarter average prices increased by 1% (2Q 2023: LE 70.8).

Tiles revenues were up 5% year-on-year at LE 311.6 million (3Q 2022: LE 296.1 million). Quarter-on-quarter revenues were up 4% (2Q 2023: LE 298.5 million).

Average costs of sales increased by 45% year-on-year to reach LE 53.8 per square meter (3Q 2022: LE 37 per square meter). Tile production decreased by 14% compared to the same period last year.

Quarter-on-quarter average costs increased by 7% (2Q 2023: LE 50.1). Tile production decreased by 3% quarter-on-quarter.

Gross profit for the quarter increased 18% to reach LE 77.9 million (3Q 2022: LE 66 million). Gross margin increased by 2.7 percentage points to 25% (3Q 2022: 22.3%).

Quarter-on-quarter gross profit decreased by 11% (2Q 2023: LE 87.5 million) and the gross margin decreased 4.3 percentage point (2Q 2023: 29.3%).

Tile segmental analysis	3Q		%	9M		%
	2023	2022		2023	2022	
Tile volumes (000 sqm)						
Egypt (000 sqm)	3,688	5,404	68%	12,149	14,044	87%
Lebanon (000 sqm)	74	123	60%	247	247	100%
Export (000 sqm)	578	688	84%	1,786	2,046	87%
Total tile volumes (000 sqm)	4,340	6,215	70%	14,182	16,338	87%
Exports/total sales volume (%)	13.3%	11.1%	2.3%	12.6%	12.5%	0.1%
Tile revenue (LE m)	311.6	296.1	105%	968.3	753.7	128%
Average selling price (LE/sqm)	71.8	47.6	151%	68.3	46.1	148%
Average cost per sqm (LE/sqm)	53.8	37.0	145%	48.8	34.8	140%
Tile cost of sales	(233.6)	(230.1)	102%	(692.5)	(568.5)	122%
Tile gross profit	77.9	66.0	118%	275.8	185.2	149%
Tile gross profit margin (%)	25.0%	22.3%	2.7%	28.5%	24.6%	3.9%

9M: Tile sales volumes decreased by 13% year-on-year (down 2.2 million square meters) to reach 14.2 million square meters. Sales in Egypt decreased 13% (down 1.9 million square meters) and export sales decreased by 13% (down 259,557 square meters), but Lebanon sales were flat at 247,000 square meters.

Tiles revenues increased 28% year-on-year at LE 968.3 million in the first nine months of 2023 (9M 2022: LE 753.7 million).

Average net prices rose 48% to LE 68.3 per square meter compared to LE 46.1 in the same period last year.

Average costs increased 40% year-on-year to reach LE 48.8 per square meter due to cost cutting measures in Egypt offsetting the impact of inflation and devaluation. Production volume was 4% lower than the same period in 2022.

Gross profit increased 49% to reach LE 275.8 million (9M 2022: LE 185.2 million) and the margin increased by 3.9 percentage points to 28.5% (9M 2022: 24.6%).

Brassware

3Q: Sales volumes for the third quarter of 2023 increased by 25% to reach 55,128 pieces (3Q 2022: 44,005 pieces). Quarter-on-quarter sales volumes decreased by 15% (2Q 2023: 65,237 pieces).

Average net prices increased 34% to LE 1,423.2 compared to LE 1,062.3 in the same period last year. Quarter-on-quarter average prices were up by 17% (2Q 2023: LE 1,214.6).

Revenue for the quarter increased 68% year-on-year to reach LE 78.5 million (3Q 2022: LE 46.7 million). Brassware accounted for 6.4% of the quarter's total revenues, compared to 5.5% in the same period last year. Quarter-on-quarter revenues decreased by 1% (2Q 2023: LE 79.2 million).

Average cost per piece increased 34% to LE 761.2 per piece (3Q 2022: LE 566.7 per piece) reflecting changing mix and inflation from local costs and the devaluation. Quarter-on-quarter average cost per piece slightly increased 0.3% (2Q 2023: LE 758.6 per piece).

Gross profit for the quarter increased by 67% year-on-year to reach LE 36.5 million (3Q 2022: LE 21.8 million), but the gross margin decreased 0.1 percentage points to 46.5% (3Q 2022: 46.7%). Brassware accounted for 10.2% of the quarter's total gross profits compared to 19.2% in the same period last year.

Quarter-on-quarter gross profit increased by 23% (2Q 2023: LE 29.7 million) and the gross margin increased 9 percentage points (2Q 2023: 37.5%). Brassware accounted for 6.8% of total gross profits in 2Q 2023.

Brassware segmental analysis	3Q		%	9M		%
	2023	2022		23/22	2023	
Brassware volumes (pcs)						
Egypt (pcs)	55,128	44,005	125%	171,761	137,507	125%
Export (pcs)	-	0	0%	-	0	-
Total brassware volumes (pcs)	55,128	44,005	125%	171,761	137,507	125%
Exports/total sales volume (%)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Brassware revenue (LE m)	78.5	46.7	168%	228.2	136.4	167%
Average selling price (LE/pc)	1423.2	1062.3	134%	1328.3	992.1	134%
Average cost per piece (LE/pc)	761.2	566.7	134%	713.2	564.9	126%
Brassware cost of sales	(42.0)	(24.9)	168%	(122.5)	(77.7)	158%
Brassware ware gross profit	36.5	21.8	167%	105.6	58.8	180%
Brassware gross profit margin (%)	46.5%	46.7%	(0.1%)	46.3%	43.1%	3.2%

9M: Sales volumes for first nine months of 2023 increased by 25% year-on-year (up 34,254 pieces)

Average net prices increased 34% to reach LE 1,328.3 per piece and revenues increased 67% year-on-year to reach LE 228.2 million (9M 2022: LE 136.4 million).

Brassware's percentage of total consolidated revenues was 6.3% (9M 2022: 5.9% of sales).

Average cost per piece increased 26% to LE 713.2 per piece (9M 2022: LE 564.9 per piece) reflecting changing mix.

Gross profit increased 80% to LE 105.6 million (9M 2022: LE 58.8 million) and the margin increased 3.2 percentage points to 46.3% (9M 2022: 43.1%).

Brassware's percentage of total consolidated gross profits decreased to 8.1% (9M 2022: 14.6%) as improving profitability in other segments surpassed the growth in gross profits seen in brassware.

Financial Position

The value of Lecico's non-current assets increased by 5% at the end of September 30, 2023, to reach LE 2,111.5 million (2022: LE 2,009 million)

Total Equity increased 12% at the end of September 30, 2023, to reach LE 2,072.4 million (2022: LE 1,843.1 million).

The value of Lecico's current assets increased by 23% at the end of September 30, 2023, to reach LE 3,292.2 million (2022: LE 2,686.2 million) as receivables and inventories of finished goods and materials increased and their prices also rose because of the devaluation of the Pound and continued inflation.

Total liabilities increased by 17% to reach LE 3,262.3 million (2022: LE 2,795 million) as debt grew and payables rose.

Gross debt increased 16% or LE 211.3 million to reach LE 1,497.1 million compared to LE 1,285.9 million at the end of 2022.

Net debt increased 49% or LE 389.2 million to reach LE 1,177.1 million compared to LE 787.9 million at the end of 2022.

Net debt to equity at the end of September 2023 reached 0.57x compared to 0.43x at the end of 2022.

Working capital increased 51% or LE 623.2 million to reach LE 1,836.7 million compared to LE 1,213.6 million at the end of 2022.

Recent developments and outlook

Outlook for 4Q and 2024: In 2023, Lecico Egypt's margins increased significantly as the devaluation of the Pound and annual price increases in export drove up sanitary ware profitability.

This improvement in profitability is now facing pressure from cooling demand across most markets which is expected to squeeze Lecico's revenue and drive up costs as the Company cuts production to manage working capital. At the same time, high inflation in Egypt and increased interest rates will also put pressure on the Company's profitability.

This pressure on margins can already be seen in the 3Q results as Lecico cut production to work down stocks built up in the first half of the year. This is expected to continue into 4Q with weaker sales volumes than was seen in 3Q adding more pressure on margins quarter-on-quarter.

Looking ahead to 2024, Lecico management expects demand in Egypt and Europe to weaken and Lecico expects sales to be more or least flat on 2023 with Company efforts to open new customers and markets helping offset the drop in demand overall.

Even on flat sales volumes from 2023, the Company expects to ramp up production in 2024 from the levels produced in the second half of 2023 as the Company destocked. This will help offset the cost inflation seen in 2H 2023 and hopefully improve on the margins and profitability closer to the level seen on average for 2023.

Lecico Lebanon restructuring update: The crisis in Lebanon continues to make the market extremely unpredictable and limits activity. Trading in Lebanon is improved over last year in volume terms and prices reflect the devaluation in Egypt, so revenues are significantly improved. Nonetheless, Lebanon's macroeconomic and political outlook remain extremely uncertain, and sales volumes are a fraction of the levels seen before the current economic crisis.

Lecico Lebanon is continuing to survive these challenges with limited sales being enough to keep the company cash flow positive and operational as we wait for the economic situation to improve.

Management Accounts switched to hyper-inflation accounting: In 1Q 2023, Lecico Lebanon management has switched to hyper-inflation accounting using IAS 21 and 29 and the "Sayrafa" exchange rate. This means all assets have been restated in Lebanese Pounds based on the impact of hyper-inflation and the P&L and balance sheet are translated at the "Sayrafa" rate as opposed to the official exchange rate. At time of publishing the "Sayrafa" rate was LBP 90,000 to the dollar instead of the official exchange rate which was LBP 1,500 to the dollar in 2022.

This has meant that despite several years of triple-digit inflation in Lebanon, there is a significant change in asset values and those assets and liabilities held in foreign currency have proportionately increased significantly. It also means that on the P&L, Lebanese costs and overheads are now much lower in EGP reflecting something close to current trading reality.

Management is working towards formalizing hyper-inflation accounting new treatment with its auditors which may lead to adjustments or restatements when these management accounts are audited. Management understands that this will also lead to some restatement of past years as IAS rules calls for adjustment back to the beginning of hyperinflation in the economy. In due course, this should also lead to the removal of all the qualifications to Lecico Egypt's consolidated accounts that stem from not using hyper-inflation accounting and following IAS 21 and 29. Management intends to continue to update investors on the progress of restructuring on a quarterly basis in the Results Newsletter.

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 manufacturing base in Egypt. 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 a number of leading European brands.

For additional information, please contact:

Taher G. Gargour
Telephone: +203 518 0011
Fax: +203 518 0029
E-mail: tgargour@lecico.com

Visit our website at: www.lecico.com

Forward-looking statements

This release may contain certain "forward-looking statements", relating to the Company's business, which can be identified by the use of forward-looking terminology such as "will", "planned", "expectations", "forecast" or similar expressions, or by discussions of strategy, plans or intentions. Such statements may include descriptions of investments planned or currently under development by the Company and the anticipated impact of these investments. Such statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from any future results that may be expressed or implied by such forward-looking statements.

Lecico Egypt consolidated income statement

Income statement						
(LE m)	3Q		%	9M		%
	2023	2022	23/22	2023	2022	23/22
Sales	1218.7	854.6	143%	3,619.9	2,323.4	156%
Cost of sales	(859.5)	(741.3)	116%	(2,320.7)	(1,922.0)	121%
Gross profit	359.2	113.3	317%	1299.2	401.4	324%
Gross margin (%)	29.5%	13.3%	16.2%	35.9%	17.3%	18.6%
Distribution expenses	(77.3)	(61.4)	126%	(228.2)	(166.2)	137%
Administrative expenses	(88.5)	(60.3)	147%	(238.2)	(169.3)	141%
Other Operating income	39.1	18.1	216%	104.7	49.1	213%
Other Operating expenses	(33.3)	(104.0)	32%	(157.4)	(215.9)	73%
Operating profit (EBIT)	199.3	(94.4)	-	780.2	(100.9)	-
Operating (EBIT) margin (%)	16.3%	-	-	21.6%	-	-
Finance income	0.0	149.7	-	0.0	216.5	-
Finance expense	(78.6)	(47.2)	166%	(247.7)	(94.6)	262%
Profit before tax and minority margin (%)	120.7	8.1	1482%	532.5	20.9	2543%
margin (%)	9.9%	1.0%	8.9%	14.7%	0.9%	13.8%
Income tax	(33.8)	(15.0)	225%	(180.1)	(54.6)	329%
Deferred tax	0.7	1.6	46%	0.4	4.0	9%
Net profit (loss) after tax margin (%)	87.6	(5.3)	-	352.8	(29.8)	-
margin (%)	7.2%	-	-	9.7%	-	-
Minority interest	(9.0)	(4.3)	207%	(17.2)	(11.1)	155%
Net profit	78.6	(9.6)	-	335.5	(40.9)	-
Net profit margin (%)	6.5%	-	-	9.3%	-	-

Lecico Egypt consolidated balance sheet

Balance Sheet (LE m)	30-Sep-23	31-Dec-22	23/22 (%)
Cash	320.0	498.0	64%
Inventory	1,762.8	1238.2	142%
Receivables	1208.4	949.8	127%
Related parties -debit balances	1.0	0.3	292%
Total current assets	3,292.2	2,686.2	123%
Net fixed assets	1,978.9	1,985.5	100%
Intangible assets	12.1	10.9	111%
Projects in progress	119.7	12.1	992%
Available for sale investments	0.0	0.0	95%
Long-term notes receivable	0.8	0.5	139%
Total non-current assets	2,111.5	2,009.1	105%
Total assets	5,403.7	4,695.3	115%
Banks overdraft	1,477.4	1,247.3	118%
Current portion of long-term liabilities	41.4	46.8	89%
Trade and notes payable	527.4	505.7	104%
Other current payable	607.1	468.6	130%
Related parties -credit balances	0.7	0.0	2651%
Provisions	64.4	48.92	132%
Total current liabilities	2,718.4	2,317.3	117%
Long-term loans	0.4	8.2	4%
Other long-term liabilities	83.9	71.5	117%
Provisions	13.9	21.3	65%
Deferred tax	110.8	110.9	100%
Long Term Notes Payables	334.9	265.6	126%
Total non-current liabilities	543.9	477.6	114%
Total liabilities	3,262.3	2,795.0	117%
Minority interest	69.1	57.3	121%
Issued capital	400.0	400.0	100%
Reserves	1,733.0	1,813.9	96%
Retained earnings	(370.8)	(367.6)	101%
Net profit (Loss) for the period / year	335.5	(3.2)	-
Total equity	2,072.4	1,843.1	112%
Total equity, minorities and liabilities	5,403.7	4,695.3	115%

Lecico Egypt consolidated cash flow

Cash flow statement (LE m)	9M		%
	2023	2022	23/22
Cash Flow from operating activities			
Net Profit for the period before tax	532.5	20.9	2543%
Fixed assets depreciation	83.9	81.8	103%
Intangible assets amortization	2.1	0.4	515%
Leases interest expense	3.9	2.2	179%
Interest expenses	170.5	92.5	184%
Capital gains (loss)	(2.8)	26.5	-
Change in translation reserve and foreign currency differences	(357.3)	52.4	-
Gain from operating	432.8	276.7	156%
Change in Inventory	(387.0)	(92.6)	418%
Change in trade, notes and other receivables	(129.5)	(234.5)	55%
Change in trade, notes and other payables	104.2	227.8	46%
Change in Provisions	21.7	10.1	215%
	42.2	187.4	23%
Finance expenses paid	(174.4)	(94.6)	184%
Income tax paid	(67.5)	(45.2)	150%
Net cash (used in) operating activities	(199.7)	47.6	-
Cash flow from investing activities			
Payments for acquisition of property, plant & equipment	(142.1)	(60.4)	235%
Payments for acquisition of intangible assets	(0.6)	-	#DIV/0!
Proceeds from sale of property, plant and equipment	3.6	18.2	20%
Net cash (used in) investing activities	(139.1)	(42.2)	330%
Cash flow from financing activities			
Payments of loans	(28.3)	(11.4)	249%
Payment for leased liabilities	(15.5)	(2.2)	722%
Payments for acquisition of treasury stock	(25.4)	-	-
Net proceeds from banks credit facilities	230.1	283.4	81%
Net cash provided from financing activities	160.9	269.9	60%
Net change in cash & cash equivalent during the period	(177.9)	275.2	-
Cash and cash equivalent at beginning of the period	468.0	132.1	354%
Change in restricted time deposits	30.0	(27.0)	-
Cash and cash equivalent at the end of the period	320.0	380.4	84%