



## Second Quarter 2024 Results

Alexandria, 15<sup>th</sup> August 2024 – Lecico Egypt (Stock symbols: LCSW.CA; LECI EY) announces its consolidated results for the second quarter 2024.

### Highlights

#### 2Q 2024

- Lecico revenue up 31% to LE 1,545.8 million (66.9% from sanitary ware).
- Sanitary ware revenue up 28% to LE 1,034.4 million, volumes down 21% to 813,263 pieces (84.6% exports).
- Tile revenue up 33% to LE 396.2 million, volumes up 5% to 4.4 million square meters (9.9% exports).
- Brassware revenue up 45% to LE 115.2 million, sales volume down 34% to 43,270 pieces.
- EBIT profit of LE 301.4 million compared to EBIT profit of LE 274.6 million in 2Q 2023.
- Net profit of LE 150.4 million compared to net profit of LE 167.9 million in 2Q 2023.

#### 1H 2024

- Lecico revenue up 22% to LE 2,934.6 million (65.5% from sanitary ware).
- Sanitary ware revenue up 21% to LE 1,922.2 million, volumes down 14% to 1.8 million pieces (76.7% exports).
- Tile revenue up 20% to LE 790.5 million, volumes down 2% to 9.6 million square meters (7.8% exports).
- Brassware revenues up 48% to LE 221.9 million, sales volume down 23% to 90,265 pieces.
- EBIT profit of LE 623.1 million compared to EBIT profit of LE 580.9 million in the same period last year.
- Net profit of LE 627.9 million compared to net profit of LE 256.9 million in the same period last year.

Lecico Egypt Chairman, Gilbert Gargour commented, “I am pleased to report a strong performance in core operations in the second quarter.”

“Holidays in Egypt and continued depressed market conditions in Europe meant we booked our lowest quarterly sales and production volumes in many years, yet despite this our profitability remains significantly improved on the average of the last year.

“While our performance for the quarter was strong, Lecico can still deliver significantly better results if we had the demand to fully utilize our capacity in sanitary ware. We hope that our roll out of new products, our expanded agreements with some customers and a general improvement in market condition– as inflation and interest rates fall – will give us room to grow sales significantly towards the back end of this year.

“We hope the local market will also begin to recover as inflation cools and Egyptians find their purchasing power starting to recover following the large devaluations of the past year.

“Although we are expecting to continue to face the challenges of inflation and market cooling in the coming months, Lecico management hopes to be able to deliver continued strong performance over the rest of 2024.”

Taher Gargour, Lecico Egypt CEO, added, “I am pleased to report continued strong performance in what should be one of the most challenging quarters of the year.

“The second quarter this year was affected by Ramadan and two Eids, costing the Company more than 14% of its trading days in the quarter and affecting productivity for another 10 days due to fasting. The lost days combined with slow trading saw sales volumes down over 15% compared to the first quarter of this year and production cut by around 10%. Despite this, revenues and gross profits grew quarter-on-quarter thanks to the impact of the devaluation and an increase in local pricing.

“Normally, we expect to see inflation erode margins following a devaluation. I think the performance this quarter suggests this impact will be minimal if we see markets begin to recover and can see production and sales volumes pick up. “

“After the sharp reduction in debt seen in the first quarter, we have seen debt rise this quarter as we built up stocks in tiles and some raw materials and inflation from the devaluation of the Pound in March pushed up the unit costs of many raw materials. However, our debt is still down 20% on the closing of last year and our net debt to equity has gone from 0.43x to 0.26x accordingly. The team has done great work in improving our working capital and gearing levels in the last few years and we will continue to work on both to improve our cash cycles.

“As we look ahead to the rest of 2024, I believe we will continue to deliver healthy numbers and I hope we will see a stepped improvement in volumes from this quarter which will help offset some pressure on margins from inflation around the currency. As always, we will continue to work hard to preserve and build on the strong improvement in our financial results delivered in the past year and a half.”

## Lecico Revenue and Profitability

Profit and loss statement highlights						
(LE m)	2Q		%	1H		%
	2024	2023	24/23	2024	2023	24/23
Sanitary ware	1,034.4	806.8	128%	1,922.2	1,594.8	121%
Tiles	396.2	298.5	133%	790.5	656.7	120%
Brassware	115.2	79.2	145%	221.9	149.7	148%
<b>Sales</b>	<b>1,545.8</b>	<b>1,184.5</b>	<b>131%</b>	<b>2,934.6</b>	<b>2,401.2</b>	<b>122%</b>
Sanitary ware/sales (%)	66.9%	68.1%	(1.2%)	65.5%	66.4%	(0.9%)
Cost of sales	(1,089.0)	(771.5)	141%	(2,042.1)	(1,519.1)	134%
Cost of sales/sales (%)	(70.4%)	(65.1%)	5.3%	(69.6%)	(63.3%)	6.3%
<b>Gross profit</b>	<b>456.8</b>	<b>413.0</b>	<b>111%</b>	<b>892.6</b>	<b>882.1</b>	<b>101%</b>
Gross profit margin (%)	29.6%	34.9%	(5.3%)	30.4%	36.7%	(6.3%)
Distribution and administration (D&A)	(152.8)	(124.3)	123%	(280.3)	(242.7)	115%
D&A/sales (%)	(9.9%)	(10.5%)	(0.6%)	(9.6%)	(10.1%)	(0.6%)
Net other operating income/ (expense)	(2.6)	(14.1)	18%	10.8	(58.5)	-
Net other operating income/ (expense) sales (%)	(0.2%)	(1.2%)	(1.0%)	0.4%	(2.4%)	-
<b>EBIT</b>	<b>301.4</b>	<b>274.6</b>	<b>110%</b>	<b>623.1</b>	<b>580.9</b>	<b>107%</b>
EBIT margin (%)	19.5%	23.2%	(3.7%)	21.2%	24.2%	(3.0%)
<b>Net profit (loss)</b>	<b>150.4</b>	<b>167.9</b>	<b>90%</b>	<b>627.9</b>	<b>256.9</b>	<b>244%</b>
Net profit margin (%)	9.7%	14.2%	(4.4%)	21.4%	10.7%	10.7%

### 2Q 2024: Strong core operations result despite slow trading season

Lecico reported growth in revenues and profits from operations despite a significant reduction in sanitary ware production and sales volumes as price growth on the back of increases and the effect of devaluation offset the drop in margins as a result of the corresponding loss of economies of scale. Volumes were affected by significant holiday disruption as Ramadan and both Eid holidays fell into the second quarter this year and domestic consumption also suffered from a drop in demand following the devaluation in March.

Lecico revenues for the second quarter increased by 31% year-on-year to reach LE 1,545.8 million (2Q 2023: LE 1,184.5 million) with higher prices driving up revenues in all segments. Local revenues were up 21% year-on-year to reach LE 550 million (2Q 2023: LE 454.3 million) and exports revenues were up 36% year-on-year to reach LE 995.8 million (2Q 2023: LE 730.2 million).

Quarter-on-quarter revenues increased 11% (1Q 2024: LE 1,388.8 million). Local revenues decreased 17% quarter-on-quarter to reach LE 550 million (1Q 2024: LE 661.6 million) and exports increased 37% quarter-on-quarter to reach LE 995.8 million (1Q 2024: LE 727.3 million).

Lecico's cost of goods sold increased by 41% year-on-year to LE 1,089 million (2Q 2023: LE 771.5 million) on the back of lower production volumes and a weaker Egyptian Pound.

Quarter-on-quarter Lecico's cost of goods sold increased by 14% (1Q 2024: LE 953.1 million) on the back of lower production volumes and the impact of the devaluation of the Egyptian Pound at the end of the first quarter.

Lecico's gross profit for the second quarter increased 11% year-on-year to LE 456.8 million (2Q 2023: LE 413 million) Lecico's gross profit margin decreased 5.3 percentage points to 29.6% compared to 34.9% in the same period last year.

Quarter-on-quarter gross profit increased by 5% (1Q 2024: LE 435.8 million), but Lecico's gross margin decreased 1.8 percentage points (1Q 2024: 31.4%).

In absolute terms, distribution and administration (D&A) expenses increased by 23% to LE 152.8 million (2Q 2023: LE 124.3 million), but proportional D&A expenses were down by 0.6 percentage points to 9.9% (2Q 2023: 10.5%).

Quarter-on-quarter distribution and administration (D&A) expenses increased by 20% (1Q 2024: LE 127.4 million) and proportional D&A expenses were up by 0.7 percentage points (1Q 2024: 9.2%).

Lecico reported LE 2.6 million in net other operating expenses compared to net other operating expenses of LE 14.1 million in the same period last year.

Quarter-on-quarter Lecico reported LE 2.6 million in net other operating expenses compared to net other operating income of LE 13.4 million in 1Q 2024.

Lecico's EBIT profit for the second quarter increased 10% year-on-year to LE 301.4 million (2Q 2023: LE 274.6 million). Lecico's EBIT margin decreased 3.7 percentage points to 19.5% compared to 23.2% in the same period last year.

Quarter-on-quarter Lecico's EBIT profit decreased 6% (1Q 2024: LE 321.7 million) and the EBIT margin decreased 3.7 percentage points (1Q 2024: 23.2%).

Lecico reported LE 78.6 million in net financing expenses compared to net financing expenses of LE 39.9 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.

Lecico reported a net tax charge of LE 61.7 million in the second quarter versus tax charge LE 60.1 million in the same period last year.

Lecico's net profit for the second quarter decreased 10% year-on-year to LE 150.4 million (2Q 2023: LE 167.9 million). Lecico's net margin decreased 4.4 percentage points to 9.7% compared to 14.2% in the same period last year.

Quarter-on-quarter, Lecico's net profit decreased by 69% (1Q 2024: LE 477.5 million) and its net margin decreased by 24.7 percentage point (1Q 2024: 34.4%). The decrease in the net profit quarter-on-quarter was due the first quarter benefitting from exceptional financial gains due the devaluation of the Egyptian Pound.

**1H 2024: A strong first half on the back of devaluation-led price increases**

Lecico revenues for the first half increased by 22% year-on-year to LE 2,934.6 million (1H 2023: LE 2,401.2 million) due to the increase in sales in all segments.

Lecico's cost of goods sold was up 34% year-on-year to LE 2,042.1 million (1H 2023: LE 1,519.1 million).

Gross profit increased by 1% to reach LE 892.6 million (1H 2023: LE 882.1 million), but the Company's gross profit margin was down 6.3 percentage points to 30.4% compared to 36.7% in the same period last year.

In absolute terms, distribution and administration (D&A) expenses increased by 15% to LE 280.3 million (1H 2023: LE 242.7 million), but proportional D&A expenses were down by 0.6 percentage points to 9.6% (1H 2023: 10.1%).

Lecico reported LE 10.8 million in net other operating income compared to net other operating expenses of LE 58.5 million in the same period last year. The higher other operating expense in the first half of 2023 is primarily due to exceptional provisions.

Lecico reported an EBIT profit of LE 623.1 million for the first half compared to an EBIT profit of LE 580.9 million in the same period last year.

During the first half, Lecico reported LE 206.8 million in net financing income compared to LE 169.1 million net financing expenses in the same period last year. This increase in financing income is due to an exceptional gain of LE 149.5 million from swapping excess foreign currency into Egyptian Pounds through GDRs and exceptional exchange gains in Egypt of LE 212 million following the devaluation of the Pound in March.

Lecico reported net tax charge of LE 182.4 million versus a tax charge of LE 146.6 million in the same period last year.

Lecico reported net profit of LE 627.9 million compared to net profit of LE 256.9 million in the same period last year.

## Segmental analysis

### Sanitary ware

**2Q:** Sanitary ware sales volumes decreased by 21% (down 213,484 pieces). Local sales volumes decreased by 48% (down 108,975 pieces), export sales volumes decreased by 13% (down 102,815 pieces) and Lebanon sales volumes decreased by 17% (down 1,694 pieces).

Quarter-on-quarter total sales volumes decreased by 21% (down 293,398 pieces). Local volumes decreased 61% (down 119,882 pieces), export sales volumes decreased 5% (down 172,231 pieces) but sales in Lebanon increased 12% (up 1,286 pieces).

Average sanitary ware prices increased by 62% year-on-year at LE 1,272 per piece (2Q 2023: LE 785.8) 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 selling prices increased by 47% (1Q 2024: LE 866.5) primarily because of the impact of the devaluation on export prices in March.

Revenues were up 28% year-on-year at LE 1,034.4 million (2Q 2023: LE 806.8 million). Quarter-on-quarter revenues were up 17% (1Q 2024: LE 887.7 million).

Average cost of sales per piece increased by 78% year-on-year at LE 871.5 per piece, as production was reduced by 13% and costs were inflated primarily on the back of significant inflation locally and the impact of devaluation on imported costs.

Quarter-on-quarter, the average cost of sales per piece increased 48% (1Q 2024: LE 588.2 per piece) as production was reduced by 13% and costs were inflated by the devaluation of the Egyptian Pound in March of this year.

Gross profit increased 7% to LE 325.7 million (2Q 2023: LE 305.3 million), but the gross margin was down 6.4 percentage points to 31.5% (2Q 2023: 37.8%).

Quarter-on-quarter gross profit increased by 14% (1Q 2024: LE 285.1 million), but the gross margin decreased by 0.6 percentage points (1Q 2024: 32.1%).

Sanitary ware segmental analysis	2Q		%	1H		%
	2024	2023		2024	2023	
Sanitary ware volumes (000 pcs)						
Egypt (000 pcs)	117	226	52%	413	532	77%
Lebanon (000 pcs)	8	10	83%	16	17	93%
Export (000 pcs)	688	791	87%	1,409	1,581	89%
<b>Total sanitary ware volumes (000 pcs)</b>	<b>813</b>	<b>1,027</b>	<b>79%</b>	<b>1,838</b>	<b>2,131</b>	<b>86%</b>
Exports/total sales volume (%)	84.6%	77.0%	7.6%	76.7%	74.2%	2.5%
<b>Sanitary ware revenue (LE m)</b>	<b>1,034.4</b>	<b>806.8</b>	<b>128%</b>	<b>1,922.2</b>	<b>1,594.8</b>	<b>121%</b>
Average selling price (LE/pc)	1,272.0	785.8	162%	1,045.9	748.3	140%
Average cost per piece (LE/pc)	871.5	488.4	178%	713.6	449.4	159%
Sanitary ware cost of sales	(708.7)	(501.5)	141%	(1,311.3)	(957.8)	137%
<b>Sanitary ware gross profit</b>	<b>325.7</b>	<b>305.3</b>	<b>107%</b>	<b>610.8</b>	<b>637.0</b>	<b>96%</b>
Sanitary ware gross profit margin (%)	31.5%	37.8%	(6.4%)	31.8%	39.9%	(8.2%)

**1H:** Sanitary ware sales volume decreased by 14% to 1.8 million pieces (down 293,398 pieces). Egyptian volumes decreased 23% (down 119,882 pieces), export volumes decreased 11% (down 172,231 pieces) and sales in Lebanon decreased by 7% (down 1,286 pieces).

Average sanitary ware prices were up 40% year-on-year to LE 1,045.9 per piece (1H 2023: LE 748.3) because of price increases and the devaluation of the Egyptian Pound.

Revenues were up 21% year-on-year at LE 1,922.2 million (1H 2023: LE 1,594.8 million).

Average cost of sales increased 59% at LE 713.6 per piece, as production was reduced by 38% and costs were inflated primarily on the back of significant inflation locally and the impact of devaluation on imported costs.

Gross profit decreased 4% to LE 610.8 million (1H 2023: LE 637 million), but the margin down 8.2 percentage points to 31.8% (1H 2023: 39.9%).

## Tiles

**2Q:** Tile sales volumes increased 5% year-on-year (up 200,412 square meters) to reach 4.4 million square meters. Local sales volumes increased 12% (up 410,480 square meters), but export sales decreased 29% (down 180,729 square meters) and Lebanon sales volumes decreased 34% (down 29,339 square meters).

Quarter-on-quarter sales volumes decreased 15% (down 218,335 square meters). Local volumes decreased 19% (down 319,010 square meters), but export volumes increased 41% (up 461,795 square meters) and Lebanon volumes increased 44% (up 75,550 square meters).

Average net prices per square meter increased by 27% year-on-year at LE 89.8 per meter (2Q 2023: LE 70.8) because of price increases locally and the impact of the devaluation on export prices. Quarter-on-quarter average prices increased by 19% (1Q 2024: LE 75.7).

Tile revenues were up 33% year-on-year at LE 396.2 million (2Q 2023: LE 298.5 million). Quarter-on-quarter revenues were up 0.5% (1Q 2024: LE 394.4 million).

Average cost of sales per square meter increased by 43% year-on-year to reach LE 74.9 (2Q 2023: LE 52.3 per square meter). Tile production was down 4% compared to the same period last year.

Quarter-on-quarter average costs per square meter increased by 29% (1Q 2024: LE 58.1). Tile production decreased by 8% quarter-on-quarter.

Gross profit for the quarter decreased 16% to reach LE 65.4 million (2Q 2023: LE 78 million). Gross margin decreased by 9.6 percentage points to 16.5% (2Q 2023: 26.1%).

Quarter-on-quarter gross profit decreased by 29% (1Q 2024: LE 91.5 million) and the margin down 6.7 percentage points to 16.5% (1Q 2024: 23.2%).

Tile segmental analysis	2Q		%	1H		%
	2024	2023		2024	2023	
Tile volumes (000 sqm)						
Egypt (000 sqm)	3,919	3,509	112%	8,780	8,461	104%
Lebanon (000 sqm)	58	87	66%	98	173	56%
Export (000 sqm)	436	617	71%	746	1,208	62%
<b>Total tile volumes (000 sqm)</b>	<b>4,413</b>	<b>4,213</b>	<b>105%</b>	<b>9,624</b>	<b>9,842</b>	<b>98%</b>
Exports/total sales volume (%)	9.9%	14.6%	(4.8%)	7.8%	12.3%	(4.5%)
<b>Tile revenue (LE m)</b>	<b>396.2</b>	<b>298.5</b>	<b>133%</b>	<b>790.5</b>	<b>656.7</b>	<b>120%</b>
Average selling price (LE/sqm)	89.8	70.8	127%	82.1	66.7	123%
Average cost per sqm (LE/sqm)	74.9	52.3	143%	65.8	48.8	135%
Tile cost of sales	(330.7)	(220.4)	150%	(633.6)	(480.6)	132%
<b>Tile gross profit</b>	<b>65.4</b>	<b>78.0</b>	<b>84%</b>	<b>157.0</b>	<b>176.1</b>	<b>89%</b>
Tile gross profit margin (%)	16.5%	26.1%	(9.6%)	19.9%	26.8%	(7.0%)

**1H:** Tile sales volumes decreased by 2% year-on-year (down 218,335 square meters) to reach 9.6 million square meters. Sales in Egypt increased 4% (up 319,010 square meters), but export sales decreased by 38% (down 461,795 square meters) and Lebanon sales decreased by 44% (down 75,550 square meters).

Tiles revenues increased 20% year-on-year at LE 790.5 million in the first half of 2024 (1H 2023: LE 656.7 million).

Average net prices rose 23% to LE 82.1 per square meter compared to LE 66.7 in the same period last year.

Average costs increased 35% year-on-year to reach LE 65.8 per square meter due to cost cutting measures in Egypt offsetting the impact of inflation and devaluation. Production volume was 3% lower than the same period in 2023.

Gross profit decreased 11% to reach LE 157 million (1H 2023: LE 176.1 million) and the margin decreased by 7 percentage points to 19.9% (1H 2023: 26.8%).



## Brassware

**2Q:** Sales volumes for the second quarter of 2024 decreased by 34% to reach 43,270 pieces (2Q 2023: 65,237 pieces), although the brassware segment is seeing significant growth, this number is distorted by sales mix with some lower value items having a larger weight in the mix. Quarter-on-quarter sales volumes decreased by 8% (1Q 2024: 46,995 pieces).

Average net prices increased 119% to LE 2,662 compared to LE 1,215 in the same period last year. Quarter-on-quarter average prices increased by 17% (1Q 2024: LE 2,271).

Revenue for the quarter increased 45% year-on-year to reach LE 115.2 million (2Q 2023: LE 79.2 million). Brassware accounted for 7.3% of the quarter's total revenues, compared to 6.7% in the same period last year. Quarter-on-quarter revenues increased by 8% (1Q 2024: LE 106.7 million).

Average cost per piece increased 51% to LE 1,144.5 (2Q 2023: LE 759.9 per piece) reflecting changing mix and inflation from local costs and the devaluation. Quarter-on-quarter average cost per piece increased by 13% (1Q 2024: LE 1,013 per piece).

Gross profit for the quarter increased by 121% year-on-year to reach LE 65.7 million (2Q 2023: LE 29.7 million), and the gross margin increased by 19.6 percentage points to 57% (2Q 2023: 37.4%). Brassware accounted for 14.4% of the quarter's total gross profits compared to 7.2% in the same period last year.

Quarter-on-quarter gross profit increased by 11% (1Q 2024: LE 59.1 million) and the gross margin increased 1.6 percentage points (1Q 2024: 55.4%). Brassware accounted for 13.6% of total gross profits in 1Q 2024.

Brassware segmental analysis	2Q		%	1H		%
	2024	2023		2024	2023	
Brassware volumes ( pcs)						
Egypt ( pcs)	42,867	65,237	66%	89,862	116,633	77%
Export ( pcs)	403	-	0%	403	-	-
<b>Total brassware volumes ( pcs)</b>	<b>43,270</b>	<b>65,237</b>	<b>66%</b>	<b>90,265</b>	<b>116,633</b>	<b>77%</b>
Exports/total sales volume (%)	0.9%	0.0%	0.9%	0.4%	0.0%	0.4%
<b>Brassware revenue (LE m)</b>	<b>115.2</b>	<b>79.2</b>	<b>145%</b>	<b>221.9</b>	<b>149.7</b>	<b>148%</b>
Average selling price (LE/pc)	2,662	1,215	219%	2,458	1,283	192%
Average cost per piece (LE/pc)	1,144.5	759.9	151%	1,076	692	155%
Brassware cost of sales	(49.5)	(49.6)	100%	(97.1)	(80.7)	120%
<b>Brassware ware gross profit</b>	<b>65.7</b>	<b>29.7</b>	<b>221%</b>	<b>124.8</b>	<b>69.0</b>	<b>181%</b>
Brassware gross profit margin (%)	57.0%	37.4%	19.6%	56.2%	46.1%	10.2%

**1H:** Sales volumes for first half of 2024 decreased by 23% year-on-year (down 26,368 pieces)

Average net prices increased 92% to reach LE 2,458 per piece and revenues increased 48% year-on-year to reach LE 221.9 million (1H 2023: LE 149.7 million).

Brassware's percentage of total consolidated revenues was 7.5% (1H 2023: 6.2% of sales).

Average cost per piece increased 55% to LE 1,076 per piece (1H 2023: LE 692 per piece) reflecting changing mix.

Gross profit increased 81% to LE 124.8 million (1H 2023: LE 69 million) and the margin increased 10.2 percentage points to 56.2% (1H 2023: 46.1%).

Brassware's percentage of total consolidated gross profits increased to 14% (1H 2023: 7.8%) 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 6% at the end of June 30, 2024, to reach LE 2,364.9 million (2023: LE 2,222.4 million)

Total Equity increased 33% at the end of June 30, 2024, to reach LE 2,904.6 million (2023: LE 2,185.5 million).

The value of Lecico's current assets increased by 28% at the end of June 30, 2024, to reach LE 4,145.7 million (2023: LE 3,233 million) as cash, receivables and inventories of finished goods and materials increased because of the impact of the devaluation of the Egyptian Pound and continued inflation on both selling and cost prices.

Total liabilities increased by 10% to reach LE 3,507.2 million (2023: LE 3,193.6 million) due to the increase in trade and other payables.

Gross debt decreased 11% or LE 159 million to reach LE 1,245.4 million compared to LE 1,404.5 million at the end of 2023.

Net debt decreased 20% or LE 193.9 million to reach LE 754.3 million compared to LE 948.3 million at the end of 2023.

Net debt to equity at the end of June 2024 reached 0.26x compared to 0.43x at the end of 2023.

Working capital increased 27% or LE 458.5 million to reach LE 2,129.4 million compared to LE 1,670.9 million at the end of 2023.

## Recent developments and outlook

**Outlook for 3Q and the rest of 2024:** After a weak trading quarter affected by holidays and the devaluation in Egypt, Lecico is hoping to see some growth from 2Q volumes in the second half of the year.

Lecico hopes that the second half of the year will start to see interest rates come down and hopes the beginning of a recovery in demand in European markets towards the end of this year. The Company also hopes that currency availability and stability in Egypt will also encourage spending later in the year although this must be balanced against the government's ambition to limit spending and their large role in the new build segment in the past few years.

Inflation will continue to put pressure on margins with Lecico annual salary increases adding to the pressure in the second half. The management will work to push through a price increase in the local market in the 3rd quarter to help preserve margins.

**Accounting changes in 2024 will move expenses from Overheads to COGs:** In order to streamline cost and margin analysis and unify treatment of different transport costs, Lecico now reports all transport costs for goods and materials in COGs. The effect of this change is to add about 4% to COGs, reducing the gross margin by about 3 percentage points. A similar value is removed from SG&A, reducing overheads. Our operating profit and margin are not changed by this new treatment. We have restated comparative figures for 2023 for the same treatment.

**Lecico Lebanon update:** In 1Q 2023, Lecico Lebanon management has switched to hyper-inflation accounting using IAS 21 and IAS 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.

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 IAS 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.

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## **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)	2Q		%	1H		%
	2024	2023	24/23	2024	2023	24/23
<b>Sales</b>	<b>1,545.8</b>	<b>1,184.5</b>	<b>131%</b>	<b>2,934.6</b>	<b>2,401.2</b>	<b>122%</b>
Cost of sales	(1,089.0)	(771.5)	141%	(2,042.1)	(1,519.1)	134%
<b>Gross profit</b>	<b>456.8</b>	<b>413.0</b>	<b>111%</b>	<b>892.6</b>	<b>882.1</b>	<b>101%</b>
Gross margin (%)	29.6%	34.9%	(5.3%)	30.4%	36.7%	(6.3%)
Distribution expenses	(43.8)	(46.3)	95%	(75.0)	(93.0)	81%
Administrative expenses	(109.1)	(78.0)	140%	(205.2)	(149.7)	137%
Other Operating income	44.4	32.3	137%	101.2	65.7	154%
Other Operating expenses	(46.9)	(46.5)	101%	(90.4)	(124.1)	73%
<b>Operating profit (EBIT)</b>	<b>301.4</b>	<b>274.6</b>	<b>110%</b>	<b>623.1</b>	<b>580.9</b>	<b>107%</b>
Operating (EBIT) margin (%)	19.5%	23.2%	(3.7%)	21.2%	24.2%	(3.0%)
Finance income	4.6	-	-	359.5	-	-
Finance expense	(83.2)	(39.9)	209%	(152.7)	(169.1)	90%
<b>Profit before tax and minority margin (%)</b>	<b>222.8</b>	<b>234.7</b>	<b>95%</b>	<b>829.8</b>	<b>411.8</b>	<b>202%</b>
margin (%)	14.4%	19.8%	(5.4%)	28.3%	17.1%	11.1%
Income tax	(64.2)	(60.0)	107%	(190.8)	(146.3)	130%
Deferred tax	2.4	(0.1)	-	8.4	(0.4)	-
<b>Net profit after tax</b>	<b>161.0</b>	<b>174.6</b>	<b>92%</b>	<b>647.4</b>	<b>265.2</b>	<b>244%</b>
margin (%)	10.4%	14.7%	(4.3%)	22.1%	11.0%	11.0%
Minority interest	(10.7)	(6.7)	158%	(19.5)	(8.3)	236%
<b>Net profit</b>	<b>150.4</b>	<b>167.9</b>	<b>90%</b>	<b>627.9</b>	<b>256.9</b>	<b>244%</b>
Net profit margin (%)	9.7%	14.2%	(4.4%)	21.4%	10.7%	10.7%

## Lecico Egypt Consolidated Balance Sheet

Balance Sheet (LE m)	30-Jun-24	31-Dec-23	24/23 (%)
Cash and cash equivalents	491.1	456.3	108%
Inventory	2,137.8	1597.0	134%
Trades and other receivables	1516.9	1179.8	129%
<b>Total current assets</b>	<b>4,145.7</b>	<b>3,233.0</b>	<b>128%</b>
Property, plant & equipment	2,201.8	2,159.2	102%
Intangible assets	24.0	15.9	151%
Projects under construction	138.7	47.0	295%
Investment in subsidiaries & Other investment	0.021	0.021	100%
Notes receivable	0.4	0.4	102%
<b>Total non-current assets</b>	<b>2,364.9</b>	<b>2,222.4</b>	<b>106%</b>
<b>Total assets</b>	<b>6,510.6</b>	<b>5,455.4</b>	<b>119%</b>
Banks credit facilities	1,244.4	1,387.5	90%
Loans due within a year	36.8	34.0	109%
Trade and creditors	837.9	500.5	167%
Other current payable	689.4	605.4	114%
Provisions	119.3	108.1	110%
<b>Total current liabilities</b>	<b>2,927.9</b>	<b>2,635.3</b>	<b>111%</b>
Long-term loans	0.0	0.2	0%
Non-current portion of lease liabilities	111.8	85.0	132%
Provisions	18.9	14.4	131%
Deferred tax liabilities	115.9	123.5	94%
Long term notes payables	332.7	335.2	99%
<b>Total non-current liabilities</b>	<b>579.3</b>	<b>558.3</b>	<b>104%</b>
<b>Total liabilities</b>	<b>3,507.2</b>	<b>3,193.6</b>	<b>110%</b>
<b>Non-controlling interest</b>	<b>98.8</b>	<b>76.3</b>	<b>129%</b>
Share capital	400.0	400.0	100%
Reserves	1,826.7	1,735.4	105%
Treasury shares	0.0	(25.4)	0%
Retained earnings	678.0	75.5	898%
<b>Total equity</b>	<b>2,904.6</b>	<b>2,185.5</b>	<b>133%</b>
<b>Total equity, non-controlling interest and liabilities</b>	<b>6,510.6</b>	<b>5,455.4</b>	<b>119%</b>

## Lecico Egypt Consolidated Cash Flow

Cash flow statement (LE m)	1H	
	2024	2023
<b>Cash Flow from operating activities</b>		
Net Profit for the period before tax	829.8	411.8
Fixed assets depreciation	82.6	56.0
Intangible assets amortization	1.7	1.1
Leases interest expense	8.8	2.0
Interest expenses	143.8	105.4
Net income through profit or loss	(149.5)	
Capital gains (loss)	-	(2.4)
Change in translation reserve and foreign currency differences	122.3	(259.2)
<b>Gain from operating</b>	<b>1,039.6</b>	<b>314.7</b>
Change in Inventory	(610.1)	(499.2)
Change in trade, notes and other receivables	(341.8)	(133.5)
Change in trade, notes and other payables	405.2	98.8
Change in Provisions	13.9	15.0
	<b>506.8</b>	<b>(204.2)</b>
Income tax paid	(176.3)	(33.9)
Finance expenses paid	(152.7)	(107.4)
<b>Net cash from operating activities</b>	<b>177.9</b>	<b>(345.5)</b>
<b>Cash flow from investing activities</b>		
Payments for acquisition of property, plant & equipment	(123.1)	(74.9)
Payments for the purchase of securities	(156.5)	
Proceeds for sale securities	306.0	
Payments for acquisition of intangible assets	(1.2)	
Proceeds from sale of property, plant and equipment	-	2.4
<b>Net cash (used in) investing activities</b>	<b>25.2</b>	<b>(72.5)</b>
<b>Cash flow from financing activities</b>		
Payments of loans	(9.5)	(18.8)
Payment for leased liabilities	(15.7)	(8.8)
Payments for acquisition of treasury stock	-	(25.4)
Net proceeds from banks credit facilities	(143.1)	284.1
<b>Net cash provided from financing activities</b>	<b>(168.3)</b>	<b>231.1</b>
<b>Net change in cash &amp; cash equivalent during the period</b>	<b>34.8</b>	<b>(186.9)</b>
Cash and cash equivalent at beginning of the period	456.3	468.0
Time deposits	-	30.0
<b>Cash and cash equivalent at the end of the period</b>	<b>491.1</b>	<b>311.1</b>